



**National Australia Bank Limited (ABN 12 004 044 937)**

*(incorporated with limited liability in the Commonwealth of Australia)*

**US\$20 billion nab Covered Bond Programme**

**unconditionally and irrevocably guaranteed as to payments of interest and principal by  
Perpetual Corporate Trust Limited (ABN 99 000 341 533)**

*(incorporated with limited liability in the Commonwealth of Australia)*

**as trustee of the nab Covered Bond Trust and Covered Bond Guarantor**

Under the US\$20 billion nab Covered Bond Programme (the **Programme**) established by National Australia Bank Limited (**nab** and the **Issuer**) on the Programme Date, the Issuer may from time to time issue bonds (the **Covered Bonds**) denominated in any currency agreed between the Issuer and the relevant Dealer(s) (as defined below). The price and amount of the Covered Bonds to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions. Any Covered Bonds issued under the Programme on or after the date of this **Prospectus** are issued subject to the provisions described herein and in any supplement thereto.

Perpetual Corporate Trust Limited in its capacity as trustee of the nab Covered Bond Trust (the **Covered Bond Guarantor**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Mortgage Loans and the Related Security (as defined below) and its other assets. Recourse against the Covered Bond Guarantor under its guarantee, except in limited circumstances, is limited to the extent of the Covered Bond Guarantor's right of indemnity from the assets of the nab Covered Bond Trust (the **Trust**).

Covered Bonds may be issued in bearer or registered form. The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed US\$20 billion (or its equivalent in other currencies calculated by reference to the spot rate for the sale of U.S. dollars against the purchase of such currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on the relevant date of the agreement (or the preceding day on which commercial banks and foreign exchange markets are open for business in London) to issue between the Issuer and the relevant Dealer(s) (as defined below)), subject to increase as described in the Programme Agreement.

The Covered Bonds may be issued on a continuing basis to nab and any additional Dealer appointed under the Programme from time to time by the Issuer (each, a **Dealer** and together, the **Dealers**), which appointment may be to a specific issue or on an ongoing basis. References in this Prospectus to the **relevant Dealers** will, in the case of an issue of Covered Bonds being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Covered Bonds.

**See the section entitled "Risk Factors" in this Prospectus for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.**

This Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive – Directive 2003/71/EC (the **Prospectus Directive**) as amended (which includes the amendments made by Directive 2010/73/EU (the **2010 PD Amending Directive**) to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area). Application has been made by the Issuer to the *Commission de surveillance du secteur financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) (the **Competent Authority**) to approve this Prospectus. The CSSF assumes no responsibility as to the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer in accordance with Article 7(7) of the Luxembourg Law dated 10th July 2005 on prospectuses for securities. Application has also been made to the Luxembourg Stock Exchange for Covered Bonds issued under the Programme to be admitted to the official list (the **Official List**) and traded on the Regulated Market of the Luxembourg Stock Exchange in accordance with the Prospectus Directive. Admission to the Official List together with admission to the Regulated Market of the Luxembourg Stock Exchange constitutes official listing on the Luxembourg Stock Exchange. References in this Prospectus to Covered Bonds being "listed" (and all related references) will mean that such Covered Bonds have been admitted to trading on the regulated market of the Luxembourg Stock Exchange and have been admitted to the Official List. Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and certain other information which is applicable to each Tranche (as defined under "*Conditions of the Covered Bonds*") of Covered Bonds will be set out in a separate document containing the final terms for that Series (**Final Terms**) which, with respect to Covered Bonds to be admitted to the Official List and admitted to trading by the Luxembourg Stock Exchange, will be delivered to the Competent Authority and the Luxembourg Stock Exchange on or before the date of issue of such Series of Covered Bonds.

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or regulated or unregulated markets as may be agreed between the Issuer, the Covered Bond Guarantor, the Bond Trustee (as defined below) and the relevant Dealer(s). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market. Perpetual Corporate Trust Limited and P.T. Limited (in its capacity as trustee of the Security Trust, the **Security Trustee**) have not made or authorised the application to admit Covered Bonds issued under the Programme to the official list of the Luxembourg Stock Exchange or to admit the Covered Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange.

The Covered Bonds and the Covered Bond Guarantee (as defined below) have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or under any securities laws of any state or other jurisdiction of the United States and may not be offered or sold, pledged or otherwise transferred except (1) in accordance with Rule 144A under the Securities Act (**Rule 144A**) to a person that the holder and any person acting on its behalf reasonably believes is a "qualified institutional buyer" (as defined in Rule 144A) (each a **QIB**) that is acquiring the Covered Bonds for its own account or for the account of one or more QIBs, (2) in an offshore transaction to non-U.S. persons in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act (**Regulation S**) or (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder, if available, in each case in accordance with any applicable securities laws of any state of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Covered Bonds. See "*Form of the Covered Bonds*" for a description of the manner in which Covered Bonds will be issued. Covered Bonds are subject to certain restrictions on transfer, see "*Subscription and Sale and Transfer and Selling Restrictions*". Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Issuer and the Covered Bond Guarantor may agree with any Dealer and the Bond Trustee that Covered Bonds may be issued in a form not contemplated by the Conditions of the Covered Bonds herein, in which event (in the case of Covered Bonds admitted to the Official List only) a supplement to the Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds.

The Covered Bonds issued under the Programme are expected on issue to be assigned an "Aaa" rating by Moody's Investor Services Pty Ltd (**Moody's**) and an "AAA" rating by Fitch Australia Pty Ltd (**Fitch** and, together with Moody's, the **Rating Agencies**). The rating of certain Series or Tranches of Covered Bonds to be issued under the Programme may be specified in the Applicable Final Terms. Neither of the Rating Agencies is established in the European Union and neither of the Rating Agencies has applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) however their credit ratings are endorsed on an ongoing basis by Moody's Investor Services Limited and Fitch Ratings Limited, respectively, pursuant to and in accordance with the CRA Regulation. Moody's Investor Services Limited and Fitch Ratings Limited are established in the European Union and registered under the CRA Regulation. References in this Prospectus to Moody's and/or Fitch shall be construed accordingly. As such each of Moody's Investor Services Limited and Fitch Ratings Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation (on [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)). The European Securities and Markets Authority has indicated that ratings issued in Australia which have been endorsed by Moody's Investor Services Limited and Fitch Ratings Limited may be used in the EU by the relevant market participants. The ratings of certain Series or Tranches of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. Please also refer to "*Ratings of the Covered Bonds*" in the "*Risk Factors*" section of this Prospectus. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

**National Australia Bank Limited**

**Deutsche Bank**

**Co-Arrangers for the Programme**

**National Australia Bank Limited**

**nabSecurities, LLC**

**Deutsche Bank**

**Barclays**

**BofA Merrill Lynch**

**Citigroup**

**Goldman Sachs International**

**Goldman Sachs & Co**

**HSBC**

**J.P. Morgan**

**Morgan Stanley**

**RBC Capital Markets**

**The Royal Bank of Scotland plc**

**Dealers for the Programme**

The date of this Prospectus is 23 November 2012

**This Prospectus has been approved by the Competent Authority as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive). This Prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision or order under the Securities Act.**

**The Issuer accepts responsibility for the information contained in this Prospectus (the Prospectus), the Final Terms for each Tranche of Covered Bonds issued under the Programme and any document incorporated by reference into this Prospectus in relation to nab. The Covered Bond Guarantor only accepts responsibility for the information contained in the section entitled "*The nab Covered Bond Trust – Perpetual Corporate Trust Limited*" of this Prospectus. To the best of the knowledge and belief of the Issuer and the Covered Bond Guarantor, only in relation to the information for which it is responsible, (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in the document) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.**

**Copies of each set of Final Terms and supplements thereto (in the case of Covered Bonds to be admitted to the Official List) will be available from the registered office of the Issuer and (in the case of Covered Bonds to be admitted to the Official List, to listing on any other regulated or unregulated market or stock exchange and also all unlisted Covered Bonds) from the specified office set out below of each of the Paying Agents (as defined below).**

**This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Prospectus must, save as specified herein, be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.**

**The information contained in this Prospectus was obtained from the Issuer and other sources (identified in this Prospectus), but no assurance can be given by any other party to the Programme Documents (in respect of information obtained from the Issuer) as to the accuracy or completeness of this information. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any party to the Programme Documents (other than in respect of the information for which it accepts responsibility as indicated above) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by a party to the Programme Documents in connection with the Programme. None of the parties to the Programme Documents (other than in respect of the information for which it accepts responsibility as indicated above) accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Programme.**

**No person is or has been authorised by any party to the Programme Documents to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by such party.**

**Neither this Prospectus nor any other information supplied in connection with the Programme or any Covered Bonds (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by any party to the Programme Documents that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered**

**Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Covered Bond Guarantor. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of any party to the Programme Documents to any person to subscribe for or to purchase any Covered Bonds.**

**Neither the delivery of this Prospectus nor the offering, sale or delivery of any Covered Bonds will in any circumstances imply that the information contained herein concerning the Issuer and/or the Covered Bond Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. All parties to the Programme Documents (other than the Issuer and the Covered Bond Guarantor) expressly do not undertake to review the financial condition or affairs of the Issuer or the Covered Bond Guarantor during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Covered Bonds.**

**TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230 (CIRCULAR 230), COVERED BONDHOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY COVERED BONDHOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON COVERED BONDHOLDERS UNDER THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"); (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER AND THE DEALERS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER AND THE DEALERS OF THE TRANSACTIONS ADDRESSED HEREIN; AND (C) COVERED BONDHOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act. The Covered Bonds in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. tax regulations and the Securities Act (see "*Subscription and Sale and Transfer and Selling Restrictions*" below). Terms used in this paragraph have the meanings given to them by the Code and the regulations of the U.S. Treasury promulgated thereunder.**

**As set forth in the Applicable Final Terms, the Covered Bonds are being offered and sold (i) in reliance on Rule 144A under the Securities Act (Rule 144A), in each case to "qualified institutional buyers" (as defined in Rule 144A) (QIBs) and/or (ii) in accordance with Regulation S under the Securities Act (Regulation S) to non-US persons in offshore transactions or pursuant to an exemption from registration under the Securities Act. Prospective purchasers are hereby notified that the sellers of the Covered Bonds may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

**This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. No party to the Programme Documents represents that this Prospectus may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any party to the Programme**

Documents which would permit a public offering of any Covered Bonds or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Covered Bonds may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Covered Bonds in Australia, New Zealand, the United States, the European Economic Area (including the United Kingdom, Norway, Sweden and Denmark), Japan, Singapore, and Hong Kong, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Credit ratings in respect of the Covered Bonds or the Issuer are for distribution only to persons who are sophisticated investors, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 of the Corporations Act 2001 of Australia and, in all cases, in such circumstances as may be permitted by acceptable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Prospectus and anyone who receives this Prospectus must not distribute it to any person who is not entitled to receive it.

All references in this document to "Australian Dollar", "AUD" and "A\$" refer to the lawful currency for the time being of Australia, references to "US\$", "U.S. dollars" are to the lawful currency of the United States of America and references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union.

In connection with the issue of any Tranche of Covered Bonds (other than A\$ Registered Covered Bonds), the Dealer or Dealers (if any) named as the stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in the Applicable Final Terms may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or persons acting on behalf of a stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilising manager(s)) in accordance with all applicable laws and rules.

In making an investment decision, investors must rely on their own examination of the Issuer and the Covered Bond Guarantor and the terms of the Covered Bonds being offered, including the merits and risks involved. The Covered Bonds have not been approved or disapproved by the SEC or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Any representation to the contrary is unlawful.

None of the parties to the Programme Documents make any representation to any investor in the Covered Bonds regarding the legality of its investment under any applicable laws. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

## NOTICE TO U.S. INVESTORS

This Prospectus is being provided on a confidential basis in the United States to a limited number of "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**) in connection with the consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Covered Bonds may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Registered Covered Bonds is hereby notified that the offer and sale of any Registered Covered Bonds to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

Each purchaser or holder of Covered Bonds represented by a Rule 144A Global Covered Bond (as defined under "*Form of the Covered Bonds*") or any Covered Bonds issued in registered form in exchange or substitution therefore (together **Legended Covered Bonds**) will be deemed, by its acceptance or purchase of any such Legended Covered Bonds, to have made certain representations and agreements intended to restrict the resale or other transfer of such Covered Bonds as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Covered Bonds*".

Offers and sales of the Covered Bonds in the United States will be made by those Dealer(s) or their affiliates that are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the Exchange Act), or in accordance with Rule 15a-6 thereunder.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act, each of the Issuer and/or the Covered Bond Guarantor, as applicable, has undertaken in the Bond Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer and/or the Covered Bond Guarantor, as applicable, is neither subject to reporting under Section 13 or 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

By requesting copies of any of the documents referred to herein, each potential purchaser of Covered Bonds agrees to keep confidential the various documents and all written information clearly labelled "Confidential" which from time to time have been or will be disclosed to it concerning the Covered Bond Guarantor or the Issuer or any of their affiliates, and agrees not to disclose any portion of the same to any person except in connection with the proposed resale of the Covered Bonds or as required by law.

Notwithstanding anything herein to the contrary, each investor (and each employee, representative or other agent of each investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investor relating to such tax treatment and tax structure (as such terms are defined in United States Treasury Regulations Section 1.6011-4). This authorisation of tax disclosure is retroactively effective to the commencement of discussions between the Issuer, the Co-Arrangers and the Dealers and their respective representatives and a prospective investor regarding the transactions contemplated herein.

### **FORWARD-LOOKING STATEMENTS**

This Prospectus contains various forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of nab and its consolidated subsidiary undertakings (collectively, the **nab Group**) to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the nab Group and its management, are intended to identify such forward-looking statements.

Projections are necessarily speculative in nature, and some or all of the assumptions underlying the projections and other forward-looking statements may not materialize or may vary significantly from actual results. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment in Australia. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Covered Bonds are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer and/or the Covered Bond Guarantor. Neither the Co-Arrangers nor the Dealers have attempted to verify any such statements, nor do they make any representations, express or implied, with respect to such statements.

None of the Co-Arrangers, the Dealers, the Issuer, the Covered Bond Guarantor, the Security Trustee, the Bond Trustee nor any other party to a Programme Document has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date of this Prospectus or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer is a public limited company incorporated in Australia and the Covered Bond Guarantor is a trustee of a trust established in New South Wales. All of the officers and directors named herein reside outside the United States and a substantial portion of the assets of the Issuer, the Covered Bond Guarantor and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside Australia upon the Issuer, the Covered Bond Guarantor or any such persons, or to enforce judgments against them obtained in courts outside Australia predicated upon civil liabilities of the Issuer, the Covered Bond Guarantor or such directors and officers, including any judgment predicated upon United States federal securities laws. There is a doubt as to the enforceability in Australia in original actions or in actions for the enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

## **PRESENTATION OF FINANCIAL AND OPERATING INFORMATION**

Unless otherwise indicated, the financial information incorporated by reference into this Prospectus has been prepared in accordance with International Financial Reporting Standards (**IFRS**).

### **CAPITALISED TERMS**

Capitalised terms used in this Prospectus, unless otherwise indicated, have the meaning set out in this Prospectus. A glossary of defined terms appears at the back of this Prospectus (see *Glossary*).

### **COVERED BONDS MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS**

Each potential investor in the Covered Bonds must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Covered Bonds, the merits and risks of investing in the Covered Bonds and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of the Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Covered Bonds are legal investments for it, (2) Covered Bonds can be used as collateral for various types of borrowing, (3) Covered Bonds can be used as repo-eligible securities and (4) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.



## TABLE OF CONTENTS

|   |     |
|---|-----|
| Notice to U.S. Investors .....  | 6   |
| Notice to New Hampshire Residents.....  | 6   |
| Available Information .....   | 6   |
| Risk Factors .....  | 10  |
| Principal Characteristics of the Programme .....                                      | 56  |
| Structure Overview.....   | 58  |
| General Description of the Programme .....  | 65  |
| Documents Incorporated by Reference .....   | 76  |
| Form of the Covered Bonds .....   | 78  |
| Form of Final Terms in respect of Covered Bonds to be Issued under the Programme..... | 83  |
| Conditions of the Covered Bonds.....  | 95  |
| Use of Proceeds .....   | 147 |
| National Australia Bank Limited.....  | 148 |
| The nab Covered Bond Trust .....  | 156 |
| National Australia Bank Limited Residential Mortgage Loan Origination.....            | 159 |
| Summary of the Principal Documents.....   | 168 |
| Credit Structure .....  | 213 |
| Cashflows .....   | 217 |
| The Mortgage Loan Portfolio.....  | 233 |
| Description of the Covered Bond Provisions of the Australian Banking Act .....        | 234 |
| Book-Entry Clearance Systems .....  | 237 |
| Taxation.....   | 242 |
| Exchange Controls and Limitations .....   | 265 |
| Subscription and Sale and Transfer and Selling Restrictions.....                      | 266 |
| ERISA Considerations .....  | 277 |
| General Information .....   | 279 |
| Glossary.....   | 283 |

## **RISK FACTORS**

*This section describes the principal risk factors associated with an investment in the Covered Bonds. Prospective purchasers of Covered Bonds should consider carefully all the information contained in this document, including the considerations set out below, before making any investment decision. Any of the risks described below, or additional risks not currently known to the Issuer or that the Issuer currently deems immaterial, could have a significant or material adverse effect on the business, financial condition, operations or prospects of the Issuer and could result in a corresponding decline in the value of the Covered Bonds. As a result, investors could lose all or a substantial part of their investment. This section of this Prospectus is divided into four main sections – Risk Factors Related to the Issuer, Risk Factors Related to the Covered Bond Guarantor, Risk Factors Related to the Covered Bonds and General Risk Factors.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme are also described below.*

### **RISK FACTORS RELATED TO THE ISSUER**

The Covered Bonds will constitute direct, unsecured and unconditional obligations of the Issuer. A purchaser of Covered Bonds relies on the creditworthiness of the Issuer and no other person (other than the Covered Bond Guarantor in respect of payments under the Covered Bond Guarantee). Investment in the Covered Bonds involves the risk that subsequent changes in actual or perceived creditworthiness of the Issuer may adversely affect the market value of the Covered Bonds.

#### ***The Issuer liable to make payments when due on the Covered Bonds***

The Issuer will be liable to make payments when due on the Covered Bonds issued by it. The obligations of the Issuer under the Covered Bonds will be direct, unsecured, unsubordinated and unconditional obligations, ranking *pari passu* (without any preference amongst themselves) and (subject to applicable law and any applicable statutory provisions) equally with all other present and future direct, unsecured, unconditional and unsubordinated obligations (save for any obligations to be preferred by law). The Covered Bonds do not constitute deposit liabilities of the Issuer, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Australian Banking Act (or of the Financial Claims Scheme) and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party. If the Issuer becomes unable to meet its obligations or suspends payment its assets in Australia are to be available to meet its indebtedness evidenced by the Covered Bonds only after the liabilities referred to in Section 13A(3)(a)-(e) of the Australian Banking Act have been met. The Australian Banking Act provides that the Issuer's assets in Australia for these purposes do not include the assets in a Cover Pool.

#### ***Risks related to the business of the Issuer***

There are a number of risk factors which arise directly from the operations of the Issuer as a major participant in the banking and financial services industry and from the specific structure of the Issuer. The financial performance and position of the Issuer have been, and the Issuer's future financial performance and position may continue to be, affected by these factors. The key categories of these risks are set out below.

##### ***Credit risk***

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to the Issuer in accordance with agreed terms. Bank lending activities account for most of the Issuer's credit risk, however, other sources of credit risk also exist throughout the activities of the Issuer. These activities include the banking book, the trading book, and other financial instruments and loans (including but not limited to acceptances, placements, inter-bank transactions, trade financing, foreign exchange transactions, swaps,

bonds and options), as well as in the extension of commitments and guarantees and the settlement of transactions.

The portfolio of credit risk is large and diverse. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause, and have caused, counterparties and customers (especially those concentrated in areas experiencing less favourable business or economic conditions) to experience an adverse financial situation. This could thereby expose the Issuer to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. Major sub-segments within the Issuer's portfolio include residential loan borrowers and commercial real estate borrowers. A significant downturn in the housing markets and/or the commercial real estate markets in any of the economies in which the major businesses of the Issuer operate (or a continuation of, or further deterioration in, the significant downturn currently being experienced in the United Kingdom, particularly in the commercial real estate market) could have an adverse impact on the Issuer's financial performance and position. Other factors that could have an adverse impact include, but are not limited to, declines in the Australian, New Zealand, United Kingdom, United States and other economies (impacting the Issuer's retail, small and medium sized businesses, and large corporate business customer base) or further financial market dislocation, which could lead to falling confidence, increased re-financing risk and further contagion risk among market participants, counterparties and customers.

The Issuer provides for losses incurred in relation to loans, advances and other assets. Estimating losses incurred in the loan portfolio is, by its very nature, uncertain and the accuracy of those estimates depends on many factors, including general economic conditions, assumptions of probability of default, loss given default and exposure at default, rating changes, structural changes within industries that alter competitive positions, and other external factors such as legal and regulatory requirements and a number of assumptions based on available experience and management judgments. If the information (or the assumptions upon which the assessment is made) proves to be inaccurate, the provisions for credit impairment may need to be revised, which could have an adverse impact on the Issuer's financial performance and position.

#### *Valuation of conduit portfolio*

There are a range of circumstances which would require the Issuer to recognise further impairment charges on its assets, including its conduit assets held within the Specialised Group Assets business. Particular portfolio sensitivities include, but are not limited to:

- Credit wrapped asset backed securities: sensitive to default and loss given default trends in United States residential mortgage loans, which are closely tied to house price trends, and some sensitivity to United States consumer loans, and to the default and/or potential default of the credit wrap providers;
- United States and United Kingdom residential mortgage backed securities: sensitive to default and loss given default trends in United States and United Kingdom residential mortgage loans, which are closely tied to house price trends;
- United Kingdom commercial mortgage backed securities: sensitive to United Kingdom commercial property valuation trends and commercial real estate finance market liquidity (i.e. refinance availability in 2012 and beyond); and
- Collateralized loan obligations: sensitive to default and loss given default trends in United States and European leveraged loans (i.e. high yield secured loans primarily to large corporate borrowers).

The ongoing performance of the Specialised Group Assets business is significantly dependent on the United Kingdom and United States economies and therefore the financial results remain sensitive to market conditions.

Any further significant impairment of the conduit or other assets could adversely impact the Issuer's financial performance and position.

#### *Operational and technology risks*

Operational risks arise from the day-to-day operational activities of the Issuer, which may result in direct or indirect losses and could adversely impact the Issuer's financial performance and position. These losses may result from both internal and external events and risks, including, but not limited to, process error or failure, inadequate process design, modelling error or failure, poor product development and maintenance, poor change management, ageing infrastructure and systems, system failure, security and physical protection, fraud, deficiencies in employees' skills and performance, operational failures by third parties (including off shored and outsourced providers) or other major participants in the financial services industry, natural disasters, extreme weather events, terrorism, political, security and social events.

The financial services industry has recently been subjected to intentional cyber incidents from external sources, including denial of service attacks, malicious software attacks on client systems and unauthorised access to customer data. While the Issuer continues to invest in capabilities to prevent, detect and appropriately respond to attacks of this nature, there can be no assurance that such incidents, or other cyber incidents, will not negatively impact the Issuer.

The Issuer is dependent on its information systems and technology (from a system stability, data quality and information security perspective). The Issuer is also dependent on payment systems and technology that interface with wider industry infrastructure. Internal or external failure of these systems and technology (including if such systems cannot be restored or recovered in acceptable timeframes, or adequately protected) could adversely impact the Issuer's ability to conduct its daily operations and the Issuer's financial performance and position.

The Issuer is also dependent on selected external technology providers to continue to develop and provide technology solutions. The failure of these providers could adversely impact the Issuer's financial performance and position.

#### *Loss of key personnel*

The Issuer is also dependent on its ability to retain and attract key management and operating personnel. The Issuer has qualified and experienced management teams that it relies on in order to operate effectively and efficiently and maximise returns to investors. The unplanned loss of any key member of these teams, or the Issuer's inability to attract the requisite personnel with suitable experience, could have an adverse impact on the Issuer's financial performance and position.

#### *Compliance risk*

The Issuer is subject to compliance risk across, but not limited to, its banking, wealth management and third party distribution channels. Compliance risk refers to the risk of legal or regulatory sanctions and/or material financial loss and/or a loss of reputation as a result of failure to comply with laws, regulations, taxation requirements, license conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards.

To the extent that these compliance risks limit the Issuer's operations or flexibility, or result in fines, settlements, or restitution to customers, regulators or other stakeholders, they could adversely impact the Issuer's financial performance and position.

### *Legal proceedings and contingent liabilities*

Entities within the Issuer may be involved from time to time in legal proceedings arising from the conduct of their business. The aggregate potential liability in respect thereof cannot be accurately assessed. Any material legal proceedings could have an adverse impact on the Issuer's financial performance and position.

Refer to "Notes to the Consolidated Financial Statements", Note 40 ("Contingent Liabilities and Commitments") in the Annual Financial Report 2012, as defined below (which is incorporated by reference in this Prospectus), for details in relation to the Issuer's material legal proceedings and contingent liabilities.

### *Capital risk*

Capital risk is the risk that the Issuer does not hold sufficient capital and reserves to achieve its strategic plans and objectives or cover the risks to which it is exposed and protect against unexpected losses. The Issuer is required in all jurisdictions in which it undertakes regulated activities to maintain minimum levels of capital reserves relative to the risk profile of its operations. Any change that limits the Issuer's ability to manage its capital or to deploy it across entities within the Issuer or requires it to hold more capital (including at a higher quality standard) could have an adverse impact on the Issuer's financial performance and position.

Changes have been made to minimum required levels of capital that nab, and other members of the Issuer, are required to hold which may adversely impact the Issuer's financial performance and position. See "Risk Factors – Risks Factors Related to the Issuer - Risks specific to the banking and financial services industry – Financial services policy and regulatory change risk" below.

### *Funding and liquidity risk*

Funding risk is the risk that the Issuer is unable to raise short- and long-term funding to support its strategic plans and objectives. In particular, the Australian banking sector accesses global capital markets to help fund its businesses. Any dislocation in global capital markets could adversely affect the Issuer's ability to access funds (including at a reasonable cost) to meet its strategic plans and objectives, reduce investor appetite for holding the Issuer's securities and impact the Issuer's financial performance and position.

Liquidity risk is the risk that the Issuer is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature, the payment of interest on borrowings and the payment of operating expenses and taxes. Any significant deterioration in the Issuer's liquidity position could adversely impact the Issuer's financial performance and position.

There are proposed changes to the minimum required levels of liquidity that nab and other members of the Issuer are required to hold, which may adversely impact the Issuer's financial performance and position. See "Risk Factors – Risks Factors Related to the Issuer - Risks specific to the banking and financial services industry – Financial services policy and regulatory change risk" below.

### *Credit rating risk*

Ratings agencies regularly conduct review activity. There is the potential for this ongoing review activity to continue, particularly in periods of increased market volatility.

Standard and Poor's (S&P) is changing its methodology for determining insurer ratings and published its initial proposals in September 2012, seeking feedback from interested parties. Though the impact of any methodology change is not known at this time, it may adversely affect National Wealth Management Holdings Limited, the holding company for the Issuer's Wealth business. S&P currently expects that an

updated methodology will be published in early 2013 and that any rating changes will take place after publication.

A reduction in the credit ratings of the Issuer (or any other member of the Issuer) or the sovereign rating of the countries in which the Issuer operates, or raises capital, may increase the Issuer's borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements, which may adversely impact the Issuer's financial performance and position.

#### *Interest rate risk*

This is the risk to the Issuer's financial performance and position caused by changes in market interest rates. As interest rates and yield curves change over time, the Issuer may be exposed to a loss in earnings and economic value due to the interest rate profile of its balance sheet. This includes the risk arising out of customers' demands for interest rate-related products with various repricing profiles.

#### *Defined benefit pension fund risk*

This is the risk that, at any point in time, the assets available to meet pension liabilities are at a value below current and future pension scheme obligations. Asset values and liabilities are affected by a number of factors including, but not limited to, the discount rate used to calculate the liability net present value, the long-term inflation assumption, actuarial assumptions (including mortality rates) and the value of the investment portfolio (which in turn is affected by a number of factors, for example, equity market conditions and bond yields). Many of these factors are outside the control of the Issuer.

The Issuer's principal exposure to defined benefit pension fund risk is in the United Kingdom where its defined benefit scheme was closed to new members with effect from 1 January, 2004.

Such defined benefit pension fund risk could adversely impact the Issuer's financial performance and position as it can increase the amount participating members of the Issuer are obliged to contribute to the scheme and any deficit is a direct deduction from Core Tier 1 capital.

#### *Foreign exchange and translation risk*

This risk arises from the impact of changes in foreign currency exchange rates on the value of the Issuer's cash flows and assets and liabilities as a result of participation in the global financial markets and international operations. It includes structural foreign exchange risk resulting from the Issuer's ownership structure, including investment in overseas subsidiaries or associates, and exposures from known foreign currency transactions (such as repatriation of capital and dividends from offshore subsidiaries). It also includes any currency positions in the banking book emanating from transactions with customers, banks and other counterparties. If the Issuer was to suffer substantial losses due to any adverse movement in foreign exchange rates, such losses could adversely impact its financial performance and position.

The Issuer has operations outside of Australia and conducts business in different currencies, mainly Australian, New Zealand and U.S. dollars, British pounds sterling and euros. The Issuer's businesses may be affected by a change in currency exchange rates or a full or partial break-up or a change in the reserve status of any of these currencies. The Issuer's financial statements are prepared and presented in Australian Dollars, and any further appreciation in the Australian Dollar against other currencies in which the Issuer earns revenues and profits may adversely impact its financial performance and position.

#### *Non-traded equity risk*

The Issuer carries equity investments in its banking book at fair value. Fair value reflects valuations derived from either market prices or an approved internal model. The fair value of an equity investment is impacted

by various risk factors, including, but not limited to, economic risk, political risk, business and operational risk, legal and regulatory risk, currency risk, price risk and market risk. A material reduction in the fair value of an equity investment in the Issuer's banking book could have an adverse impact on the financial performance and position of the Issuer.

#### *Traded market risk*

This is the potential for losses to arise from trading activities, including proprietary trading, undertaken by the Issuer as a result of adverse movement in market prices. Losses can arise from a change, including proprietary trading, in the value of positions in traded financial instruments due to adverse movements in market prices (for example, interest rates, foreign exchange, commodities, equities and credit spreads). Any significant losses from such trading activities could adversely affect the Issuer's financial performance and position.

#### *Life insurance business risks*

Provision for mortality and morbidity claims in the Issuer's life insurance businesses do not represent an exact calculation of liability, but rather are an estimate of the expected ultimate cost based on actuarial and statistical projections. Factors affecting these estimates include, but are not limited to, the trend of future claims and incidence of actual claims, unforeseen diseases or epidemics, longer than assumed recovery periods for morbidity claims and future investment returns. A change in any of these factors would necessitate a change in estimates of projected ultimate cost, and therefore could adversely impact the financial performance and position of the Issuer's life insurance business. In addition, insufficient provisions for such liabilities where, for example, the mortality and morbidity experience is higher than estimates, could adversely impact the financial performance and position of the Issuer's life insurance businesses.

Life insurance risk may also arise due to inadequate or inappropriate underwriting, claims management, product design or pricing processes, all of which could adversely impact the financial performance and position of the Issuer.

#### *Reputation risk*

Reputation risk is the possible impact of negative stakeholder opinion of the Issuer's actions, behaviour, performance and position. This risk may expose the Issuer to litigation, financial loss, a decline in customer satisfaction and customer base and overall loss of competitiveness or loss of key personnel.

Reputation risk may arise through the actions of the Issuer or other financial services companies and adversely affect perceptions of the Issuer held by the public, shareholders, investors, customers, regulators and/or rating agencies. The impact of a risk event (for example, operational, compliance or credit events) on the Issuer's reputation and brand may adversely impact the Issuer's financial performance and position.

#### *Underwriting risk*

As financial intermediaries, members of the Issuer underwrite listed and unlisted debt, equity-linked and equity securities. They may guarantee the pricing and placement of these securities and could therefore suffer losses if they fail to sell down some or all of this risk to other market participants.

#### *Strategic risk*

There is a risk that the assumptions on which the Issuer's strategic direction is based are incorrect, that market conditions may change, that the risks generated exceed expected and approved appetite for risk or that execution of the Issuer's strategic initiatives proves ineffective. It is also possible that certain strategic initiatives are unable to be easily undone, once the Issuer has committed to them. These risks could adversely impact the Issuer's financial performance and position.

### *General acquisition and divestment risk*

The Issuer regularly examines a range of corporate opportunities (including acquisitions, divestments and joint ventures) with a view to determining whether these opportunities are in line with its strategic priorities and are able to enhance its financial performance and position.

Any corporate opportunity that is pursued could change the Issuer's risk profile. There are also risks associated with the external approval process and integration of any new acquisition into the broader nab Group, including but not limited to the risk that expected synergies will not be realised, that nab may lose customers, or that it may face disruption to its operations. Acquisitions may need to be funded by the issuance of additional equity, which may be dilutive to existing shareholders. Additionally, there is a risk that the Issuer's credit ratings may be placed on negative watch or downgraded as a result of corporate activity. These factors, combined with a possible negative sentiment in relation to acquisitions, joint ventures or asset and business disposals, could have an adverse impact on the Issuer's financial performance and position.

### *Other commercial risks*

There are a number of general commercial risks that could adversely impact the Issuer's financial performance and position or future prospects, which are common to investments in most listed companies, including, but not limited to the following risks associated with:

- New projects, including cost overruns, and delays in (or inability to achieve) revenues or cost benefits intended to flow from such new projects. For example, the Issuer is currently undertaking a significant restructure of its United Kingdom Banking business and a significant transformation of its technology and communications network and infrastructure, as well as investment in its Next Generation Banking Information Technology Platform;
- Development of new services or technology in competition with the Issuer's operations;
- The level of market acceptance for the services provided by the Issuer;
- Technological change relating to the Issuer's information systems;
- Loss of accreditation or regulatory or other licensing for the Issuer's operations, causing the loss of contracts or market share; and
- Terrorist attacks and/or other malicious activities (including, but not limited to, bomb and cyber-attacks) by employees, customers, the general public or certain terrorist groups which directly or indirectly target or adversely impact any of the Issuer's assets, operations, staff, facilities, customers, off shored or outsourced providers, suppliers or the communities or economies in which the Issuer operates or on which it relies, or which are considered material to global commerce.

If any of these risks are realised, they may have an adverse impact on the financial performance and position of the Issuer.

### *Failure of risk management frameworks and processes*

The Issuer's approach to identifying, assessing, measuring, managing and reporting its risks is subject to the successful application of a number of risk and control frameworks. Should these frameworks (including the assumptions on which they are based), or the judgment of the people involved in their application fail, this could have an adverse impact on the Issuer's financial performance and position.



### ***Risks specific to the banking and financial services industry***

The nature and impact of these external risks are generally not predictable and are often beyond the nab Group's direct control.

#### *Macroeconomic risks and financial market conditions*

The Issuer provides a range of banking and financial services and products to individuals, incorporated and unincorporated entities, financial institutions, governments and government entities across a range of jurisdictions including but not limited to Australia, New Zealand, the United Kingdom, Europe, the United States and Asia. The business activities of the Issuer are dependent on the level of banking, finance, financial services and wealth management activities required by its customers globally. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy, market interest rates and global economic trends (given the degree of global interconnectivity, interdependency and potential for contagion in the financial system).

Forecast global economic growth is projected to remain weak, especially in Europe, and there is variability in business and economic conditions across a number of the Issuer's key markets. Changes in the economic climate in which the Issuer operates may adversely impact the Issuer's financial performance and position. Examples of such changes include, but are not limited to, economic growth rates, interest rates, inflation rates, employment levels, labor costs, consumer sentiment, demand for credit, market volatility, relative changes in exchange rates, changes in commodity and asset prices (i.e. bonds, equity securities, property and derivative instruments), industrial production, taxation levels, domestic and levels of international competition, monetary policy, fiscal policy, domestic and international political changes and environmental conditions. Factors causing these changes are many and varied, and include, but are not limited to, the occurrence of major shock events such as natural disasters, war and terrorism, political and social unrest, and sovereign debt restructures and defaults.

The Australian and New Zealand economies are heavily reliant on the economic climate in China and therefore any weakness, significant slowdown in growth or downturn in China's economy could significantly impact the Issuer's Australian and New Zealand businesses (both directly and indirectly).

The Issuer operates in the United Kingdom and the United States where conditions are weak. Should conditions in the United Kingdom or the United States continue to be weak, or deteriorate, this could further impact the Issuer's activities and financial outcomes in the short to medium term. For example, absent legislative action, large government spending cuts and tax increases are due to commence in the United States on 1 January 2013 (referred to as the "Fiscal Cliff"). This has the potential to significantly reduce United States household income and adversely impact the United States and global Gross Domestic Product growth, which could adversely impact the Issuer's financial performance and position.

#### *Eurozone conditions*

Concerns about credit risk (including that of sovereigns) and the Eurozone debt crisis persist. The large sovereign debts and/or fiscal deficits of a number of European countries and the United States, the United Kingdom, Japan and other countries have raised concerns regarding the financial condition of sovereign governments, financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries; and/or (iii) whose banks, counterparties, custodians, customers, service providers, clearing houses, funding providers and/or suppliers have direct or indirect exposure to these countries. The default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions, insurers or other corporates could cause severe stress on the financial system generally and could adversely affect the markets and market participants in ways which could be difficult to predict or effectively manage.

It is possible that one or more Eurozone countries may abandon the euro and return to national currencies or move to a series of new currency blocs. It is also possible that the euro currency could cease to exist. In addition, it is possible that one or more member countries may decide to leave the broader European Union.

The Issuer has direct and indirect exposure to sovereigns, financial institutions, government entities, counterparties, custodians, customers and service providers within the European Union. These exposures may, in the future, be affected by restructuring of their terms, principal, interest and maturity, either via the voluntary agreement of creditors or involuntarily, irrespective of whether or not the event is deemed to be a default, however defined.

#### *Potential Impacts of macroeconomic and financial market conditions*

Current volatility in credit, currency and equity markets globally may result in uncertainty in financial markets that could affect all banks, including the Issuer. Market volatility has led to, and may in the future lead to, events including, but not limited to:

- Increased cost of funding and/or lack of availability of funding;
- Deterioration in the value and liquidity of assets (including collateral);
- Inability to price certain assets;
- Increased likelihood of counterparty default and credit losses (including on the purchase and sale of protection as part of hedging strategies);
- Higher provisions for bad and doubtful debts;
- Mark to market losses in equity and trading positions;
- Increased cost of insurance and/or lack of available insurance; and
- Lower growth, business revenues and earnings (for example, the nab Wealth business earnings are highly dependent on asset values, particularly the value of listed equities, and therefore a fall in the value of its assets under management may reduce its earnings contribution to the Issuer).

The financial performance and position of the Issuer have been, and its future financial performance and position may continue to be, affected by these factors.

#### *Financial services policy and regulatory change risk*

The Issuer is regulated in Australia and in the other countries in which it has operations, trades, raises funds, or has some other connection, including New Zealand, the United Kingdom, the United States and certain Asian and European jurisdictions. Regulations vary from country to country, and to differing degrees are designed to protect the interests of depositors, policy holders, security holders, and the banking and financial services system as a whole.

The Issuer's financial performance and position could be affected by changes in the legal, regulatory, monetary, fiscal or other policies required by various regulatory authorities of Australian and foreign governments, and international agencies. For example, the Australian Federal Government is currently consulting on draft proposals to strengthen the Australian Prudential Regulation Authority's (APRA) crisis management powers. A number of policy changes are currently being influenced by public opinion (including banking sentiment) and changing stakeholder expectations of transparency, social responsibility and environmental impacts. Regulatory changes are also being informed by international harmonisation, matters relating to national interest and/or systemic stability. For example, APRA has proposed changes to

Australian Prudential Standard APS 222: Associations with Related Entities that could reduce the Issuer's ability to provide capital and funding support to its subsidiaries. The precise nature and impact of future changes in such policies are not predictable and could result in a lack of consistency and coordination between the various regulatory authorities. Changes in regulations or regulatory policy could adversely affect one or more of the Issuer's businesses and could result in the Issuer incurring substantial costs to comply.

#### *Competition and consolidation*

There is substantial competition for the provision of financial services in the markets in which the Issuer operates, from existing and new competitors, across a broad range of product offerings. Competitive market conditions may adversely impact the financial performance and position of the Issuer. For example, increasing competition for customers can lead to compression in profit margins, increased advertising and related expenses to attract and retain customers, increased customer turnover and decreased customer loyalty. As technology and customer attitudes are rapidly evolving, this increases the risk of competition from new business entrants with lower cost operating models. The trend towards consolidation and rationalisation in the financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital and greater efficiency and pricing power. There has also been an increase in the direct role of governments in the international banking sector arising out of certain consolidations that occurred during the heightened period of instability in the Global Financial Crisis.

The financial performance and position of the Issuer have been, and the Issuer's future financial performance and position may continue to be, affected by these factors.

### **RISK FACTORS RELATED TO THE COVERED BOND GUARANTOR**

#### *Circumstances when the Covered Bond Guarantor is liable to make payments due on the Covered Bonds*

The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will be secured by the Security created under the Security Deed. However, the Covered Bond Guarantor will have no obligation to pay the Guaranteed Amounts payable under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer (copied to the Covered Bond Guarantor) of an Issuer Acceleration Notice and service by the Bond Trustee on the Covered Bond Guarantor of a Notice to Pay or, if earlier, following the occurrence of a Covered Bond Guarantor Event of Default and service by the Bond Trustee on the Covered Bond Guarantor and the Issuer of a Covered Bond Guarantee Acceleration Notice. The occurrence of an Issuer Event of Default does not constitute a Covered Bond Guarantor Event of Default. However, failure by the Covered Bond Guarantor to pay amounts when Due for Payment under the Covered Bond Guarantee would constitute a Covered Bond Guarantor Event of Default which, while continuing, will entitle the Bond Trustee to accelerate the obligations of the Issuer under the Covered Bonds (if they have not already become due and payable) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee and will entitle the Security Trustee to enforce the Security.

#### *Limited Recourse to Covered Bond Guarantor*

The assets of the Trust will be the sole source of payments by the Covered Bond Guarantor under the Programme Documents (including under the Covered Bond Guarantee). The Covered Bond Guarantor's personal assets or any other assets held as trustee of another trust will not be available to make such payments unless, in the case of personal assets, there is a reduction in the extent of the Covered Bond Guarantor's indemnification out of the assets of the Trust as a result of the Covered Bond Guarantor's fraud, negligence or wilful default. Therefore, if the assets of the Trust are insufficient to enable the Covered Bond Guarantor to meet those obligations (including in respect of the Covered Bond Guarantee), this may affect the timing or amount of interest and principal payments under the Covered Bonds following an Issuer Event of Default and service of a Notice to Pay on the Covered Bond Guarantor.

***Covered Bond Guarantor only obliged to pay Guaranteed Amounts when the same are Due for Payment***

Subsequent to an Issuer Event of Default that is continuing, the Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 percent. of the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding or if so directed by an Extraordinary Resolution of the Covered Bondholders will, subject to being indemnified and/or secured and/or prefunded to its satisfaction, give an Issuer Acceleration Notice to the Issuer (copied to the Covered Bond Guarantor) that as against the Issuer (but not, for the avoidance of doubt, as against the Covered Bond Guarantor) each Covered Bond will thereupon immediately become due and repayable at its Early Redemption Amount together with accrued interest.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer, the Bond Trustee will forthwith serve a Notice to Pay on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee) and the Covered Bond Guarantor will be required to make payments of Guaranteed Amounts when the same will become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following service of a Notice to Pay on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee) the Covered Bond Guarantor must pay or procure to be paid on each Scheduled Payment Date to or to the order of the Bond Trustee (for the benefit of Covered Bondholders) an amount equal to those Guaranteed Amounts which have become Due for Payment in accordance with the terms of the Bond Trust Deed but which have not been paid by the Issuer provided that no Notice to Pay may be served on the Covered Bond Guarantor until an Issuer Acceleration Notice has been served by the Bond Trustee on the Issuer.

All payments of Guaranteed Amounts by the Covered Bond Guarantor will be made subject to withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Australia or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction is required by law or regulation or administrative practice of any jurisdiction. In the event of a withholding or deduction being made by the Covered Bond Guarantor, the Covered Bond Guarantor will not be obliged to pay any additional amounts as a consequence. In addition, the Covered Bond Guarantor will not be obliged at any time to make any payments in respect of additional amounts which may, had the Issuer been making payments on the Covered Bonds, have become payable by the Issuer under Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable). Prior to service on the Covered Bond Guarantor of a Covered Bond Guarantee Acceleration Notice, the Covered Bond Guarantor will not be obliged to make payment in respect of any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums, default interest or interest upon interest which may accrue on or in respect of the Covered Bonds.

Subject to any grace period, if the Covered Bond Guarantor fails to make a payment when Due for Payment under the Covered Bond Guarantee or any other Covered Bond Guarantor Event of Default occurs and is continuing, then the Bond Trustee may, and if so requested in writing by the holders of at least 25 per cent. of the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding or if so directed by an Extraordinary Resolution of the Covered Bondholders will, subject to being indemnified and/or secured and/or prefunded to its satisfaction, accelerate the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee by service of a Covered Bond Guarantee Acceleration Notice, whereupon the Bond Trustee will have a claim under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount of each Covered Bond, together with accrued interest and all other amounts then due under the Covered Bonds (other than additional amounts payable under Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable)), although in such circumstances the Covered Bond Guarantor will not be obliged to gross up in respect of any withholding which may be required in respect of any payment. Following service of a Covered Bond Guarantee Acceleration Notice, the Security Trustee may enforce the Security over the

Charged Property. The proceeds of enforcement and realisation of the Security will be applied by the Security Trustee in accordance with the Post-Enforcement Priority of Payments in the Security Deed, and Covered Bondholders will receive amounts from the Covered Bond Guarantor on an accelerated basis.

### *Extendable obligations under the Covered Bond Guarantee*

If the Applicable Final Terms for a Series of Covered Bonds provide that such Covered Bonds are subject to an Extended Due for Payment Date (**Extendable Maturity Covered Bonds**) then (subject to no Covered Bond Guarantor Event of Default having occurred) following the failure by the Issuer to pay, in full, the Final Redemption Amount of the relevant Series of Extendable Maturity Covered Bonds on their Final Maturity Date (subject to applicable grace periods) and if, following the service of a Notice to Pay on the Covered Bond Guarantor (by no later than the date which falls one Business Day prior to the Extension Determination Date), payment of the Guaranteed Amounts corresponding to the unpaid portion of such Final Redemption Amount in respect of the relevant Series of Extendable Maturity Covered Bonds are not paid in full by no later than the Extension Determination Date, then the payment of such Guaranteed Amounts will be automatically deferred to the Extended Due for Payment Date for the relevant Series of Extendable Maturity Covered Bonds. The Trust Manager is required to notify the Covered Bondholders in accordance with Condition 13 of the Programme Conditions and/or Condition 13 of the N Covered Bond Conditions (if applicable) of such deferral (but failure to do so does not affect the validity or effectiveness of the extension).

To the extent that the Covered Bond Guarantor has received a Notice to Pay in sufficient time and has sufficient moneys available to pay in whole or in part the Guaranteed Amounts corresponding to the relevant unpaid portion of the Final Redemption Amount in respect of the relevant Series of Extendable Maturity Covered Bonds, the Covered Bond Guarantor will be required to make such payment in accordance with the Guarantee Priority of Payments and as described in Condition 6(a) of the Programme Conditions and/or the relevant Condition of the N Covered Bond Conditions (if applicable) on any Interest Payment Date (from, and including, subject to applicable grace periods, the Final Maturity Date for such Covered Bonds) up to and including the relevant Extended Due for Payment Date. Payment of the unpaid amount will be deferred automatically until the applicable Extended Due for Payment Date. The Extended Due for Payment Date of the relevant Series of Covered Bonds will be specified in the relevant Final Terms. Interest will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 of the Programme Conditions and/or Condition 4 of the N Covered Bond Conditions (if applicable) and the Covered Bond Guarantor will pay Guaranteed Amounts constituting Scheduled Interest on each Original Due for Payment Date and the Extended Due for Payment Date. In these circumstances, except where the Covered Bond Guarantor has failed to apply money in accordance with the Guarantee Priority of Payments, failure by the Covered Bond Guarantor to make payment in respect of the Final Redemption Amount on the Final Maturity Date (or such later date within any applicable grace period) will not constitute a Covered Bond Guarantor Event of Default. However, failure by the Covered Bond Guarantor to pay Guaranteed Amounts corresponding to the Final Redemption Amount or the balance thereof, as the case may be, on the Extended Due for Payment Date and/or pay Guaranteed Amounts constituting Scheduled Interest on any Original Due for Payment Date up to and including the Extended Due for Payment Date will (subject to any applicable grace period) be a Covered Bond Guarantor Event of Default.

The Final Maturity Dates for different Series of Covered Bonds may not be the same. In the case of a Series of Extendable Maturity Covered Bonds, if the principal amounts have not been repaid in full by the Extension Determination Date, then the repayment of unpaid principal amounts will be deferred until the Extended Due for Payment Date. This means that a Series of Covered Bonds having an earlier Final Maturity Date than such Extended Due for Payment Date may start receiving principal repayments in advance of the Series of Extendable Maturity Covered Bonds in respect of which unpaid principal amounts have been deferred until such Extended Due for Payment Date.

The Extended Due for Payment Dates for different Series of Extendable Maturity Covered Bonds may not be the same. On each Trust Payment Date following the service of a Notice to Pay on the Covered Bond

Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice), the Covered Bond Guarantor will apply Available Revenue Receipts and Available Principal Receipts in accordance with the Guarantee Priority of Payments. To the extent that the amount available for distribution under the Guarantee Priority of Payments would be insufficient to pay the Scheduled Interest, the Scheduled Principal or the Final Redemption Amount of any Series of Covered Bonds to which an Extended Due for Payment Date applies, the shortfall will be divided amongst all such Series of Covered Bonds on a *pari passu and rateable* basis.

The Covered Bond Guarantor will be entitled to apply Available Principal Receipts in order to repay earlier maturing Series of Covered Bonds, which may mean that there may be fewer assets available to support later maturing Series of Covered Bonds.

#### ***Australian withholding tax***

It is possible that payments by the Covered Bond Guarantor that relate to interest on the Covered Bonds would be treated as interest for Australian withholding tax purposes and therefore subject to withholding tax. Please refer to the section "*Taxation – Australian Taxation – Payments by the Covered Bond Guarantor*" in this Prospectus. Investors should be aware that in the event payments by the Covered Bond Guarantor are subject to any withholding or deduction for or on account of tax, the Covered Bond Guarantor will not be required to pay any additional amounts to Covered Bondholders.

#### ***Excess proceeds received by the Bond Trustee***

Following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice any Excess Proceeds received by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor, as soon as practicable, and must be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds will thereafter form part of the Security and will be used by the Covered Bond Guarantor in the same manner as all other moneys from time to time standing to the credit of the GIC Account. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons (subject to restitution of the same if such Excess Proceeds will be required to be repaid by the Covered Bond Guarantor). However, the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and a Notice to Pay or, if earlier, a Covered Bond Guarantee Acceleration Notice) unconditional and irrevocable and the receipt by the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for Covered Bonds, each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Covered Bond Guarantor for application in the manner as described above.

#### ***Finite resources available to the Covered Bond Guarantor to make payments due under the Covered Bond Guarantee***

Following service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer (copied to the Covered Bond Guarantor), all amounts payable under the Covered Bonds will be accelerated by the Bond Trustee as against the Issuer and a Notice to Pay must be served by the Bond Trustee on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee). The Covered Bond Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on: (i) the realisable value of the sale of Selected Mortgage Loans and the Related Security in the Mortgage Loan Portfolio; (ii) the amount of Mortgage Loan Revenue Receipts and Mortgage Loan Principal Receipts generated by the Mortgage Loan Portfolio and the timing thereof; (iii) amounts received from the Swap Providers; (iv) the realisable value of Substitution Assets and Authorised Investments held by it and; (v) the receipt by it of credit balances and interest on credit balances on the GIC Account. Recourse against the Covered Bond Guarantor under the Covered Bond Guarantee is limited to the extent of its right of indemnity from the property of the Trust (including as described in the foregoing) (except to the extent of any reduction in the extent of the Covered Bond

Guarantor's right of indemnity as a result of the Covered Bond Guarantor's fraud, negligence or wilful default) and the Covered Bond Guarantor will not have any obligation to use its own funds or any other assets held by it (except in those limited circumstances) to meet its obligations under the Covered Bond Guarantee.

If a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor and the Issuer and the Security created by or pursuant to the Security Deed is enforced, the realisation of the Charged Property may not be sufficient to meet the claims of all the Secured Creditors, including the Covered Bondholders.

If, following enforcement of the Security constituted by or pursuant to the Security Deed, the Covered Bondholders have not received the full amount due to them pursuant to the terms of the Programme Documents, then they may still have an unsecured claim against the Issuer for the shortfall. There is no guarantee that the Issuer will have sufficient funds to pay that shortfall.

Covered Bondholders should note that the Asset Coverage Test has been structured to ensure that the Adjusted Aggregate Mortgage Loan Amount is at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (prior to service of a Notice to Pay or, if earlier, a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), which should reduce the risk of there ever being a shortfall in amounts to pay the Covered Bondholders (although there is no assurance of this – in particular, the sale of further Mortgage Loans and Related Security by the Seller to the Covered Bond Guarantor or other action may be required to avoid or remedy any non-satisfaction or breach of the Asset Coverage Test).

The Trust Manager will be required to ensure that, following the service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), the Amortisation Test is met on each relevant Calculation Date. A breach of the Amortisation Test will constitute a Covered Bond Guarantor Event of Default and if it continues it will entitle the Bond Trustee to serve a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer.

The Asset Coverage Test, the Amortisation Test, the Interest Rate Shortfall Test, the Yield Shortfall Test and the Pre-Maturity Test have in the aggregate been structured to ensure that the Asset Pool is sufficient to pay amounts due on the Covered Bonds and senior expenses (which will include costs relating to the maintenance, administration and winding-up of the Asset Pool whilst the Covered Bonds are outstanding). However no assurance can be given that the Asset Pool will in fact generate sufficient amounts for such purposes (see "*Summary of the Principal Documents – Establishment Deed – Asset Coverage Test*" and "*Credit Structure – Asset Coverage Test*", "*Summary of the Principal Documents - Establishment Deed - Amortisation Test*" and "*Credit Structure - Amortisation Test*", "*Summary of the Principal Documents – Servicing Agreement – Interest Shortfall Test*", "*Summary of the Principal Documents – Servicing Agreement – Yield Shortfall Test*", "*Summary of the Principal Documents – Establishment Deed – Pre-Maturity Test*" and "*Credit Structure – Pre-Maturity Test*").

### ***Reliance of the Covered Bond Guarantor on third parties***

The Covered Bond Guarantor has entered into agreements with a number of third parties, which have agreed to perform services for the Covered Bond Guarantor. In particular, but without limitation:

- (a) the Servicer has been appointed to administer and service the Mortgage Loans in the Mortgage Loan Portfolio and to provide certain other administration and management services to the Covered Bond Guarantor pursuant to the provisions of the Servicing Agreement;
- (b) the Trust Manager has been appointed to provide the administration, cash management and calculation services set out in the Programme Documents including, operating the Trust Accounts

prior to the service of a Notice to Pay on the Covered Bond Guarantor, keeping and maintaining records, preparing annual accounts of the Trust and arranging for those to be audited, directing the Covered Bond Guarantor to invest moneys standing to the credit of the GIC Account in Substitution Assets or Authorised Investments, performing all calculations on each Calculation Date or other relevant date which are required to determine whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test, as applicable or to determine whether the Pre-Maturity Test has been satisfied and providing information to the Cover Pool Monitor;

- (c) the Cover Pool Monitor has been appointed to test and report on the accuracy of the Trust Manager's calculations in respect of the Asset Coverage Test or Amortisation Test, as the case may be, to assess whether the Trust Manager is keeping an accurate register of the assets of the Trust and examine and report on compliance of the Asset Pool with the requirements of the Australian Banking Act and the limits on investment in Substitution Assets in the Establishment Deed; and
- (d) the Account Bank has been appointed to operate each of the Trust Accounts in accordance with the relevant Account Bank Mandate pursuant to the Account Bank Agreement.

In the event that any of those third parties fails to perform its obligations under the relevant Programme Documents to which it is a party, the realisable value of the Mortgage Loan Portfolio and other assets in the Asset Pool or any part thereof or pending such realisation (if the Mortgage Loan Portfolio and other assets in the Asset Pool or any part thereof cannot be sold) the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee may be affected. For example, if the Servicer fails to adequately administer the Mortgage Loans in the Mortgage Loan Portfolio, this may lead to higher incidences of non-payment or default by Borrowers.

The Covered Bond Guarantor will also be reliant on the Swap Providers to provide it with the funds matching its obligations under the Intercompany Notes, the Demand Note and the Covered Bond Guarantee, as described below.

If a Servicer Termination Event occurs and is continuing, then the Covered Bond Guarantor (acting on the direction of the Trust Manager) or the Security Trustee acting on the directions of the Bond Trustee (while Covered Bonds are outstanding) or the Majority Secured Creditors (if there are no Covered Bonds outstanding) may terminate the appointment of the Servicer. Further, the Servicer may resign, following the expiry of not less than 12 months' notice (or 3 months' notice where the Substitute Servicer to be appointed is a Related Entity of nab). Following delivery of notice of termination of the appointment of the Servicer or notice of resignation of the Servicer, the Servicer (with the prior consent of the Covered Bond Guarantor and the Security Trustee) agrees to use its best endeavours to appoint a substitute servicer as soon as possible. Any termination of the appointment of the Servicer and the appointment of a substitute servicer is conditional upon the Issuer having delivered a Rating Affirmation Notice to the Covered Bond Guarantor, the Trust Manager, the Servicer, the substitute servicer and the Rating Agencies in respect of such termination and appointment. There can be no assurance that either (x) a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Mortgage Loans in the Mortgage Loan Portfolio on the terms of the Servicing Agreement, or (y) a Rating Affirmation Notice could be delivered by the Issuer in respect of such substitute servicer. The ability of a replacement servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Mortgage Loans in the Mortgage Loan Portfolio, the realisable value of such Mortgage Loans and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee.

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Servicer under the Servicing Agreement.



The Servicer is required to collect all payments (including Mortgage Loan Scheduled Payments) made by a Borrower. If the Servicer receives, during a Calculation Period, any money whatsoever arising from the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security which money belongs to the Covered Bond Guarantor and such money is to be credited to the GIC Account pursuant to the Servicing Agreement, the Servicer must hold such money on trust for the Covered Bond Guarantor. The Servicer is entitled to commingle such money with any other money held by it. In the event of an insolvency of the Servicer, the ability of the Covered Bond Guarantor to trace and recover any such commingled money may be impaired. The risk of the Servicer not making payment on each Calculation Date is mitigated by an obligation of the Servicer to transfer the collections into the GIC Account within two AU Business Days of receipt if the Servicer's short term credit ratings are downgraded to below P-1 (by Moody's) or F1 (by Fitch) or long term credit ratings are downgraded to below A by Fitch (or, if Fitch has placed the Servicer on ratings watch negative at the relevant time, F1+ and A+ from Fitch), respectively.

Neither the Security Trustee nor the Bond Trustee is obliged in any circumstances to act as a Servicer or to monitor the performance by the Servicer of its obligations.

If a Trust Manager Termination Event occurs and is continuing, then the Covered Bond Guarantor may remove the Trust Manager from office by giving the Trust Manager ninety AU Business Days' notice provided each Rating Agency has been notified of the proposed removal. The Trust Manager may retire on ninety AU Business Days' notice to the Covered Bond Guarantor and the Rating Agencies. The Trust Manager must retire if an Insolvency Event has occurred in relation to it or if required by law. The retiring Trust Manager will be required to use its reasonable endeavours to appoint a substitute trust manager as soon as possible and if a replacement is not appointed within ninety AU Business Days after notice of the Trust Manager's resignation or removal is given, the Covered Bond Guarantor may appoint a substitute Trust Manager. There can be no assurance that a replacement trust manager would be found who would be willing and able to provide such trust management services on the terms of the Management Agreement. None of the Covered Bond Guarantor, Security Trustee nor the Bond Trustee will be obliged in any circumstances to act as a Trust Manager or to monitor or supervise the performance by the Trust Manager (or any replacement trust manager) of its obligations.

Any delay or inability to appoint a replacement trust manager may affect payments to and from the Trust Accounts in accordance with the terms of the Programme Documents, and/or the provision of the asset coverage reports and other information to, inter alia, the Rating Agencies, the Security Trustee and the Covered Bond Guarantor (and accordingly the ability of the Cover Pool Monitor to perform its obligations) and may ultimately affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee.

The Trust Manager has no obligation itself to advance payments that Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by the Trust Manager under the Management Agreement.

### ***Reliance on Swap Providers***

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and from certain other assets in the Asset Pool, amounts payable by the Covered Bond Guarantor under the Intercompany Notes and the Demand Note and/or amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds on issue, the Covered Bond Guarantor will enter into certain swap transactions with a number of swap providers (each, a **Swap Provider**).

If the Covered Bond Guarantor fails to make timely payments of amounts due under any Swap Agreement, then it will have defaulted under that Swap Agreement and such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the Covered Bond Guarantor if the Covered Bond Guarantor complies with its payment obligations under the relevant Swap Agreement. If a Swap

Agreement (or one or more Swaps under such Swap Agreement) terminates or the relevant Swap Provider is not obliged to make payments or if it defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Covered Bond Guarantor on the payment date under such Swap Agreements, the Covered Bond Guarantor will be exposed to changes in the relevant currency exchange rates to Australian Dollars (where relevant) and to any changes in the relevant rates of interest. Unless a replacement swap is entered into, the Covered Bond Guarantor may have insufficient funds to make payments under or in respect of the Intercompany Notes, the Demand Note or the Covered Bond Guarantee.

If a Swap Agreement (or one or more Swaps under such Swap Agreement) terminates, then the Covered Bond Guarantor may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that the Covered Bond Guarantor will have sufficient funds available to make a termination payment under the relevant Swap Agreement or to make any upfront payment required by a replacement swap counterparty, nor can there be any assurance that the Covered Bond Guarantor will be able to find a replacement swap counterparty which has both sufficiently high ratings as may be required by any of the Rating Agencies and which agrees to enter into a replacement swap agreement on similar commercial terms.

If the Covered Bond Guarantor is obliged to pay a termination payment under any Swap Agreement:

- (i) (if the Interest Rate Swap Provider is not the Issuer or, if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has occurred or is likely to occur) and such termination payment in respect of the Interest Rate Swaps will rank ahead of amounts due on the Covered Bonds; and
- (ii) any such termination payment in respect of the Covered Bond Swaps, and (if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has not occurred or is not likely to occur) any such termination payment in respect of the Interest Rate Swaps will rank *pari passu* and rateably with amounts due on the Covered Bonds,

except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Swap Agreement to terminate. The obligation to pay a termination payment may adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee (see further "*Risk Factors - General Risk Factors – Enforceability of Priority of Excluded Swap Termination Proceeds*").

#### ***Differences in timings of obligations of the Covered Bond Guarantor and the Covered Bond Swap Providers under the Covered Bond Swaps***

With respect to the Covered Bond Swaps, the Covered Bond Guarantor will pay a monthly amount, on each Trust Payment Date, to each Covered Bond Swap Provider based on the Bank Bill Rate. A Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Covered Bond Guarantor under a Covered Bond Swap for up to 12 months until amounts are due and payable by the Covered Bond Guarantor under the relevant Intercompany Note (prior to the service of a Notice to Pay or Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor) or are Due for Payment under the Covered Bond Guarantee (after the service of a Notice to Pay or Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor). If a Covered Bond Swap Provider does not meet its payment obligations to the Covered Bond Guarantor under the relevant Covered Bond Swap and such Covered Bond Swap Provider does not make a termination payment that has become due from it to the Covered Bond Guarantor, the Covered Bond Guarantor may have a larger shortfall in funds with which to make payments under the Covered Bond Guarantee with respect to the Covered Bonds than if the Covered Bond Swap Provider's payment obligations coincided with Covered Bond Guarantor's payment obligations under the Covered Bond Guarantee. Hence, the difference in timing between the obligations of the Covered Bond Guarantor and the Covered Bond Swap Providers under the Covered Bond Swaps may affect the Covered Bond Guarantor's ability to make payments under the Covered Bond Guarantee with respect to the Covered Bonds.

### ***Limited description of the Mortgage Loan Portfolio***

Covered Bondholders may not receive detailed statistics or information in relation to the Mortgage Loans in the Mortgage Loan Portfolio because it is expected that the constitution of the Mortgage Loan Portfolio will frequently change due to, for instance:

- the Seller selling additional Mortgage Loans and the Related Security to the Covered Bond Guarantor;
- payments by the Borrowers on those Mortgage Loans; and
- the Covered Bond Guarantor's interest in the Mortgage Loans and the Related Security being transferred to or extinguished in favour of the Seller in accordance with the Mortgage Sale Agreement, in particular, in connection with non-compliance with the Representations and Warranties, a Further Advance, a Cash Redraw, a Product Switch or exercise of the Seller's right to extinguish the Covered Bond Guarantor's interest in any Mortgage Loan and Related Security (see "*Summary of the Principal Documents - The Mortgage Sale Agreement - Extinguishment and transfer*").

There is no assurance that the characteristics of the New Mortgage Loans sold to the Covered Bond Guarantor on any Transfer Date will be the same as those of the other Mortgage Loans in the Mortgage Loan Portfolio as at the relevant Transfer Date. However, each Mortgage Loan sold to the Covered Bond Guarantor will be required to be a Qualifying Mortgage Loan and the Seller will also be required to make the Representations and Warranties set out in the Mortgage Sale Agreement on such date – see "*Summary of the Principal Documents – Mortgage Sale Agreement*" (although the criteria for Qualifying Mortgage Loans and Representations and Warranties may change in certain circumstances – see "*The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively the Covered Bondholders' or Secured Creditors' prior consent*" above). In addition, the Asset Coverage Test is intended to ensure that on each Calculation Date the Adjusted Aggregate Mortgage Loan Amount is an amount at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding (prior to the Service of a Notice to Pay or, if earlier, a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer) and the Trust Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

The credit and origination policies of the Seller may change and if any Mortgage Loans have been originated under revised policies and the Mortgage Loans are then sold to the Covered Bond Guarantor in accordance with and pursuant to the terms of the Mortgage Sale Agreement, the characteristics of the Mortgage Loan Portfolio could change. This could adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

### ***Maintenance of Portfolio***

#### *Asset Coverage Test*

The Asset Coverage Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds on a monthly basis (prior to the service of an Issuer Acceleration Notice and a Notice to Pay or, if earlier, a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor). This is to ensure that the assets of the Trust do not fall below a certain threshold and are sufficient for the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* and rateably with amounts due on the Covered Bonds. Pursuant to the terms of the Mortgage Sale Agreement, the Seller has agreed to use all reasonable efforts to transfer Mortgage Loans and the Related Security to the Covered Bond Guarantor in order to ensure that the Asset Coverage Test is satisfied. The consideration payable to the Seller for the sale of such Mortgage Loans and

Related Security to the Covered Bond Guarantor may be funded by (i) cash available to the Covered Bond Guarantor to pay for such Mortgage Loans and Related Security in accordance with the Pre-Acceleration Principal Priority of Payments; and/or (ii) a subscription for an increase in the principal amount of the Demand Note.

Alternatively, the Covered Bond Guarantor may purchase Substitution Assets or request a subscription for an increase in the principal amount of the Demand Note in order to ensure that the Covered Bond Guarantor is in compliance with the Asset Coverage Test. If the Asset Coverage Test is not satisfied on a Calculation Date and also on the next following Calculation Date, the Trust Manager will immediately notify the Covered Bond Guarantor, the Bond Trustee and the Security Trustee and the Bond Trustee must serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the non-satisfaction of the Asset Coverage Test). The Bond Trustee will be deemed to revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third Calculation Date after the Asset Coverage Test was initially not satisfied, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Bond Trustee is deemed to revoke an Asset Coverage Test Breach Notice, the Trust Manager will immediately notify in writing the Bond Trustee of such revocation. If the Asset Coverage Test Breach Notice is not revoked by the Bond Trustee as described above, then an Issuer Event of Default will occur.

*Senior Demand Note Component ranks senior to payments on the Covered Bonds provided that the Asset Coverage Test is met*

The Demand Noteholder is entitled to require repayment of any principal amount of the Demand Note at any time by notice in writing to the Covered Bond Guarantor (copied to the Trust Manager). Any amount so demanded must be repaid on an AU Business Day no later than the date which falls on the second Trust Payment Date after the demand is made by the Demand Noteholder, provided that the Asset Coverage Test will continue to be satisfied after giving effect to such repayment and that no Asset Coverage Test Breach Notice has been given on or prior to such day which has not been revoked.

Repayment of the Demand Note in those circumstances will be made in accordance with the applicable Priority of Payments. In the Pre-Acceleration Principal Priority of Payments, the Guarantee Priority of Payments and the Post-Enforcement Priority of Payments repayment of the Demand Note in respect of the Senior Demand Note Component (such that the Asset Coverage Test continues to be met after such repayment) ranks senior to the amounts due and payable by the Covered Bond Guarantor to the Covered Bondholders and Couponholders under the Covered Bond Guarantee and to the Intercompany Noteholder under the Intercompany Notes. However, the amounts so due and payable in respect of the Senior Demand Note Component must only be satisfied by *in specie* distribution of the Mortgage Loans and Related Security to the Demand Noteholder. This means that the Covered Bondholders and Couponholders will not have the benefit of any voluntary over-collateralisation. This may adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

#### *Amortisation Test*

The Amortisation Test is intended to ensure that, following service of an Issuer Acceleration Notice and a Notice to Pay (but prior to service of a Covered Bond Guarantee Acceleration Notice), the assets of the Covered Bond Guarantor do not fall below a certain threshold to ensure that the assets of the Covered Bond Guarantor are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* and rateably with amounts due on the Covered Bonds. Pursuant to the Establishment Deed, the Trust Manager must ensure that on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor but prior to the service of a Covered Bond Guarantee Acceleration Notice, the Amortisation Test Aggregate Mortgage Loan Amount is in an amount at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds.

### *Failure to comply with the Asset Coverage Test or Amortisation Test*

If the aggregate collateral value of the Mortgage Loan Portfolio has not been maintained in accordance with the terms of the Asset Coverage Test or the Amortisation Test, then that may affect the realisable value of the Mortgage Loan Portfolio or any part thereof (both before and after the occurrence of a Covered Bond Guarantor Event of Default) and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee. Failure to satisfy the Amortisation Test on any Calculation Date following an Issuer Event of Default that is continuing (and service of an Issuer Acceleration Notice and a Notice to Pay on the Covered Bond Guarantor) will constitute a Covered Bond Guarantor Event of Default, thereby entitling the Bond Trustee to accelerate the Covered Bonds against the Issuer (to the extent not already accelerated against the Issuer) and also the Covered Bond Guarantor's obligations under the Covered Bond Guarantee against the Covered Bond Guarantor subject to and in accordance with the Conditions.

None of the Covered Bond Guarantor, the Security Trustee or the Bond Trustee will be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortisation Test or any other test.

### *Cover Pool Monitor to test calculations and examine compliance of Asset Pool with certain requirements*

Prior to the occurrence of an Issuer Event of Default, the Cover Pool Monitor will, subject to receipt of the relevant information from the Trust Manager, test the arithmetic accuracy of the calculations performed by the Trust Manager in relation to the Asset Coverage Test as soon as reasonably practicable following each Calculation Date immediately preceding each half-yearly and yearly anniversary of the Programme Date. If and for so long as the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Trust Manager (or if the Trust Manager is not so rated, if the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Trust Manager's holding company) fall below Baa2 by Moody's or BBB- by Fitch (or, if Fitch has placed the Trust Manager on ratings watch negative at the relevant time, BBB by Fitch) (and for as long as they remain below such ratings), the Cover Pool Monitor will conduct the tests of the Trust Manager's calculations, in respect of the Programme Date and every Calculation Date thereafter. Following the occurrence of an Issuer Event of Default, the Cover Pool Monitor will be required to test the calculations performed by the Trust Manager in respect of the Amortisation Test, as appropriate. See further "*Summary of the Principal Documents – Cover Pool Monitor Agreement*".

The Cover Pool Monitor will also be required to perform certain procedures and report on a six-monthly basis on the compliance of the Asset Pool with the requirements of the Australian Banking Act, compliance with the limits on investment in Substitution Assets provided in the Establishment Deed and assess whether the Trust Manager is keeping an accurate register of the assets of the Trust.

None of the Covered Bond Guarantor, the Security Trustee or the Bond Trustee will be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortisation Test or any other test, compliance of the Asset Pool with the requirements noted in the preceding paragraph or supervising the performance by any other party of its obligations under any Programme Document.

### *Sale of Selected Mortgage Loans and the Related Security following service of an Asset Coverage Test Breach Notice or a Notice to Pay*

Following the service of an Asset Coverage Test Breach Notice on the Covered Bond Guarantor or a breach of the Pre-Maturity Test or the service of a Notice to Pay on the Covered Bond Guarantor, the Trust Manager must direct the Covered Bond Guarantor to sell Selected Mortgage Loans (selected on a basis that is representative of the Mortgage Loans in the Mortgage Loan Portfolio as a whole) and the Related Security, unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio. The proceeds from any such sale must be deposited into the GIC Account and applied in accordance with the applicable Priority of Payments (see "*Summary of the Principal Documents – Establishment Deed – Sale of Selected Mortgage Loans and Related Security if the Pre-Maturity Test is breached*", "*Summary of the*

*Principal Documents – Establishment Deed – Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice" and "Summary of the Principal Documents – Establishment Deed – Sale of Selected Mortgage Loans and Related Security following service of a Notice to Pay").*

There is no guarantee the Covered Bond Guarantor will, where the Covered Bond Guarantor is obliged to sell Selected Mortgage Loans, find a buyer to buy Selected Mortgage Loans and the Related Security at the times required and there can be no guarantee or assurance as to the price which may be able to be obtained, which may affect payments under the Covered Bond Guarantee. The Covered Bond Guarantor will offer the Selected Mortgage Loans for the best price reasonably available but, in any event, following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay) the Selected Mortgage Loans may not be sold by the Covered Bond Guarantor for an amount less than the Current Principal Balance of the Selected Mortgage Loans plus the Arrears of Interest and Accrued Interest thereon. Following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor, the Selected Mortgage Loans may not be sold by the Covered Bond Guarantor for an amount less than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds. However, if the Selected Mortgage Loans have not been sold by the date which is six months prior to either (a) in respect of a sale in connection with the service of a Notice to Pay on the Covered Bond Guarantor (i) the Final Maturity Date in respect of the Earliest Maturing Covered Bonds (where the relevant Covered Bonds are not subject to an Extended Due for Payment Date), or (ii) the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (where the relevant Covered Bonds are subject to an Extended Due for Payment Date), or (b) in respect of a sale in connection with the Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds, the Covered Bond Guarantor (at the direction of the Trust Manager) will offer the Selected Mortgage Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

If Selected Mortgage Loans are not sold for an amount equal to or in excess of the Adjusted Required Redemption Amount, the Covered Bond Guarantor may have insufficient funds available to make payment in respect of the Covered Bonds.

At any time after service of a Notice to Pay on the Covered Bond Guarantor (but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), on each Trust Payment Date the Covered Bond Guarantor will apply Available Revenue Receipts and Available Principal Receipts to redeem or repay in part the relevant Series of Covered Bonds, to the extent (a) due and payable and; (b) that the Covered Bond Guarantor has sufficient moneys available to make such payments in accordance with the Guarantee Priority of Payments. Available Principal Receipts will include the sale proceeds of Selected Mortgage Loans (including any excess sale proceeds resulting from the sale of Selected Mortgage Loans sold in respect of another Series of Covered Bonds) and all principal repayments received on the Mortgage Loans in the Mortgage Loan Portfolio generally. This may adversely affect later maturing Series of Covered Bonds if the Selected Mortgage Loans sold to redeem or repay in part an earlier maturing Series of Covered Bonds are sold for less than the Adjusted Required Redemption Amount and accordingly the Covered Bond Guarantor is required to apply other assets in the Mortgage Loan Portfolio (such as Mortgage Loan Principal Receipts) to redeem that earlier maturing Series of Covered Bonds.

For the purposes hereof:

**Adjusted Required Redemption Amount** means in relation to a Series of Covered Bonds:

- (a) the Australian Dollar Equivalent of the Required Redemption Amount; plus or minus
- (b) the Australian Dollar Equivalent of any swap termination amounts payable under the Covered Bond Swaps corresponding to the Series to or by the Covered Bond Guarantor less (where applicable) amounts standing to the credit of (i) the Pre-Maturity Ledger; (ii) the GIC Account; and (iii) the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to

be applied on the next following Trust Payment Date to repay higher ranking amounts in the relevant Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds); plus or minus

- (c) the Australian Dollar Equivalent of any swap termination amounts payable to or by the Covered Bond Guarantor under any Interest Rate Swap.

*Sale of Selected Mortgage Loans and the Related Security if Pre-Maturity Test is breached*

The Establishment Deed will provide for the sale of Selected Mortgage Loans and the Related Security in circumstances where the Pre-Maturity Test has been breached in relation to a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test will be breached in relation to a Series of Hard Bullet Covered Bonds if the ratings of the Issuer fall below a specified level and such Series of Hard Bullet Covered Bonds is due for repayment within a specified period of time thereafter. If the Pre-Maturity Test is breached the Trust Manager will direct the Covered Bond Guarantor to, subject to first utilising the proceeds of any subscription for an increase in the principal amount of the Demand Note in connection with a Pre-Maturity Demand Note Funding from the Demand Note Subscriber under the Demand Note Subscription Agreement and the Seller's right of pre-emption, sell Selected Mortgage Loans and the Related Security in order to enable the Covered Bond Guarantor to pay the Australian Dollar Equivalent of the Required Redemption Amount on a Series of Hard Bullet Covered Bonds to the relevant Covered Bond Swap Provider to make a payment under the Covered Bond Guarantee. In the event that the Pre-Maturity Test is breached in respect of any Series of Hard Bullet Covered Bonds during the Pre-Maturity Test Period and the Covered Bond Guarantor is unable to sell sufficient Selected Mortgage Loans and the Related Security within a specified period of time, an Issuer Event of Default will occur.

There is no guarantee that a suitable buyer will be found to acquire Selected Mortgage Loans and the Related Security at the times required and there can be no guarantee or assurance as to the price which the Covered Bond Guarantor may be able to obtain, which may affect payments under the Covered Bond Guarantee.

*Realisation of Charged Property following the occurrence of a Covered Bond Guarantor Event of Default*

If a Covered Bond Guarantor Event of Default occurs and is continuing and a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor and the Issuer, then the Security Trustee will be entitled to enforce the Security created under and pursuant to the Security Deed and the proceeds from the realisation of the Charged Property will be applied by the Security Trustee towards payment of all secured obligations in accordance with the Post-Enforcement Priority of Payments described in "Cashflows" below.

There is no guarantee that the proceeds of realisation of the Charged Property will be in an amount sufficient to repay all amounts due to the Secured Creditors (including the Covered Bondholders) under the Covered Bonds and the Programme Documents.

If a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor and the Issuer then the Covered Bonds may be repaid sooner or later than expected or not at all.

*Factors that may affect the realisable value of the Mortgage Loan Portfolio or any part thereof or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee*

Following the occurrence of an Issuer Event of Default that is continuing, the service on the Issuer and the Covered Bond Guarantor of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor (copied to the Trust Manager) of a Notice to Pay, the realisable value of Selected Mortgage Loans and the Related Security comprised in the Mortgage Loan Portfolio may be reduced (which may affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee) by:

- representations or warranties not being given by the Covered Bond Guarantor or (unless otherwise agreed with the Seller) the Seller;
- default by Borrowers of amounts due on their Mortgage Loans;
- changes to the Seller's credit and origination policies;
- the Covered Bond Guarantor not having legal title to the Mortgage Loans in the Mortgage Loan Portfolio;
- risks in relation to some types of Mortgage Loans which may adversely affect the value of Mortgage Loan Portfolio or any part thereof;
- limited recourse to the Seller;
- the state of the Australian economy and/or residential mortgage market (which may impact potential buyers);
- possible regulatory changes by ASIC in Australia and other regulatory authorities;
- regulations in Australia that could lead to some terms of the Mortgage Loans being unenforceable; and
- other issues which impact on the enforceability of the Mortgage Loans.

Some of these factors are considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortisation Test, the Pre-Maturity Test and the criteria for Qualifying Mortgage Loans are intended to ensure that there will be an adequate amount of Mortgage Loans in the Mortgage Loan Portfolio and moneys standing to the credit of the GIC Account to enable the Covered Bond Guarantor to repay the Covered Bonds following the service of an Issuer Acceleration Notice on the Issuer and service of a Notice to Pay on the Covered Bond Guarantor and accordingly it is expected (but there is no assurance) that Selected Mortgage Loans and the Related Security could be realised for sufficient values to enable the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

*No representations or warranties to be given by the Covered Bond Guarantor or the Seller if Selected Mortgage Loans and the Related Security are to be sold*

Following a breach of the Pre-Maturity Test and/or the occurrence of an Issuer Event of Default, service on the Issuer and the Covered Bond Guarantor of an Issuer Acceleration Notice and service on the Covered Bond Guarantor (copied to the Trust Manager) of a Notice to Pay (but prior to the service of a Covered Bond Guarantee Acceleration Notice), the Covered Bond Guarantor will be obliged to sell Selected Mortgage Loans and the Related Security to third party purchasers, subject to a right of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (see "*Summary of the Principal Documents – Establishment Deed – Seller's right of pre-emption in respect of Selected Mortgage Loans*"). In respect of any sale of Selected Mortgage Loans and the Related Security to third parties, however, the Covered Bond Guarantor will not be permitted to give representations, warranties or indemnities in respect of those Selected Mortgage Loans and the Related Security (unless expressly permitted to do so by the Security Trustee). There is no assurance that the Seller would give any warranties or representations in respect of the Selected Mortgage Loans and the Related Security originated by it and sold to the Covered Bond Guarantor. Any Representations or Warranties previously given by the Seller in respect of the Mortgage Loans in the Mortgage Loan Portfolio may not have value for a third party purchaser if the Seller is then insolvent. Accordingly, there is a risk that the realisable value of the Selected Mortgage Loans and the Related Security could be adversely affected by the lack of representations and warranties which in turn could adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.



### *Australian Housing Market*

The Issuer's business includes mortgage lending in Australia with loans secured against residential property. Any deterioration in the quality of the Mortgage Loan Portfolio could have an adverse effect on the Covered Bond Guarantor's ability to make payment under the Covered Bond Guarantee. There can be no assurance that the housing market will not deteriorate. According to the Australian Bureau of Statistics, Australian established house prices have risen by around 0.3 per cent. since the September quarter of 2011, after falling by 3.4 per cent. over the previous year. Economic indicators such as Gross Domestic Product (**GDP**) growth, unemployment and core inflation have remained relatively stable in Australia over the past few years.

The current Australian economic environment may affect the rate at which the Seller originates new Mortgage Loans and may also affect the level of attrition of the Seller's existing Borrowers, which could in turn adversely affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee when due.

### *Geographic concentration of the Mortgage Loans*

To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the Mortgage Loans in such a region may be expected to exacerbate all of the risks relating to the Mortgage Loans described in this section. The Covered Bond Guarantor can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue but if the timing and payment of the Mortgage Loans in the Mortgage Loan Portfolio is adversely affected as described above, the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee could be reduced or delayed.

### *Default by Borrowers in paying amounts due on their Mortgage Loans*

Borrowers may default on their obligations due under the Mortgage Loans. Defaults may occur for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal on the Mortgage Loans. These factors include changes in the national, regional or international economic climate such as: volatility in interest rates; lack of liquidity in wholesale funding markets in periods of stressed economic conditions, economic or political crisis; illiquidity and downward price pressure; commencement of recession and employment fluctuations; the availability of financing; consumer perception as to the continuing availability of credit and price competition which may have an adverse impact on delinquency and repossession rates; inflation; yields on alternative investments; and political developments and government policies, including changes in tax laws. Given that the majority of Mortgage Loans have a variable rate of interest, most Mortgage Loans are sensitive to changes in monetary policy and interest rates. Other factors in Borrowers' individual, personal or financial circumstances may also affect the ability of Borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans.

The rate of prepayments on Mortgage Loans may be increased due to Borrowers refinancing their Mortgage Loans and sales of any property charged by a Mortgage (either voluntarily by Borrowers or as a result of enforcement action taken), as well as the receipt of proceeds from buildings insurance and life assurance policies. The rate of prepayment of Mortgage Loans may also be influenced by the presence or absence of early repayment charges.

In addition, the ability of a Borrower to sell a property charged by a Mortgage which secures a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values and the property market in general at the time of such proposed sale. The downturn in the Australian economy has had and could continue to have a negative effect on the housing market.

Further, the mortgage loan market in Australia is highly competitive. This competitive environment may affect the rate at which the Seller originates new Mortgage Loans and may also affect the repayment rate of existing Mortgage Loans.

If the timing and payment of the Mortgage Loans is adversely affected by any of the risks described above, the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee could be reduced or delayed.

The Current Principal Balance of any Defaulted Mortgage Loans in the Mortgage Loan Portfolio will be given no value for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

#### *Value of the Mortgage Loan Portfolio*

The guarantee granted by Covered Bond Guarantor in respect of the Covered Bonds, will, *inter alia*, be backed by the Covered Bond Guarantor's interest in the Mortgage Loan Portfolio (through its right of indemnity from the assets of the Trust). Since the economic value of the Mortgage Loan Portfolio may increase or decrease, the value of the Trust's assets may decrease (for example if there is a general decline in property values). Neither the Issuer nor the Covered Bond Guarantor makes any representation, warranty or guarantee that the value of a Property will remain at the same level as it was on the date of the origination of the related Mortgage Loan or at any other time. The value of the Mortgage Loan Portfolio may have been significantly reduced by the overall decline in property values experienced by the residential property market in Australia and may also be further reduced by any additional decline in such property values. This, ultimately, may result in losses to the Covered Bondholders if such security is required to be enforced.

#### *The Seller's credit and origination policies*

Each of the Mortgage Loans in the Mortgage Portfolio originated by the Seller will have been originated in accordance with the Seller's credit and origination policies applicable at the time of origination. The Seller's credit and origination policies consider a variety of factors such as a potential Borrower's credit history, employment history and status and repayment ability, as well as the value of the Property to be mortgaged. The Seller retains the right to revise its credit and origination policies from time to time.

If any new Mortgage Loans which have been originated under revised credit and origination policies are then sold to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement, notwithstanding that such Mortgage Loans would need to be Qualifying Mortgage Loans and the subject of Representations and Warranties given in the Mortgage Sale Agreement by the Seller, the characteristics of the Mortgage Loan Portfolio could at such time change. This could lead to a delay or reduction in the payments received by the Covered Bondholders under the Covered Bond Guarantee.

#### *The Servicer may initiate certain changes to the Mortgage Conditions*

Most frequently, the Servicer will change the interest rate applying to a Mortgage Loan. In addition, subject to certain conditions, the Servicer may from time to time offer additional features and/or products with respect to the Mortgage Loans.

As a result of such changes, the characteristics of the Mortgage Loans may differ from the characteristics of the Mortgage Loans at any other time. If the Servicer elects to change certain features of the Mortgage

Loans, this could result in different rates of principal repayment on the Mortgage Loans than initially anticipated.

*Seller to initially retain legal title to the Mortgage Loans and Related Securities*

The Seller will initially retain legal title to the Mortgage Loans and the Related Security and custody to the mortgage title documents. The Covered Bond Guarantor will initially hold only equitable title to the Mortgage Loans and Related Security comprised in the Asset Pool as the Borrower in respect of the relevant Mortgage Loan will not be notified of the assignment of that Mortgage Loan and Related Security to the Covered Bond Guarantor. This is different to holding legal title which would require that the Covered Bond Guarantor not only has possession of the mortgage title documents, but also that transfers of Mortgages to the Covered Bond Guarantor be filed with the land title offices in the appropriate Australian jurisdictions and that notice of such assignment be given to the Borrower. The Covered Bond Guarantor will take certain steps to protect its interest in, and title to, the Mortgage Loans and Related Security comprised in the Asset Pool if and only in the limited circumstances described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of Title to the Mortgage Loans to the Covered Bond Guarantor*" and until such right arises the Covered Bond Guarantor will not give notice of the sale of the Mortgage Loans and the Related Security to any Borrower or register or record its interest in the Mortgages at any land title offices or take any other steps to perfect its title to the Mortgages.

At any time during which the Covered Bond Guarantor does not hold legal title to the Mortgage Loans and Related Security comprised in the Asset Pool, the following risks exist:

- (a) first, if the Seller wrongly sells a Mortgage Loan and the Related Security to another person when that Mortgage Loan and the Related Security have already been sold to the Covered Bond Guarantor that other person would acquire an interest in such Mortgage Loans and Related Security either:
  - (i) free of any interest of the Covered Bond Guarantor if that acquisition was made for value and any security interest held by the Covered Bond Guarantor in relation to the Mortgage Loan and the Related Security was not perfected for the purposes of the PPSA at the time of acquisition; or
  - (ii) ranking in priority to the Covered Bond Guarantor's interest if that person acquires a perfected security interest in the Mortgage Loan Rights where the Covered Bond Guarantor's interest was not perfected for the purposes of the PPSA at the time that person's security interest was perfected.

However, the risk of third party claims obtaining priority to the interests of the Covered Bond Guarantor would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Covered Bond Guarantor or their respective personnel or agents. Additionally, for the purpose of protecting the Covered Bond Guarantor's interests and security interests in the Mortgage Loans and Related Security, the Trust Manager has agreed to do all things reasonably necessary to permit any security interest held by the Covered Bond Guarantor in relation to the Mortgage Loans and Related Security to be perfected by registration on the PPSR. However, if such registration is not completed or is completed incorrectly, the Covered Bond Guarantor's security interest in relation to a Mortgage Loan and Related Security may not be perfected and a third party may be able to take an interest in that Mortgage Loan and Related Security free of any interest held by the Covered Bond Guarantor or take a security interest which ranks in priority to any security interest of the Covered Bond Guarantor;

- (b) second, until notice of the transfer to the Covered Bond Guarantor has been provided to the relevant Borrowers, the rights of the Covered Bond Guarantor may be subject to the rights of the Borrowers against the Seller, as applicable, such as rights of set-off, which occur in relation to transactions

made between Borrowers and the Seller, and the rights of Borrowers to redeem their Mortgages by repaying the Mortgage Loans directly to the Seller. In addition, section 80(7) of the PPSA provides that an obligor in relation to a receivable will be entitled to make payments to, and obtain a good discharge from, the seller of a receivable rather than directly to, and from, the purchaser of the receivable until such time as the obligor receives a notice of the assignment of the relevant receivable that complies with the requirements of section 80(7)(a) of the PPSA (including a statement that payment is to be made to the purchaser of the receivable). If, however, an obligor receives a notice that complies with the requirements of section 80(7)(a) of the PPSA from any person other than the seller of the receivable, the obligor requests the purchaser of the receivable to provide proof of the assignment and the purchaser of the receivable fails to provide that proof within 5 business days of the request, the obligor may continue to make payments to the seller. Accordingly, after a Title Perfection Event has occurred and legal title to the Mortgage Loans and Related Security has been transferred to the Covered Bond Guarantor, a Borrower in relation to any Mortgage Loan may in certain circumstances nevertheless make payments to the Seller and obtain a good discharge from the Seller notwithstanding the legal assignment of the relevant Mortgage Loans and Related Security to the Covered Bond Guarantor, if the Covered Bond Guarantor fails to comply with these notice requirements. However, this risk is mitigated by the fact that the Seller has provided the Covered Bond Guarantor with powers of attorney to permit it to give notice of such an assignment of the Mortgage Loans and Related Security to the relevant Borrower in the name of the Seller; and

- (c) third, unless the Covered Bond Guarantor, or the Trust Manager, has perfected the Covered Bond Guarantor's title to the Mortgage Loans and the Related Security (which it is only entitled to do in certain limited circumstances), the Covered Bond Guarantor would not be able to enforce any Borrower's obligations under a Mortgage Loan and the Related Security itself but would have to join the Seller as a party to any legal proceedings.

If the risks described in (a), (b) or (c) above were to occur, then the realisable value of the Mortgage Loan Portfolio or any part thereof and/or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee may be affected.

*Limited recourse to the Seller in respect of a breach of Representation and Warranty*

The Covered Bond Guarantor, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Mortgage Loan or the Related Security and will rely instead on the Representations and Warranties given in the Mortgage Sale Agreement by the Seller in respect of the Mortgage Loans sold by the Seller to the Covered Bond Guarantor.

In the event of a material breach of any of the Representations and Warranties made by the Seller or if any of the Representations and Warranties proves to be materially untrue, in each case in respect of any Mortgage Loan in the Mortgage Loan Portfolio and/or the Related Security as at the Transfer Date of that Mortgage Loan (having regard in determining materiality to, among other things, whether a loss is likely to be incurred in respect of the Mortgage Loan to which the breach relates after taking into account the likelihood of recoverability or otherwise of any sums under any applicable Insurance Policies), and further provided that (a) above the Covered Bond Guarantor (at the direction of the Trust Manager and with the consent of the Security Trustee) or the Security Trustee has given the Seller notice in writing, and (b) such breach or untruth, where capable of remedy, is not remedied to the satisfaction of, or waived by, the Covered Bond Guarantor (acting at the direction of the Trust Manager and with the consent of the Security Trustee) or the Security Trustee within 30 AU Business Days from the date the notice referred to in (a) is served on the Seller or such longer period as may be agreed), then the Seller must serve on the Covered Bond Guarantor (copied to the Trust Manager), a Mortgage Loan Extinguishment Notice and pay an amount equal to the Current Principal Balance of the Mortgage Loan plus all Accrued Interest and Arrears of Interest within 30 AU Business Days from the date of the notice referred to in (a) above, thereby extinguishing the Covered

Bond Guarantor's interest in the relevant Mortgage Loan and Related Security unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio.

There can be no assurance that the Seller, in the future, will have the financial resources to extinguish the Covered Bond Guarantor's interest in a Mortgage Loan or Mortgage Loans and the Related Security. However, if the Seller does not extinguish the Covered Bond Guarantor's interest in those Mortgage Loans and the Related Security which are in material breach of the Representations and Warranties then the Current Principal Balance of those Mortgage Loans will be excluded from the calculation of the Asset Coverage Test. There is no further recourse to the Seller in respect of a material breach of a Representation or Warranty. The sole remedy is as described above.

## **RISK FACTORS RELATED TO THE COVERED BONDS**

A wide range of Covered Bonds may be issued under the Programme. A number of these Covered Bonds may have features which contain particular risks for potential investors. Set out below is a description of the most common such features.

### ***Obligations under the Covered Bonds***

The Covered Bonds will not represent an obligation or be the responsibility of any of the Co-Arrangers, the Dealers, the Bond Trustee, the Security Trustee, any member of the nab Group (other than the Issuer in its capacity as Issuer under the Programme Documents) or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuer and the Covered Bond Guarantor. The Issuer will be liable solely in its corporate capacity for its obligations in respect of the Covered Bonds. The Covered Bond Guarantor will be liable solely in its capacity as trustee of the Trust for its obligations in respect of the Covered Bond Guarantee. In both cases such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

### ***Covered Bonds issued under the Programme***

Save in respect of the first issue of Covered Bonds issued under the Programme, Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds (in which case they will form part of such Series) or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series).

All Covered Bonds issued from time to time will rank *pari passu* with each other in all respects (save as set out in the Guarantee Priority of Payments) and will share in the security granted by the Covered Bond Guarantor under the Security Deed. Prior to the occurrence of a Covered Bond Guarantor Event of Default, if an Issuer Event of Default occurs in respect of a particular Series of Covered Bonds then, following the service of an Issuer Acceleration Notice on the Issuer (copied to the Covered Bond Guarantor) and service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bonds of all Series then outstanding will accelerate at the same time as against the Issuer but will be subject to, and have the benefit of, payments made by the Covered Bond Guarantor under the Covered Bond Guarantee. If a Covered Bond Guarantor Event of Default occurs in respect of a particular Series of Covered Bonds, then following the service of a Covered Bond Guarantee Acceleration Notice, the Covered Bonds of all Series outstanding will accelerate as against the Issuer (if not already accelerated following the occurrence of an Issuer Event of Default and the service on the Issuer and the Covered Bond Guarantor of an Issuer Acceleration Notice) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will accelerate.

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- the Issuer (as Intercompany Note Subscriber) will be obliged to subscribe for an Intercompany Note issued by the Covered Bond Guarantor in an amount equal to either (i) the Principal Amount

Outstanding of such further issue of Covered Bonds; or (ii) the Australian Dollar Equivalent of the nominal value of such further issue of Covered Bonds, and for a matching term. The Covered Bond Guarantor will use the proceeds of such issue (if not denominated in Australian Dollars, upon exchange into Australian Dollars under the applicable Non-Forward Starting Covered Bond Swap) only: (i) to fund (in whole or in part) the Purchase Price of a New Mortgage Loan Portfolio (consisting of Mortgage Loans and the Related Security) purchased from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) to invest in Substitution Assets in an amount not exceeding the prescribed limits (as specified in the Establishment Deed), in each case, to the extent required to meet the Asset Coverage Test and thereafter the Covered Bond Guarantor may use such proceeds (subject to compliance with the Asset Coverage Test) only:

- (a) to redeem the Demand Note in respect of the Senior Demand Note Component provided that the Trust Manager has determined that the Asset Coverage Test will continue to be met after giving effect to such repayment; and/or
  - (b) if an existing Series or Tranche, or part of an existing Series or Tranche, of Covered Bonds is being refinanced (by the issue of a further Series or Tranche of Covered Bonds to which the Intercompany Note relates), to repay the Intercompany Note(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Intercompany Note being repaid (if necessary)); and/or
  - (c) to make a deposit of all or part of the proceeds in the GIC Account (including to fund the Reserve Fund up to an amount equal to the Reserve Fund Required Amount); and
- the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds.

The Seller will, subject to the satisfaction of certain conditions (including the criteria for Qualifying Mortgage Loans), be permitted to sell further Mortgage Loans to the Covered Bond Guarantor from time to time.

#### ***Covered Bonds subject to Optional Redemption by the Issuer***

If an Issuer Call is specified in the Applicable Final Terms, the Issuer may elect to redeem all or some of the Covered Bonds at the Optional Redemption Amount (specified in the Applicable Final Terms) plus Accrued Interest. An optional redemption feature of Covered Bonds is likely to limit the market value of such Covered Bonds. During any period when the Issuer may elect to redeem Covered Bonds, the market value of those Covered Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Covered Bonds when its cost of borrowing is lower than the interest rate on the Covered Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Covered Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Fixed Rate Covered Bonds***

Investment in Fixed Rate Covered Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Covered Bonds.

### ***Fixed/Floating Rate Covered Bonds***

The Issuer may issue Covered Bonds which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Covered Bonds may be less favourable than the prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing rates on its Covered Bonds.

### ***Covered Bonds issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***Covered Bonds issued without the benefit of tax gross-up***

The Issuer may issue Covered Bonds without any obligation to gross-up the relevant Covered Bondholders or Couponholders in the event it is required to make a withholding or deduction in respect of a payment made by it in relation to the Covered Bonds by any law or regulation or the administrative practice of any jurisdiction. This may affect the return of relevant Covered Bondholders or Couponholders in respect of the Covered Bonds and may affect the market value of those Covered Bonds.

### ***Withdrawal or downgrading of the initial ratings of the Covered Bonds, the issuance of unsolicited ratings on the notes, or unfavourable regulatory actions with respect to Moody's or Fitch may adversely affect the value of the Covered Bonds***

It is a condition to the issuance of the Covered Bonds that the Covered Bonds receive appropriate credit ratings from Fitch and Moody's. A credit rating is not a recommendation to purchase, hold or sell the Covered Bonds, inasmuch as such credit rating does not address the market price or the suitability for a particular investor of a security. The credit rating of the Covered Bonds addresses the likelihood of the payment of principal and interest on the Covered Bonds pursuant to their terms but does not address the timing of distributions of principal on the Covered Bonds prior to their Final Maturity Date, or, if applicable, their Extended Due Date for Payment. There is no assurance that a Covered Bond will remain outstanding for any given period of time or that a credit rating will not be lowered or withdrawn entirely by a Rating Agency, if in its judgment circumstances in the future so warrant. Any action taken by a Rating Agency to lower or withdraw the credit rating on a Covered Bond could adversely affect the value of that Covered Bond on resale. In addition, if a Rating Agency issues a credit rating lower than the solicited credit rating, changes its credit rating or withdraws its credit rating, no one has any obligation to provide additional credit enhancement or to restore the original credit rating. Investors should make their own evaluation of an investment in the Covered Bonds and not rely solely on the credit ratings assigned to the Covered Bonds. See "*Ratings of the Covered Bonds*" below.

### ***Ratings of the Covered Bonds***

The ratings assigned to a Series of Covered Bonds to be issued under the Programme by Fitch address the likelihood of full and timely payment to Covered Bondholders of all payments of interest on each Interest Payment Date and the Final Maturity Date and the likelihood of ultimate payment of principal on the Final Maturity Date. The rating assigned to the Covered Bonds by Moody's address the probability of default, the loss given by default and the expected loss posed to potential investors.

The expected ratings of a Series of the Covered Bonds will be set out in the relevant Final Terms for such Series of Covered Bonds. In addition, the Final Terms will specify which Rating Agencies are giving a credit rating to the relevant Series of Covered Bonds. A relevant Series of Covered Bonds may be rated by one or more Rating Agencies as set out therein. Any Rating Agency may lower its rating or withdraw its rating if, in the sole judgment of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. In the event that a rating assigned to the Covered Bonds or the Issuer is subsequently lowered or withdrawn or qualified for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds, the Issuer may be adversely affected, the market value of the Covered Bonds is likely to be adversely affected and the ability of the Issuer to make payment under the Covered Bonds may be adversely affected.

In addition, at any time any Rating Agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to the Covered Bonds may be lowered.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time (including as a result of changes to rating methodologies). A credit rating may not reflect the potential impact of all of the risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds. A downgrade in the rating of the Issuer may have a negative impact on the ratings of the Covered Bonds.

Neither of the Rating Agencies is established in the European Union and neither of the Rating Agencies has applied for registration under CRA Regulation however their credit ratings are endorsed on an ongoing basis by Moody's Investor Services Limited and Fitch Ratings Limited, respectively pursuant to, and in accordance with, the CRA Regulation. Moody's Investor Services Limited and Fitch Ratings Limited are established in the European Union and registered under the CRA Regulation. References in this Prospectus to Moody's and/or Fitch shall be construed accordingly.

### ***Rating Affirmation Notice in respect of Covered Bonds***

Each Series or Tranche of Covered Bonds to be issued under the Programme will, unless otherwise specified in the Applicable Final Terms, be rated "Aaa" by Moody's and "AAA" by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency.

The terms of certain of the Programme Documents provide that, if certain events or circumstances occur, the Issuer must deliver a Rating Affirmation Notice to the Covered Bond Guarantor (and copied to the Trust Manager and each Rating Agency) confirming that it has notified each Rating Agency of the events or circumstances and that the Issuer is satisfied, for the purposes of the Programme Documents, following discussions with each Rating Agency, that the events or circumstances, as applicable will not result in a reduction, qualification or withdrawal of the ratings then assigned by such Rating Agency (a **Rating Affirmation Notice**). Any Rating Affirmation Notice, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A Rating Affirmation Notice is given on the basis that it will not be construed as advice for the benefit of any parties to the transaction. If a Rating Agency confirmation is required for the purposes of the Programme Documents and the Rating Agency does not consider such confirmation necessary, does not respond to a written request for a discussion by the Issuer or does not provide a confirmation in writing in connection with a Rating Affirmation Notice to be given by the Issuer in respect of any event or circumstance, the Issuer will be entitled to assume that the then current rating of the Covered Bonds from that Rating Agency will not be downgraded, qualified or withdrawn by such Rating Agency as a result of such event or circumstance. However, such non-response or co-operation will not be interpreted to mean that such Rating Agency has given any deemed confirmation or affirmation of rating or other response in respect of such action or step. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a confirmation, affirmation or response in the time available or



at all, and the Rating Agency will not be responsible for the consequences thereof. Such confirmation, affirmation or response if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date.

By acquiring the Covered Bonds, investors will be deemed to have acknowledged and agreed that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to Covered Bondholders including, without limitation, in the case of discussions undertaken by a Rating Agency in the context of a Rating Affirmation Notice to be issued by the Issuer, whether any action proposed to be taken by the Issuer, the Covered Bond Guarantor, the Seller, the Servicer, the Trust Manager, the Bond Trustee, the Security Trustee or any other party to a Programme Document is either (i) permitted by the terms of the relevant Programme Document, or (ii) in the best interests of, or not materially prejudicial to, some or all of the Covered Bondholders. The fact that the Rating Agencies have not advised that the then current ratings of the Covered Bonds would not be adversely affected or withdrawn does not impose or extend any actual or contingent liability on a Rating Agency to the Issuer, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person or create any legal relations between the Rating Agencies and the Issuer, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee, the Secured Creditors (including the Covered Bondholders) or any other person whether by way of contract or otherwise.

#### ***Covered Bonds not in physical form***

Except in respect of N Covered Bonds or unless the Bearer Global Covered Bonds or the Registered Global Covered Bonds are exchanged for Bearer Definitive Covered Bonds or Registered Definitive Covered Bonds, respectively, which exchange will only occur in the limited circumstances set out under "*Form of the Covered Bonds – Bearer Covered Bonds*" and "*Form of the Covered Bonds – Registered Covered Bonds*" below, the beneficial ownership of the Covered Bonds will be recorded in book-entry form only with Euroclear and Clearstream, Luxembourg, DTC or, in the case of A\$ Registered Covered Bonds, the Austraclear System. The fact that the Covered Bonds are not represented in physical form could, among other things:

- result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, Luxembourg, DTC or the Austraclear System instead of directly to Covered Bondholders;
- make it difficult for Covered Bondholders to pledge the Covered Bonds as security if Covered Bonds in physical form are required or necessary for such purposes; and
- hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy Covered Bonds that are not in physical form.

#### ***Covered Bonds where denominations involve integral multiples: definitive Covered Bonds***

In relation to any issue of Covered Bonds that have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Covered Bond in respect of such holding (should definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination. If definitive Covered Bonds are issued, Covered Bondholders should be aware that definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Currency exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Covered Bonds and the Covered Bond Guarantor will make any payments under the Covered Bond Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit other than the Specified Currency (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Covered Bonds, (2) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (3) the Investor's Currency-equivalent market value of the Covered Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***Restrictions On Transfer***

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold in the United States or to or for the benefit of U.S. persons unless such securities are registered under the U.S. Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

No sale, assignment, participation, pledge or transfer of a Covered Bond or any interest therein may be made unless made in compliance with the transfer and selling restrictions set forth under "*Subscription and Sale and Transfer and Selling Restrictions*" below.

## **GENERAL RISK FACTORS**

### ***Submission to jurisdiction***

The Issuer and the Covered Bond Guarantor have agreed to submit to the exclusive jurisdiction of the courts of England in any action arising out of the Bond Trust Deed, the Principal Agency Agreement, the Programme Agreement, and the Covered Bonds (but, in each case, excluding the A\$ Registered Covered Bonds) and the non-exclusive jurisdiction of the courts of New South Wales, Australia in any action arising out of the documents governed by Australian law. However, neither the Issuer nor the Covered Bond Guarantor have expressly agreed to submit to the jurisdiction of New York federal or state courts or appointed an agent for service of process with respect thereto. In the limited instances where a Covered Bondholder or Couponholder may proceed directly against the Issuer or Covered Bond Guarantor due to a failure to act by the Bond Trustee or the Security Trustee, as the case may be, as described herein, it may be necessary for such Covered Bondholder or Couponholder to bring a suit in the courts of England or New South Wales, Australia (as applicable) to enforce its rights against the Issuer or the Covered Bond Guarantor, as the case may be, with respect to the Bond Trust Deed or any other Programme Document (excluding the Programme Documents to the extent that they refer only to the A\$ Registered Covered Bonds), the Covered Bonds (but excluding the A\$ Registered Covered Bonds), the Coupons or the Security.

### ***Absence of secondary market***

There is not, at present, an active and liquid secondary market for the Covered Bonds, and there can be no assurance that a secondary market for the Covered Bonds will develop. The Covered Bonds have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*". If a secondary market does develop, it may not continue for the life of the Covered Bonds or it may not provide Covered Bondholders with liquidity of investment with the result that a Covered

Bondholder may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the Covered Bondholder to realise a desired yield. Consequently a Covered Bondholder must be able to bear the economic risk of an investment in a Covered Bond for an indefinite period of time.

### ***Change of counterparties***

The parties to the Programme Documents who receive and hold moneys pursuant to the terms of such documents (such as the Servicer and the Account Bank) will be required to satisfy certain criteria in order to continue to receive and hold moneys.

These criteria will include requirements in relation to the short-term and long-term, unguaranteed and unsecured ratings ascribed to such party by Fitch and Moody's. If the party concerned ceases to satisfy the applicable criteria, including such ratings criteria, then the rights and obligations of that party (including the right or obligation to receive moneys) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Programme Documents.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Programme Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Covered Bondholders may not be required in relation to such amendments and/or waivers.

### ***Security Trustee's powers may affect the interests of the Covered Bondholders***

Except where expressly provided otherwise in the Security Deed, the Security Trustee may exercise, or refrain from exercising, all of its rights, powers, authorities, discretions and remedies under the Security Deed and the other Programme Documents, and may form opinions, and give consents, approvals and waivers under the Security Deed and the other Programme Documents, in accordance with the direction or instructions of (for so long as there are any Covered Bonds outstanding) the Bond Trustee (acting pursuant to and in accordance with the terms of the Bond Trust Deed) or (where no Covered Bonds are outstanding) the Majority Senior Creditors. If there is at any time a conflict between a duty owed by the Security Trustee to the Covered Bondholders and a duty owed by the Security Trustee to any other Secured Creditor or class of Secured Creditor, then the Security Trustee must have regard only to the interests of the Covered Bondholders while any of the Covered Bonds remain outstanding and will not be required to have regard to the interests of any other Secured Creditor or any other person or to act upon or comply with any direction or request of any other Secured Creditor or any other person while any amount remains owing to any Covered Bondholders.

Where the Security Trustee is required to have regard to the Covered Bondholders (or any Series thereof), it must have regard to the general interests of the Covered Bondholders (or any Series thereof) as a class and will not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular country, territory or any political subdivision thereof and the Security Trustee will not be entitled to require, nor will any Covered Bondholder or Couponholder be entitled to claim from, the Issuer, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders or Couponholders, except to the extent already provided for in Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable).

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Security Trustee is of the opinion that the interests of the holders of the Covered Bonds of any one or more Series could or would be materially prejudiced thereby, the Security Trustee may determine that it will not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution

or by a direction in writing of such Covered Bondholders of not less than 25 per cent. of the Australian Dollar Equivalent of the Principal Amount Outstanding of the Covered Bonds of the relevant Series then outstanding, and which has not been contradicted by a direction in writing of such Covered Bondholders of an equal or greater Australian Dollar Equivalent received by the Security Trustee prior to exercise thereof.

Provided that the Security Trustee acts in good faith, as described in the foregoing, it will not incur any liability to any Secured Creditor or any other person for so doing.

***The Bond Trustee and the Security Trustee may agree to modifications to the Programme Documents without, respectively, the Covered Bondholders' or other Secured Creditors' prior consent***

Pursuant to and subject to the terms of the Security Deed, the Security Trustee may, without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders and without the consent or sanction of the other Secured Creditors (other than any Secured Creditor who is a party to the relevant document) at any time and from time to time concur with the Issuer and the Covered Bond Guarantor (acting at the direction of the Trust Manager) and any other party in making any modification to the Covered Bonds of one or more Series, the related Coupons or to the Security Deed or the other Programme Documents if: (a) so directed by the Bond Trustee (if there are Covered Bonds outstanding) or the Majority Secured Creditors (if there are no Covered Bonds outstanding); or (b) the modification is: (1) of a formal, minor or technical nature; (2) made to correct a manifest or proven error or an error established as such to the satisfaction of the Security Trustee; or (3) made to ensure compliance with mandatory provisions of law; and, in each case, the Bond Trustee (if any Covered Bonds are outstanding) has approved of the modification.

The Bond Trustee may, without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders and without the consent or sanction of any other Secured Creditors (other than any Secured Creditor who is a party to the relevant document) at any time and from time to time concur with, and/or direct the Security Trustee to concur with the Issuer, and the Covered Bond Guarantor (acting at the direction of the Trust Manager) and any other party in making: (a) any modification to the Covered Bonds of one or more Series, the related Coupons or to any Programme Document which does not relate to a Series Reserved Matter and which in the opinion of the Bond Trustee is not materially prejudicial to the interests of the Covered Bondholders of any Series; or (b) any modification to the Covered Bonds of one or more Series, the related Coupons or to the Security Deed or any Programme Document which is, in the opinion of the Bond Trustee, of a formal, minor or technical nature or is, in the opinion of the Bond Trustee, made to correct a manifest error or comply with mandatory provisions of law (and for these purposes the Bond Trustee may disregard whether any such modification relates to a Series Reserved Matter); or (c) any modification referred to in the following paragraph. In forming its opinion as to whether the Covered Bonds or any one or more Series, the related Coupons or any Programme Document is subject to a manifest error, the Bond Trustee may have regard to any evidence which it considers reasonably to rely on (including a certificate from the Issuer as to certain matters) and it must have regard to a Rating Affirmation Notice issued by the Issuer.

The Security Trustee and the Bond Trustee will be obliged to concur in and to effect modifications to the Programme Documents requested by the Trust Manager to: (a) accommodate accession of a new Servicer, new Swap Provider, new Trust Manager, new Account Bank, new Cover Pool Monitor or New Agent if certain conditions are met; (b) take into account any changes in the ratings criteria of the Rating Agencies in relation to covered bonds where, absent such modifications, the ratings assigned to any Covered Bonds may be subject to downgrade, withdrawal or qualification; (c) allow a Swap Provider to transfer securities as Swap Collateral under a relevant Swap Agreement Credit Support Document, including to appoint a custodian to hold such securities in a custody agreement; or (d) in relation to the Security Trustee only, enable the issuance of Zero Coupon Covered Bonds and any required amendments to the Asset Coverage Test and the Amortisation Test; or (e) ensure compliance of the Programme or the Issuer (as applicable) with, or ensure that the Issuer may benefit from, any existing, new or amended legislation, regulation, directive, prudential standard or prudential guidance note of any regulatory body (including, without

limitation, APRA) in relation to covered bonds provided that the Trust Manager has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to comply with or benefit from such legislation, regulation, directive, prudential standard or prudential guidance note, as the case may be.

### ***Australian Financial Services Licence and the Bond Trustee***

The Bond Trustee does not hold an Australian Financial Services Licence (AFSL). In the event that the Bond Trustee is required to hold an AFSL, and is unable to rely on an exemption from the requirement to hold an AFSL or is unable to enter into some other arrangement, the Bond Trustee may not be able to perform actions otherwise required to be performed by it in accordance with the terms of the Bond Trust Deed (but for the fact that it does not hold an AFSL) in respect of the Australian Covered Bonds. This may affect dealings by the Bond Trustee in respect of the Australian Covered Bonds or under the Covered Bond Guarantee in relation to the Australian Covered Bonds.

### ***Certain decisions of the Covered Bondholders taken at Programme level***

Any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Acceleration Notice following an Issuer Event of Default, to direct the Bond Trustee to serve a Covered Bond Guarantee Acceleration Notice following a Covered Bond Guarantor Event of Default and any direction to the Bond Trustee or Security Trustee to take any enforcement action must be passed at a single meeting of the holders of all Covered Bonds of all Series then outstanding and therefore the holders of a single Series of Covered Bonds may not be able to give any directions to the Bond Trustee or the Security Trustee without the agreement of the holders of other outstanding Series of Covered Bonds.

Neither the Bond Trustee nor the Security Trustee will be bound to take enforcement proceedings in relation to the Bond Trust Deed, the Covered Bonds, the Coupons, the Security or any other Programme Document unless the Bond Trustee or Security Trustee, as applicable, have been indemnified and/or prefunded and/or secured to its satisfaction and provided that in the case of Security Trustee, it will not be bound to take any enforcement proceedings which may, in its opinion, in its absolute discretion, result in it failing to receive any payment to which it is or would be entitled.

### ***Enforceability of Priority of Excluded Swap Termination Amounts***

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings on the part of such counterparty. Such provisions are similar in effect to the terms which are included in the Programme Documents (in particular the Establishment Deed and the Security Deed relating to the Covered Bond Trust) relating to the subordination of Excluded Swap Termination Amounts.

The English Supreme Court has held that such a subordination provision as described above is valid under English law. It is likely (but not certain) an Australian court would consider Australian law to have the same effect. Contrary to the determination of the English Supreme Court, however, the U.S. Bankruptcy Court held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the U.S. Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed. However, there remains a stayed action in the U.S. commenced by certain debtors of Lehman Brothers concerning the enforceability of such subordination provisions and, in addition, in February 2012, a complaint was filed by certain parties seeking recognition and enforcement of the UK Supreme Court decision (and corresponding lower court decisions)

and other declaratory relief with respect to the subordination provision in question in the case described above. At the same time as filing the complaint, the relevant parties also filed a motion seeking the withdrawal of the reference from the U.S. Bankruptcy Court, requesting that the complaint be heard instead by the U.S. District Court. It has not yet been determined whether the complaint will be addressed by the U.S. Bankruptcy Court or the U.S. District Court, nor is it known when the complaint will be addressed.

If a Swap Provider becomes subject to insolvency proceedings in any jurisdiction outside England and Wales or Australia (including, but not limited to, the US), and it is owed a payment by the Covered Bond Guarantor, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of the provisions of the relevant Priority of Payments which refer to the ranking of the Swap Providers' payment rights in respect of Excluded Swap Termination Amounts. In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. Bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Provider, including U.S. established entities and certain non-US established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a U.S. state). As at the date of this Prospectus, the Issuer is the only Swap Provider.

If a subordination provision included in the Programme Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside Australia and any relevant foreign judgment or order was recognised by the Australian courts, there can be no assurance that such actions would not adversely affect the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Issuer to satisfy its obligations under the Covered Bonds.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Programme Documents will include terms providing for the subordination of Excluded Swap Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the Australian courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

### ***APRA's powers under the Australian Banking Act***

#### *Power to direct the return of certain assets*

The Australian Banking Act provides that, in certain circumstances, APRA has the power to direct the Covered Bond Guarantor to return certain assets to the Issuer. The Covered Bond Guarantor will be required to comply with APRA's direction despite anything in its constitution or any contract or arrangement to which it is a party.

Specifically, APRA has the power to direct the Covered Bond Guarantor to return to the Issuer an Asset of the Trust which is held by the Covered Bond Guarantor to the extent that, at the time the direction is given, that Asset of the Trust does not secure "covered bond liabilities". A "covered bond liability" (as defined in the Australian Banking Act) is a liability of the Issuer or the Covered Bond Guarantor to covered bondholders and any other liability which is secured by assets beneficially owned by the Covered Bond Guarantor. A liability of the Covered Bond Guarantor to the Issuer (other than a liability relating to derivatives or the provision of services) which is secured in priority to any liability to the covered bondholders is not a "covered bond liability". Accordingly, APRA may direct the Covered Bond Guarantor to return assets owned by it which secure such senior-ranking liabilities of the Covered Bond Guarantor to the Issuer. In the context of the Programme, if a Regulatory Event has occurred or will occur, this means that APRA will have the power to direct the Covered Bond Guarantor to return to the Issuer any Assets of the Trust which secure the repayment of the Demand Note in respect of the Senior Demand Note Component

as such amounts will at that point in time rank senior to the amounts due and payable by the Covered Bond Guarantor to the Covered Bondholders, and Couponholders under the applicable Priority of Payments.

Under the Australian Prudential Standard APS 121 (Covered Bonds), the Issuer is required to maintain an accurate and up-to-date register of the Assets of the Trust which secure "covered bond liabilities".

APRA's power to give a direction to the Covered Bond Guarantor as described in this section is also subject to secrecy requirements, which means that investors will not receive any notice or otherwise be aware that APRA has given the Covered Bond Guarantor any such direction.

If APRA exercises its power to direct the return of assets to the Issuer, this may adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

#### *Power to prevent additional sales to meet Asset Coverage Test on any day*

The Australian Banking Act permits APRA to direct the Issuer, in certain circumstances, not to transfer any asset to the Covered Bond Guarantor (that is, to prevent the Issuer "topping up" the Asset Pool). Those circumstances include where APRA has reason to believe that the Issuer is unable to meet its liabilities, there has been a material deterioration in the Issuer's financial condition, the Issuer is conducting its affairs in an improper or financially unsound way, the failure to issue a direction would materially prejudice the interests of the Issuer's depositors or the Issuer is conducting its affairs in a way that may cause or promote instability of the Australian financial system. This exercise of this power could potentially lead to the depletion of the Asset Pool which may adversely affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee.

#### *Power to prevent further issue of covered bonds*

Apart from and in addition to the Australian Banking Act restriction that the Issuer is precluded from issuing covered bonds if, at the time of issuance, the value of the assets in all cover pools maintained by the "authorised deposit-taking institution" (ADI) exceeds 8 per cent. (or such other percentage prescribed by regulation for the purposes of section 28 of the Australian Banking Act) of the ADI's assets in Australia at that time, APRA has the power to direct the Issuer not to issue covered bonds pursuant to section 11CA of the Australian Banking Act or in circumstances where APRA has reason to believe that the ADI has contravened the covered bonds provisions of the Australian Banking Act, the Australian Banking Act or any other prudential requirement regulation or a prudential standard relating to covered bonds.

#### ***Mortgage Loans regulated by the Consumer Credit Legislation***

The National Consumer Credit Protection Act 2009 (**NCCP Act**), which includes a new National Credit Code (**Credit Code**), commenced on 1 July 2010.

The Credit Code applies (with some limited exceptions) to Mortgage Loans that had previously been regulated under the Consumer Credit Code and also to all new consumer loans made after 1 July 2010.

The NCCP Act incorporates a requirement for providers of credit related services to hold an "Australian credit licence" and to comply with "responsible lending" requirements, including a mandatory "unsuitability assessment" before a loan is made or there is an agreed increase in the amount of credit under a loan.

Obligations under the NCCP Act extend to the Seller and, following a perfection of title by the Covered Bond Guarantor in respect of any Mortgage Loans, the Covered Bond Guarantor and their respective service providers (including the Servicer) in respect of the Mortgage Loans.

Under the terms of the Credit Code each of the Seller and, following a perfection of title by the Covered Bond Guarantor in respect of any Mortgage Loans, the Covered Bond Guarantor would be a "credit

provider" with respect to regulated loans, and as such is exposed to civil and criminal liability for certain violations. These include violations caused in fact by the Servicer. The Servicer has indemnified the Covered Bond Guarantor for any civil or criminal penalties in respect of Credit Code violations caused by the Servicer (except to the extent such penalties arise as a result of the fraud, negligence or wilful default of the Covered Bond Guarantor). There is no guarantee that the Covered Bond Guarantor will have the financial capability to pay any civil or criminal penalties which arise from Credit Code violations.

If for any reason the Servicer does not discharge its obligations to the Covered Bond Guarantor, then the Covered Bond Guarantor will be entitled to indemnification from the Asset Pool. Any such indemnification may reduce the amounts available to the Covered Bond Guarantor to make payments under the Covered Bond Guarantee when due.

Under the Credit Code, a Borrower in relation to a regulated Mortgage Loan may have the right to apply to a court to:

- (a) vary the Mortgage Conditions applicable to that Mortgage Loan on the grounds of hardship or that it is an unjust contract;
- (b) reduce or cancel any interest rate payable on the Mortgage Loan which is unconscionable;
- (c) have certain provisions of the Mortgage Loan or Related Security which are in breach of the legislation declared unenforceable; or
- (d) obtain restitution or compensation in relation to any breach of the Credit Code.

Any order made under any of the above consumer credit laws may affect the timing or amount of principal repayments under the relevant Mortgage Loans which may in turn affect the timing or amount of payments by the Covered Bond Guarantor under the Covered Bond Guarantee when due.

### ***EU Savings Directive***

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, subject to certain exceptions (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland). The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State or dependent or associated territory which has opted for a withholding system and as a consequence of such a system, an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Covered Bond Guarantor, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Covered Bond as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced in order to conform to such Directive, if any.



### ***Regulation to promote financial stability and competition***

APRA and the Reserve Bank of Australia (**RBA**) are working together to implement the revised capital and liquidity principles (**Basel III**) of the Basel Committee on Banking Supervision. The Basel III capital reforms were finalised in September 2012 and take effect from 1 January, 2013. The Basel III liquidity reforms have not yet been finalised but are expected to be implemented progressively from 1 January, 2015. The regulatory capital changes require an increase in the quality and amount of capital the Issuer is required to hold and the proposed regulatory liquidity changes require an increase in the amount and quality of liquid assets held by the Issuer. Regulators of the Issuer's subsidiaries, including the Reserve Bank of New Zealand and the United Kingdom's Financial Services Authority are also undertaking Basel III reforms in their respective jurisdictions. Implementation of Basel III capital reforms in different ways across the different jurisdictions in which the Issuer operates could increase the regulatory compliance costs to the Issuer.

Within Australia, the Federal Government has introduced a revised deposit insurance scheme, which protects deposits held with Australian ADIs up to \$250,000 per customer. Whilst generally seen as a positive outcome by the banking industry, it could adversely affect customer demand for deposits held within the Issuer that exceed the guarantee limit. Additionally, the Federal Government is undertaking reforms to the regulations governing the provision of financial advice, with the legislation implementing the majority of reforms having commenced from 1 July, 2012. Despite being expected to strengthen the Australian financial planning profession, including the Issuer's banking and wealth management businesses, the reforms could adversely impact the revenues and profitability of these businesses.

The Dodd-Frank Act imposes additional supervisory requirements and prudential standards to "systemically important financial institutions", currently defined to include, among other things, all bank holding companies with assets of at least U.S.\$50 billion (which would include the Issuer). The legislation will also subject these institutions to, among other things, heightened risk-based capital, leverage, liquidity and risk management requirements, including periodic stress tests, as well as limitations on credit exposures. Other provisions include, but are not limited to, prohibitions on: proprietary trading; sponsorship of, and investment in, hedge and private equity funds by banking entities; and conducting significant swap-related activities. The specific impact of the Dodd-Frank Act on the Issuer's businesses and the markets in which it operates will depend on the manner in which the relevant agencies develop and implement the required rules. The Dodd-Frank Act may cause changes that adversely impact the financial performance and position of the Issuer.

Over The Counter (**OTC**) derivative market reforms (which are a broader commitment of the Group of 20 (**G20**) Finance Ministers and Central Bank Governors) are being implemented in the United States through the Dodd-Frank Act and in other countries including Australia (where the Australian Government has recently introduced the Corporations Legislation Amendment (Derivative Transactions) Bill 2012 to the House of Representatives). The full extent of these reforms is yet to be determined and could adversely impact the financial performance and position of the Issuer.

In June 2010 the United Kingdom Government published a "White Paper" setting out proposals for taking forward implementation of the United Kingdom Independent Commission on Banking's (**ICB**) recommendations on reforming the banking sector in order to promote financial stability and competition. These include proposals to "ring-fence" retail banks from investment (and wholesale) banking operations and capitalising each separately, as well as introducing more onerous minimum capital and capital buffers based on the size of the banking entity. There are also recommendations designed to improve choice and competition in the United Kingdom market. The United Kingdom Government will implement the ICB's advice in stages, with the full package of reforms completed by 2019. These changes could adversely impact the financial performance and position of the Issuer.

Regulators are requiring many banks, including the Issuer, to develop recovery and/or resolution plans that show how the institution would propose to recover from a significant loss that threatened its viability as a

stand-alone entity. These plans include, but are not limited to, liquidity management, capital management, balance sheet reduction, repricing, cost reduction and asset disposal initiatives. If elements of the plan were implemented in response to a crisis, or preparatory actions relating to the plan were mandated by regulators, it is possible that some or all of these actions could have an adverse impact on the Issuer's financial performance and position.

The Reserve Bank of New Zealand has put in place a mechanism for how it will manage a New Zealand bank that encounters financial difficulty. Called "Open Bank Resolution" (**OBR**), the mechanism would have an adverse impact on the Issuer's financial performance and position if ever the Issuer's New Zealand subsidiary was subject to an OBR action.

### ***Taxation Law***

In March 2010, the United States passed legislation that will require foreign financial institutions to provide information regarding United States account holders (referred to as **FATCA**). If this information is not provided in a form satisfactory to the United States tax authorities, a foreign financial institution will be subject to a 30% withholding tax on certain amounts derived from United States sources and certain payments attributable to such amounts (**Passthru Payments**). Under recently proposed United States Treasury regulations, no such withholding tax will be imposed on any payments from United States sources made prior to 1 January, 2014, and no such withholding tax will be imposed on any Passthru Payments prior to 1 January, 2017. At this time, it is not possible to quantify the costs of complying with the new legislation or whether such legislation will have a significant impact on the Issuer's financial performance and position, as the final regulations are still to be determined and the Australian government is considering entering into an inter-governmental agreement with the government of the United States in respect of FATCA. See "*Taxation – U.S. Taxation – Foreign Account Tax Compliance Withholding*" below.

### ***Accounting Standards***

The International Accounting Standards Board (**IASB**) and the Australian Accounting Standards Board (**AASB**) are currently reviewing or proposing changes to several of the accounting standards that govern key aspects of the Issuer's financial statements. While the outcome of these reviews and proposed changes is uncertain and difficult to predict, certain of these changes could have a material impact on the Issuer's financial performance and position.

### ***Changes of law and/or regulatory, accounting and/or administrative practices***

The structure of the issue of the Covered Bonds and the ratings which are to be assigned to them are based on Australian law, regulatory, accounting and administrative practice in effect as at the date of this Prospectus and having due regard to the expected tax treatment of all relevant entities under Australian tax law and the published practice of the Australian Taxation Office in force or applied in Australia as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to Australian law, regulatory, accounting or administrative practice in Australia or to Australian tax law, or the interpretation or administration thereof, or to the published practice of the Australian Taxation Office as applied in Australia after the date of this Prospectus, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee when due.

### ***The Covered Bond Trust may become subject to registration requirements under the U.S. Commodity Exchange Act and required to comply with certain commodity reporting requirements***

The United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the **Dodd-Frank Act**) expanded the definition of a "commodity pool" to include any form of enterprise operated for the purpose of trading in commodity interests, including swaps. The definition of "swaps" under the Dodd-Frank Act is broad, and expressly includes interest rate swaps, cross-currency swaps and total return

swaps. The U.S. Commodity Futures Trading Commission (the **CFTC**) has taken an expansive interpretation of these definitions and has expressed the view that entering into a single swap (even if the swap is used solely for hedging purposes) could make an entity a “commodity pool” subject to regulation under the U.S. Commodity Exchange Act, as amended (the **CEA**). Under the new definitions and interpretations, the Trust could potentially be considered a “commodity pool” and consequently, the person or entity responsible for operation and management of the Trust could be required to register, respectively, as a “Commodity Pool Operator” (a **CPO**) and “commodity trading advisor” (**CTA**) unless an exemption applies.

If the Trust were deemed to be a “commodity pool”, then both the CPO and the CTA of the Trust would be required to file an application for registration as such with the CFTC and the National Futures Association (the **NFA**) by December 31, 2012. While there remain certain limited exemptions from registration, because the wording of these regulations applies to traditional commodity pools and was not drafted with transactions such as the Trust and its activities in mind, it is unclear whether and to what extent any of these exemptions would be available to avoid registration with respect to the Trust. If the Trust were deemed to be a “commodity pool”, the CPO and CTA might, absent an exemption, have to comply with a number of disclosure and reporting requirements that are geared to traded commodity pools. It is presently unclear how a vehicle such as the Trust could comply with certain of these requirements on an ongoing basis. Such registration and other requirements would involve material ongoing costs to the Trust. The scope of such requirements and related compliance costs is uncertain but could adversely affect the amount of funds available to make payments on the Covered Bonds. Furthermore, even if an exemption were available, the limits imposed by such exemption may prevent the Trust from entering into hedging transactions which the Issuer believes would be advisable or result in the Trust incurring financial risks that would have been hedged absent such limits. If no exemption is available, or the Trust does not meet the requirements of any applicable exemption, the Trust may be subject to enforcement actions or restrictions on its activities for non-compliance with applicable registration requirements.

Certain issuers of covered bonds have taken exception to the CFTC’s expansive interpretation of the Dodd-Frank Act provisions and rules described above, and have submitted requests for exemptive relief or interpretive guidance. Whether, to what extent and in what form the CFTC determines to grant any such relief or guidance is presently unclear. Furthermore, even if regulatory relief is granted by the CFTC, no assurance can be made that the United States federal government or any U.S. regulatory body (or other authority or regulatory body) will not continue to take further legislative or regulatory action in response to the economic crisis or otherwise, and the effect of such actions, if any, cannot be known or predicted.

### ***Changes to the current law and/or regulations***

No assurance can be given that additional regulations, laws or guidance from regulatory authorities in Australia will not arise with regard to the mortgage market in Australia generally, the Seller's particular sector in that market, specifically in relation to the Seller or in relation to the issuance of covered bonds by deposit-taking institutions regulated under the Australian Banking Act. Any such action or developments or compliance costs may have a material adverse effect on the Mortgage Loans, the Seller, the Covered Bond Guarantor, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the ability of the Covered Bond Guarantor to dispose of the Mortgage Loan Portfolio or any part thereof in a timely manner and/or the realisable value of the Portfolio or any part thereof and accordingly affect the ability of the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee when due.

### ***Tax reform proposals***

Attention is drawn to the discussion on tax reform in the section "*Taxation – Australian Taxation – Tax treatment of the Covered Bond Guarantor – Income Tax Status of the Covered Bond Guarantor – Potential Tax Reform*".

### *Anti-Money Laundering and Counter-Terrorism Financing Act*

On 12 December 2006, the Australian Government enacted the Anti-Money Laundering and Counter-Terrorism Financing Act (**AML/CTF Act**) which replaces Australian Financial Transactions Reports Act 1988. The AML/CTF Act makes a number of significant changes to Australia's anti-money laundering and counter-terrorism financing regulation.

Under the AML/CTF Act, if an entity has not met its obligations under the AML/CTF Act, that entity will be prohibited from providing a designated service which includes:

- (a) opening or providing an account, allowing any transaction in relation to an account or receiving instructions to transfer money in and out of the account;
- (b) issuing, dealing, acquiring, disposing of, cancelling or redeeming a security; and
- (c) exchanging one currency for another.

These obligations will include undertaking customer identification procedures before a designated service is provided and receiving information about international and domestic institutional transfers of funds. Until these obligations have been met an entity will be prohibited from providing funds or services to a party or making any payments on behalf of a party.

The obligations placed upon an entity could affect the services of an entity or the funds it provides and ultimately may result in a delay or decrease in the amounts received by a Covered Bondholder in respect of the Covered Bonds.

### *Personal Property Security regime*

A new personal property securities regime has commenced operation throughout Australia. The Personal Property Securities Act 2009 (**PPSA**) establishes a national system for the registration of security interests in personal property, together with new rules for the creation, priority and enforcement of security interests in personal property. The PPSA commenced on 15 December 2009 and took effect on 30 January 2012 (**PPSA Start Date**) and is subject to further extension under the relevant legislation. A two year transitional period will apply from the PPSA Start Date. The PPSA has retrospective effect on security interests and security agreements arising before that time by operation of the transitional provisions. The issue is relevant to this transaction because it has transitioned through the PPSA Start Date. A person who holds a security interest under the PPSA may need to take additional steps under the PPSA to maintain the effectiveness or priority of its security interest.

Security interests for the purposes of the PPSA include traditional securities such as charges and mortgages. However, they also include transactions that in substance, secure payment or performance of an obligation but may not currently be legally classified as securities. Further, certain other interests are deemed to be security interests whether or not they secure payment or performance of an obligation - these deemed security interests include assignments of certain property.

A person who holds a security interest under the PPSA will need to register (or otherwise perfect) the security interest to ensure that the security interest has priority over competing interests (and in some cases, to ensure that the security interest survives the insolvency of the grantor). If they do not do so:

- (a) another security interest may take priority;
- (b) another person may acquire an interest in the assets which are subject to the security interest free of their security interest; and

- (c) they may not be able to enforce the security interest against a grantor who becomes insolvent.

The transitional provisions provided that security interests registered on certain existing registers migrated to the PPSR (for example, charges registered on the ASIC Register of Company Charges). These types of security interests are referred to as "transitional security interests". If the details held by the relevant existing public register in relation to a transitional security interest are incorrect or insufficient or if, as a result of human or systemic error those details were not properly migrated to the PPSR, or there is not a separate registration within the two year period, there is a risk that other persons with competing interests in the personal property may take free of that security interest because it will not have been perfected. However, transitional relief for a period of 60 months commencing from the PPSA Start Date will apply to mitigate any such risk in relation to an error in respect of details on the PPSR arising solely as a result of human or systemic error in the migration process. In addition, if the security interest is unperfected, the holder of the security interest or the owner of the personal property may not be able to enforce that security interest or claim title to the personal property (as the case may be) if the borrower or other security provider becomes insolvent. Security interests which were not migrated, or which were not registered on any existing registers as at the PPSA Start Date will need to be registered on the PPSR (or otherwise perfected) before the end of the two-year transitional period to preserve priority. This means that transactions which were not regarded as security interests under the law prior to the commencement of the PPSA but are security interests under the PPSA, either because they are "in substance" security interests or deemed security interests, need to be registered. The Programme Documents contain such security interests.

The transitional provisions are intended to ensure that transitional security interests which will be migrated from existing registers retain the priority they had prior to migration. They are also designed to give holders of existing security interests which are not currently registered on any existing registers two years to perfect them by registration by deeming them to be perfected for that period. However, there are various other rules in the PPSA which apply from the PPSA Start Date and which mean that despite the purported protection of the transitional provisions, the PPSA may result in different priority outcomes in certain circumstances unless the holders of these security interests take additional steps to protect their security interests including registering pre-commencement security interests as soon as possible after the PPSA Start Date and not waiting until later in the transitional period. The Trust Manager has arranged for security interests arising under the Programme Documents (or a transaction in connection with them other than the Mortgage Loans or the Mortgages themselves) to be perfected under the PPSA.

There is uncertainty on aspects of the implementation of the PPSA regime because:

- (a) while the PPSA Start Date has occurred, it is possible that further amendments could be made to the PPSA and other legislation. In addition, amendments may be made to regulations which deal with important aspects of the PPSA's operation; and
- (b) the PPSA significantly altered the law relating to secured transactions. There are issues and ambiguities in respect of which a market view or practice will evolve over time.

#### *Unfair Terms*

- (a) On 1 July 2010, the Trade Practices Amendment (Australian Consumer Law) Act (No.1) 2010 (Australia) (**UCT Law**) commenced. The UCT Law introduces a national unfair terms regime whereby a term of a standard-form consumer contract will be unfair, and therefore void, if it causes a significant imbalance in the parties' rights and obligations under the contract and is not reasonably necessary to protect the supplier's legitimate interests. The UCT Law will apply to a term of the Mortgage Loans to the extent that the Mortgage Loan Conditions are renewed, or the term is varied, after commencement of the UCT Law.

- (b) Also on 1 July 2010, Victoria amended its unfair terms regime (contained in Part 2B of the Fair Trading Act 1999 (Vic)) to follow the wording in the Commonwealth's UCT Law. Victoria's unfair terms regime had applied to certain Mortgage Loans since 10 June 2009.

### *CRA Regulations*

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website (at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)) in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

### ***Implementation of and/or changes to the Basel II framework may affect the capital requirements and/or the liquidity associated with a holding of the Covered Bonds for certain investors***

In 1988, the Basel Committee on Banking Supervision (the **Basel Committee**) adopted capital guidelines that explicitly link the relationship between a bank's capital and its credit risks. In June 2006 the Basel Committee finalised and published new risk-adjusted capital guidelines (**Basel II**). Basel II includes the application of risk-weighting which depends upon, amongst other factors, the external or, in some circumstances and subject to approval of supervisory authorities, internal credit rating of the counterparty. The revised requirements also include allocation of risk capital in relation to operational risk and supervisory review of the process of evaluating risk measurement and capital ratios.

Basel II has not been fully implemented in all participating jurisdictions. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Covered Bonds for investors who are or may become subject to capital adequacy requirements that follow the framework and, as a result, they may affect the liquidity and/or value of the Covered Bonds. The Basel II framework is implemented in the European Union by the Capital Requirements Directive.

It should also be noted that the Basel Committee has approved significant changes to the Basel II framework (such changes being commonly referred to as **Basel III**) and on 1 June 2011 issued its final guidance, which envisages a substantial strengthening of existing capital rules, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards and a minimum leverage ratio for financial institutions. In particular, the changes include, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the Liquidity Coverage Ratio and the Net Stable Funding Ratio). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the Net Stable Funding Ratio from January 2018. On 4 November 2011, the Basel Committee introduced additional capital requirements for global systemically important banks, to take effect on a phased basis from 2016. Similarly, on 29 June 2012, the Basel Committee also introduced a principles-based capital framework for domestic systemically important banks, which are also intended to take effect on a phased basis from 2016. The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the Covered Bonds and/or on incentives to hold the Covered Bonds for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Covered Bonds.

The European authorities support the work of the Basel Committee on the approved changes in general and, on 20 July 2011, the European Commission adopted a legislative package of proposals (known as **CRD IV**) to implement the changes through the replacement of the existing Capital Requirements Directive with a new Directive and Regulation. As with Basel III, the proposals contemplate the entry into force of the new legislation from January 2013, with full implementation by January 2019; however the proposals allow individual Member States to implement the stricter definition and/or level of capital more quickly than is envisaged under Basel III.

In Australia, APRA has also indicated that it fully supports the package of reforms announced by the Basel Committee. In September 2011, APRA proposed to implement reforms giving effect to the measures outlined in Basel III and an accelerated implementation timetable for some aspects of the Basel III reforms. In September 2012, following a period of consultation with ADIs, APRA released the final prudential and reporting standards that will implement the Basel III capital measures from 1 January 2013. APRA is also continuing consultation on Basel III measures relating to counterparty credit risk, minimising cliff effect and addressing reliance on credit ratings and is proposing to follow the Basel Committee's timetable for the implementation of the new global liquidity standards. Accordingly, the Liquidity Coverage Ratio requirement is expected to become effective in Australia from 1 January 2015 and the Net Stable Funding Ratio requirement is expected to become effective in Australia from 1 January 2018. The changes approved by the Basel Committee and their expected implementation in Australia may have an impact on the capital requirements in respect of the Covered Bonds and/or on incentives to hold the Covered Bonds for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Covered Bonds.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Covered Bonds and as to the consequences for and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

## PRINCIPAL CHARACTERISTICS OF THE PROGRAMME

The following synopsis does not purport to be complete and is taken from, and is qualified in its entirety by the information contained in the remainder of this Prospectus. For further information, namely regarding the Asset Coverage Test and the Amortisation Test, please see "*Summary of the Principal Documents*".

|   |   |
|---|---|
| <b>Issuer:</b>  | National Australia Bank Limited ABN 12 004 044 937, incorporated with limited liability in the Commonwealth of Australia and having its registered office at Level 4, (UB 4440) 800 Bourke Street, Docklands, Victoria 3008, Australia.   |
| <b>Covered Bond Guarantor:</b>  | Perpetual Corporate Trust Limited ABN 99 000 341 533, incorporated with limited liability in the Commonwealth of Australia and having its registered office at Level 12, 123 Pitt Street, Sydney, NSW 2000, as trustee of the nab Covered Bond Trust.   |
| <b>Nature of eligible property:</b>                                       | Residential Mortgage Loans and the Related Security, Substitution Assets and Authorised Investments.  |
| <b>Location of eligible residential property securing Mortgage Loans:</b> | Australia.  |
| <b>Maximum Asset Percentage:</b>  | 95%.  |
| <b>Asset Coverage Test:</b>   | Yes, see " <i>Credit Structure</i> " and " <i>Summary of the Principal Documents – the Establishment Deed – Asset Coverage Test</i> ".  |
| <b>Amortisation Test:</b>   | Yes, see " <i>Credit Structure</i> " and " <i>Summary of the Principal Documents – the Establishment Deed – Amortisation Test</i> ".  |
| <b>Legislated Collateralisation Test:</b>                                 | Yes, see " <i>Structure Overview – Structure Overview – Legislated Collateralisation Test</i> ."  |
| <b>Pre-Maturity Test:</b>   | Yes, see " <i>Credit Structure– Pre-Maturity Test</i> ".  |
| <b>Reserve Fund:</b>  | A Reserve Fund of an amount up to the Reserve Fund Required Amount will be established to trap a specified amount of Available Revenue Receipts or the proceeds of the issue of Intercompany Notes if nab's credit ratings fall below the Moody's Specified Rating and/or the Fitch Specified Rating. |
| <b>Extendable Maturities:</b>   | Available.  |
| <b>Hard Bullet Maturities:</b>  | Available.  |
| <b>Cover Pool Monitor:</b>  | Ernst & Young, having an office at 8 Exhibition Street, Melbourne VIC 3000, Australia.  |
| <b>Asset Segregation:</b>   | Yes.  |



**Terms:** As set out in the applicable Final Terms for the relevant Series or Tranche of Covered Bonds.

**Clearing Systems:** Covered Bonds (other than A\$ Registered Covered Bonds) may be traded on the settlement system operated by Euroclear, the settlement system operated by Clearstream, DTC and/or any other clearing system outside Australia specified in the Applicable Final Terms.

The Issuer may apply to Austraclear Limited ABN 94 002 060 773 (**Austraclear**) for approval for the A\$ Registered Covered Bonds to be traded on the settlement system operated by Austraclear (**Austraclear System**). Such approval of the A\$ Registered Covered Bonds by Austraclear is not a recommendation or endorsement by Austraclear of the A\$ Registered Covered Bonds.

N Covered Bonds will not be traded on any clearing system.

**Listing and admission to trading:** Application has been made by the Issuer to admit Covered Bonds issued under the Programme to the Official List and to admit Covered Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange. Covered Bonds issued under the Programme may be unlisted or may be listed on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Issuer, the Covered Bond Guarantor, the Bond Trustee and the relevant Dealer(s). Any A\$ Registered Covered Bonds issued under the Programme may be unlisted.

Perpetual Corporate Trust Limited and P.T. Limited have not made or authorised the application to admit Covered Bonds issued under the Programme to the official list of the Luxembourg Stock Exchange or to admit the Covered Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange.

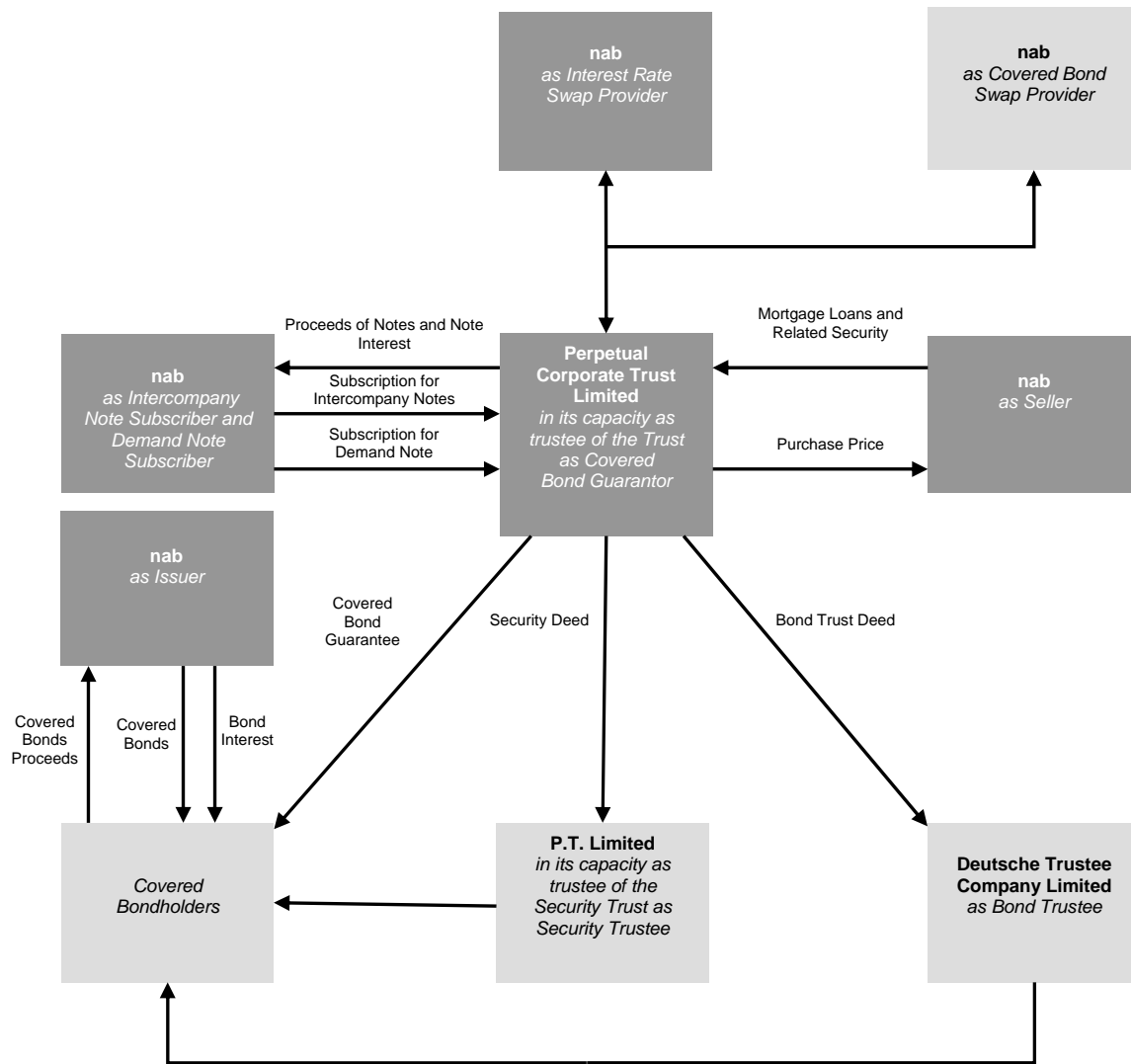
N Covered Bonds will not be listed and/or admitted to trading.

## STRUCTURE OVERVIEW

*The information in this section is an overview of the structure relating to the Programme and does not purport to be complete. This Structure Overview must be read as an introduction to this Prospectus and any decision to invest in any Covered Bonds should be based on a consideration of this Prospectus as a whole, including the documents incorporated herein by reference.*

*Words and expressions defined elsewhere in this Prospectus will have the same meanings in this Structure Overview.*

### Structure Diagram



## **Structure Overview**

### ***Programme***

Pursuant to the terms of the Programme, the Issuer will issue Covered Bonds to the Covered Bondholders on each Issue Date. The Covered Bonds will be direct, unsecured, unsubordinated and unconditional obligations of the Issuer.

The Issuer's indebtedness under the Covered Bonds will not be a protected account for the purposes of the Financial Claims Scheme in Division 2AA of Part II of the Australian Banking Act, will not be a deposit liability of the Issuer for the purposes of the Australian Banking Act and is not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. If the Issuer becomes unable to meet its obligations or suspends payment, its assets in Australia are to be available to meet its indebtedness evidenced by the Covered Bonds only after the liabilities referred to in section 13A(3)(a) - (e) of the Australian Banking Act have been met. The Australian Banking Act provides that the Issuer's assets in Australia for these purposes do not include the assets in the Cover Pool.

### ***Covered Bond Guarantee***

Pursuant to the terms of the Bond Trust Deed, the Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds issued by the Issuer. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amounts which would otherwise be unpaid by the Issuer. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct, absolute and (following service of an Issuer Acceleration Notice and Notice to Pay or a Covered Bond Guarantee Acceleration Notice) unconditional obligations of the Covered Bond Guarantor, secured as provided in the Security Deed and limited in recourse against the Covered Bond Guarantor. The Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor following the occurrence of an Issuer Event of Default and service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer (whereupon the Covered Bonds will become immediately due and payable as against the Issuer but not at such time as against the Covered Bond Guarantor).

A Covered Bond Guarantee Acceleration Notice may be served by the Bond Trustee on the Issuer and the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee) following the occurrence of a Covered Bond Guarantor Event of Default. If a Covered Bond Guarantee Acceleration Notice is served, the Covered Bonds will become immediately due and payable as against the Issuer (if they have not already become due and payable) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee to pay Guaranteed Amounts will be accelerated and the Security Trustee will be entitled to enforce the Security. Payments made by the Covered Bond Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments. Payments made by the Security Trustee will be made subject to, and in accordance with, the Post-Enforcement Priority of Payments, as applicable.

### ***Intercompany Note Subscription Agreement***

Pursuant to the terms of the Intercompany Note Subscription Agreement, nab as Intercompany Note Subscriber has agreed to subscribe for Intercompany Notes issued by the Covered Bond Guarantor in an amount equal to, the Principal Amount Outstanding (or the Australian Dollar Equivalent thereof) on the Issue Date of each Series or, as applicable, each Tranche of Covered Bonds, and for a matching term. The Intercompany Notes will be denominated in the same currency as the relevant Series or Tranche of Covered Bonds or in Australian Dollars. Payments by the Issuer of amounts due under the Covered Bonds will not be conditional upon receipt by nab of payments from the Covered Bond Guarantor in respect of the Intercompany Notes. Payments by the Covered Bond Guarantor in respect of the Intercompany Notes will be subordinated to amounts owed by the Covered Bond Guarantor to the Covered Bondholders under the

Covered Bond Guarantee in accordance with the applicable Guarantee Priority of Payments and the Post-Enforcement Priority of Payments.

#### *The proceeds of issue of Intercompany Notes*

The Covered Bond Guarantor will use the proceeds of issue of Intercompany Notes to nab under the Intercompany Note Subscription Agreement from time to time (if not denominated in Australian Dollars, upon exchange into Australian Dollars under the applicable Covered Bond Swap): (i) to fund (in whole or part) the Purchase Price of a New Mortgage Loan Portfolio (consisting of Mortgage Loans and the Related Security originated by the Seller) from the Seller in accordance with the terms of the Mortgage Sale Agreement; (ii) if a New Mortgage Loan Portfolio is purchased from the Seller in advance of a Series or Tranche of Covered Bonds using the proceeds from the issue or an Increase of the Demand Note, to make a repayment of the Demand Note in an amount equal to the Series or Tranche of Covered Bonds issued which relate to those Intercompany Notes and/or (iii) to invest in Substitution Assets in an amount not exceeding the prescribed limits (as described in "*Summary of the Principal Documents – Establishment Deed – Limit on Investing in Substitution Assets and Authorised Investments*") to the extent required to meet the Asset Coverage Test; and thereafter the Covered Bond Guarantor may use such proceeds (subject to compliance with the Asset Coverage Test): (A) if an existing Series or Tranche or part of an existing Series or Tranche of Covered Bonds is being refinanced by the issue of a further Series or Tranche of Covered Bonds to which the Intercompany Note being issued relates, to repay the Intercompany Note(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Intercompany Note(s) being repaid, if necessary); and/or (B) to make a repayment of the Demand Note; and/or (C) to make a deposit of all or part of the proceeds into the GIC Account (including, without limitation, to fund the Reserve Fund to an amount not exceeding the Reserve Fund Required Amount).

#### ***Demand Note Subscription Agreement***

Pursuant to the Demand Note Subscription Agreement, nab as Demand Note Subscriber will subscribe for a Demand Note to be issued by the Covered Bond Guarantor and will subscribe for further increases in the principal amount of the Demand Note, as requested by the Covered Bond Guarantor from time to time in accordance with the Demand Note Subscription Agreement. The Demand Note will be denominated in Australian Dollars. The proceeds of the issue of, and increase in the principal amount of, the Demand Note may only be used by, or on behalf of, the Covered Bond Guarantor: (i) as consideration (in whole or in part) for the acquisition of Mortgage Loans and the Related Security from the Seller on a Transfer Date; (ii) to prevent or rectify a failure to meet the Asset Coverage Test; (iii) to rectify a breach of the Pre-Maturity Test; (iv) to rectify an Interest Rate Shortfall; (v) to fund repayment by the Covered Bond Guarantor of any outstanding Intercompany Note; or (vi) for any purpose whatsoever (other than any purpose contemplated by any of the preceding paragraphs (i) to (v)) as may be agreed from time to time between the Covered Bond Guarantor (acting at the direction of the Trust Manager) and the Demand Note Subscriber.

Amounts due and payable by the Covered Bond Guarantor in respect of the Demand Note will be repaid or otherwise satisfied as set out below:

- if a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in respect of the Senior Demand Note Component only by:
  - way of set-off by application of the proceeds of the issue of Intercompany Notes as described in "*Intercompany Note Subscription Agreement – The proceeds of issue of Intercompany Notes*" above; or
  - *in specie* distribution of Mortgage Loans and the Related Security (the value of which will be determined by reference to the Current Principal Balance plus Accrued Interest and

Arrears of Interest in respect of the corresponding Mortgage Loans calculated as at the date of the *in specie* distribution) to the Demand Noteholder;

- in respect of the Junior Demand Note Component, be subordinated to amounts due and payable by the Covered Bond Guarantor to the Covered Bondholders and Couponholders under the Covered Bond Guarantee and to the Intercompany Noteholder under the Intercompany Notes, as applicable, under the Priorities of Payments. Such amounts may be satisfied by *in specie* distribution, at the discretion of the Trust Manager.

There will be no Senior Demand Note Component in relation to the Demand Note unless a Regulatory Event has occurred or is likely to occur and the Issuer has notified the Covered Bond Guarantor and the Trust Manager.

For further details see the section "*Summary of the Principal Documents – Demand Note Subscription Agreement*".

### **Security**

To secure its obligations under the Covered Bond Guarantee and the Programme Documents to which it is a party, the Covered Bond Guarantor will grant security over the Charged Property (which consists of the assets of the Trust held by the Covered Bond Guarantor from time to time, including the Covered Bond Guarantor's interest in the Mortgage Loan Portfolio, the Substitution Assets, the Authorised Investments, the Programme Documents to which it is a party and the Trust Accounts) in favour of the Security Trustee (to be held by the Security Trustee on trust for each Secured Creditor) pursuant to the Security Deed.

### **Cashflows**

#### *Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments*

Prior to service of a Notice to Pay on the Covered Bond Guarantor and/or service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will:

- (a) apply Available Revenue Receipts (i) to pay interest due and payable on the Intercompany Notes; and/or (ii) to pay interest due and payable on the Demand Note. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments; and
- (b) apply Available Principal Receipts towards repayment of the Demand Note and the Intercompany Notes but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments (including funding any liquidity that may be required in respect of any Series of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Test).

#### *Application of moneys following service of an Asset Coverage Test Breach Notice*

At any time after service on the Covered Bond Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to service of an Issuer Acceleration Notice (or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), all Available Revenue Receipts and all Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments or Pre-Acceleration Principal Priority of Payments, as applicable, save that, whilst any Covered Bonds remain outstanding, no moneys will be applied to (i) acquire New Mortgage Loans and the Related Security to ensure compliance with the Asset Coverage Test, (ii) redeem or pay interest on the Intercompany Notes or (except in limited circumstances) the Demand Note, (iii) pay the purchase price for New Mortgage Loans

and the Related Security sold to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement (see further "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*"), (iv) reimburse the Seller for funding Further Advances and/or Cash Redraws, or (v) pay distributions to the Residual Income Unitholder or the Residual Capital Unitholders, and the remainder (if any) will be deposited into the GIC Account and applied as Available Revenue Receipts or Available Principal Receipts, as the case may be, on the next succeeding Trust Payment Date.

#### *Application of moneys following service of a Notice to Pay*

Following service on the Covered Bond Guarantor of a Notice to Pay (but prior to a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer) the Covered Bond Guarantor will use all moneys (other than certain amounts due to third parties and Swap Collateral Excluded Amounts) to pay Guaranteed Amounts in respect of the Covered Bonds when the same become Due for Payment, subject to paying certain higher ranking obligations of the Covered Bond Guarantor in the Guarantee Priority of Payments (including, if the Issuer has determined and notified to the Trust Manager and the Covered Bond Guarantor that a Regulatory Event has occurred or is likely to occur, in respect of the Senior Demand Note Component). In such circumstances, the Intercompany Noteholders, the Demand Noteholder (except as specified above) and nab as the Residual Income Unitholder and the Residual Capital Unitholder will only be entitled to receive any remaining income of the Trust after all amounts referred to above have been paid or have otherwise been provided for in full.

#### *Acceleration of the Covered Bonds*

Following the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, the Covered Bonds will become immediately due and repayable (if not already due and payable as against the Issuer and the Bond Trustee will then have a claim against the Covered Bond Guarantor under the Covered Bond Guarantee for an amount equal to the Early Redemption Amount in respect of each Covered Bond together with accrued interest and any other amounts due under the Covered Bonds (other than additional amounts payable by the Issuer under Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable)) and the Security created by the Covered Bond Guarantor over the Charged Property will become enforceable. Any moneys received or recovered by the Security Trustee following enforcement of the Security granted by the Covered Bond Guarantor over the Charged Property will be distributed according to the Post-Enforcement Priority of Payments (other than any Swap Collateral Excluded Amounts).

#### *Asset Coverage Test*

To protect the value of the Mortgage Loan Portfolio, the Establishment Deed provides that, for so long as any Covered Bonds remain outstanding, the Trust Manager must ensure that on each Calculation Date prior to the service of a Notice to Pay on the Covered Bond Guarantor and/or a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, the Asset Coverage Test is satisfied. Accordingly, for so long as Covered Bonds remain outstanding, the Trust Manager must ensure that on each Calculation Date prior to the service of a Notice to Pay on the Covered Bond Guarantor and/or a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, the Adjusted Aggregate Mortgage Loan Amount will be at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date.

If the Adjusted Aggregate Mortgage Loan Amount is less than the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on two consecutive Calculation Dates, the Bond Trustee must serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the non-satisfaction of the Asset Coverage

Test). The Bond Trustee will be deemed to revoke an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third consecutive Calculation Date, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Asset Coverage Test Breach Notice is not revoked, as described above, an Issuer Event of Default will occur.

### ***Amortisation Test***

In addition, on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer) and, for so long as Covered Bonds remain outstanding, the Trust Manager must ensure that the Amortisation Test Aggregate Mortgage Loan Amount, as calculated on such Calculation Date, will be in an amount at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds on such Calculation Date. A breach of the Amortisation Test will constitute a Covered Bond Guarantor Event of Default and the Bond Trustee will be entitled (and, in certain circumstances, may be required) to serve a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer declaring the Covered Bonds immediately due and repayable and the Security Trustee will be entitled (and, in certain circumstances, may be required) to enforce the Security.

### ***Legislated Minimum Over-Collateralisation***

In addition to the Asset Coverage Test and the Amortisation Test, the Programme benefits from the Issuer's obligation to comply with the minimum over-collateralisation requirements set out in the Australian Banking Act (the **Legislated Collateralisation Test**), as described in section "*Description of the Covered Bond Provisions of the Australian Banking Act*" in this Prospectus. As the Legislative Collateralisation Test is a minimum requirement, the Issuer expects that its obligation in respect of this legal requirement will be satisfied in all circumstances in which the Asset Coverage Test or the Amortisation Test, as applicable, is satisfied.

### ***Pre-Maturity Test***

Each Series of Hard Bullet Covered Bonds is subject to a Pre-Maturity Test on each AU Business Day during the Pre-Maturity Test Period prior to the occurrence of an Issuer Event of Default and/or a Covered Bond Guarantor Event of Default. The Pre-Maturity Test is intended to ensure that the Covered Bond Guarantor has sufficient liquidity for such Covered Bonds when the Issuer's credit ratings fall to a certain level within a specified period prior to the maturity of such Covered Bonds. If the Pre-Maturity Test is breached within such specified period and certain actions are not taken, an Issuer Event of Default will occur.

### ***Reserve Fund***

If the Issuer's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least P-1 by Moody's (the **Moody's Specified Rating**) and/or F1+ by Fitch (the **Fitch Specified Rating**), the Covered Bond Guarantor is required to establish a reserve fund within the GIC Account and to credit, on the immediately following Trust Payment Date, to the Reserve Fund the proceeds of Available Revenue Receipts or the remaining proceeds of the issue of an Intercompany Note up to an amount equal to the Australian Dollar Equivalent of the Reserve Fund Required Amount.

### ***Mortgage Sale Agreement***

Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Mortgage Loans and the Related Security originated by the Seller to the Covered Bond Guarantor on any Transfer Date will be a cash payment paid by the Covered Bond Guarantor to the Seller on the applicable

Transfer Date. The Seller will, subject to the satisfaction of certain conditions, be permitted to sell Qualifying Mortgage Loans and the Related Security to the Covered Bond Guarantor from time to time.

### ***Servicing Agreement***

In its capacity as Servicer, nab has entered into the Servicing Agreement with the Covered Bond Guarantor and the Security Trustee, pursuant to which the Servicer has agreed to provide administrative services in respect of, amongst others, the Mortgage Loans and the Related Security sold by nab (in its capacity as Seller) to the Covered Bond Guarantor.

### ***Dual recourse; Excess Proceeds to be paid to Covered Bond Guarantor***

Following the occurrence of an Issuer Event of Default that is continuing, the Bond Trustee may serve an Issuer Acceleration Notice on the Issuer and a Notice to Pay on the Covered Bond Guarantor.

Following service of an Issuer Acceleration Notice and a Notice to Pay, any moneys received by the Bond Trustee from the Issuer (or any administrator, receiver, receiver and manager, liquidator, statutory manager or other similar official appointed in relation to the Issuer) will be paid by the Bond Trustee to the Covered Bond Guarantor and will be used by the Covered Bond Guarantor in the same manner as all other moneys available to it from time to time.

Following service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor will, subject to the terms of the Bond Trust Deed, pay or procure to be paid on each Scheduled Payment Date to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders) an amount equal to those Guaranteed Amounts which have become Due for Payment, but which have not been paid by the Issuer.

Payments by the Covered Bond Guarantor under the Covered Bond Guarantee will be made in accordance with the Guarantee Priority of Payments.

For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Prospectus, "*Principal Characteristics of the Programme*", "*General Description of the Programme*", "*Risk Factors*", "*Summary of the Principal Documents*", "*Credit Structure*", "*Cashflows*", "*The Mortgage Loan Portfolio*" and "*Conditions of the Covered Bonds*", below.



## GENERAL DESCRIPTION OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Covered Bonds, the Applicable Final Terms. Words and expressions defined elsewhere in this Prospectus will have the same meanings in this overview. A glossary of certain defined terms is contained at the end of this Prospectus.*

**Issuer:** National Australia Bank Limited ABN 12 004 044 937, incorporated with limited liability in the Commonwealth of Australia and having its registered office at Level 4, (UB 4440) 800 Bourke Street, Docklands, Victoria 3008, Australia (**nab**).

For further information about the Issuer, please see the section of this Prospectus entitled "*National Australia Bank Limited*" below.

**Covered Bond Guarantor:** Perpetual Corporate Trust Limited ABN 99 000 341 533, incorporated with limited liability in the Commonwealth of Australia and having its registered office at Level 12, 123 Pitt Street, Sydney, NSW 2000 Australia, as trustee of the nab Covered Bond Trust (the **Trust**).

In its capacity as trustee of the Trust, the Covered Bond Guarantor's principal business is to acquire, *inter alia*, Mortgage Loans and the Related Security from the Seller pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the Covered Bonds. The Covered Bond Guarantor will hold the Mortgage Loan Portfolio and the other Charged Property in accordance with the terms of the Programme Documents.

The Covered Bond Guarantor has provided a guarantee covering all Guaranteed Amounts when the same become Due for Payment, but only following service on the Issuer of an Issuer Acceleration Notice and service on the Covered Bond Guarantor of a Notice to Pay or, if earlier, the service on the Issuer and the Covered Bond Guarantor of a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee and the other Programme Documents to which it is a party are secured by the Charged Property from time to time of the Covered Bond Guarantor.

The liability of the Covered Bond Guarantor to make payments under the Programme Documents (including under the Covered Bond Guarantee) is limited to its right of indemnity from the assets of the Trust. Except in the case of, and to the extent that the Covered Bond Guarantor's right of indemnification against the assets of the Trust is reduced as a result of fraud, negligence or wilful default, no rights may be enforced against the personal assets of the Covered Bond Guarantor by any person and no proceedings may be brought against the Covered Bond Guarantor except to the extent of the Covered Bond Guarantor's right of indemnity and reimbursement out of the assets of the Trust. Other than in the exception previously mentioned, the personal assets of the Covered Bond Guarantor are not available to meet payments under the Covered Bond Guarantee.

|  |  |
|--|--|
| <b>The Trust:</b>  | The Trust is established for purposes relating only to the Covered Bonds, including (without limitation) the acquisition, management and sale of, amongst other things, Mortgage Loans and the Related Security, the borrowing of moneys to fund the acquisition of such assets, the hedging of risks associated with such assets and such funding, the acquisition, management and sale of Substitution Assets and Authorised Investments, the giving of guarantees, the granting of security and any purpose which is ancillary or incidental to any of the foregoing. |
| <b>Initial Residual Capital Unitholder:</b>                  | nab.   |
| <b>Initial Residual Income Unitholder:</b>                   | nab.   |
| <b>Trust Manager:</b>  | nab.   |
| <b>Seller:</b>   | The Seller under the Programme is nab, which is in the business, <i>inter alia</i> , of originating and acquiring residential mortgage loans and conducting other banking related activities.  |
| <b>Servicer:</b>   | Pursuant to the terms of the Servicing Agreement, nab has been appointed to service the Mortgage Loans and Related Security sold to the Covered Bond Guarantor by the Seller.  |
| <b>Principal Paying Agent and Exchange Agent:</b>            | Deutsche Bank A.G., London Branch whose registered office is at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom has been appointed pursuant to the Principal Agency Agreement as Principal Paying Agent and Exchange Agent respectively.  |
| <b>Transfer Agent and Registrar:</b>                         | Deutsche Bank Trust Company Americas, who has an office at 1761 East St. Andrew Place, Santa Ana, California 92705, United States has been appointed pursuant to the Principal Agency Agreement as Transfer Agent and Registrar respectively.  |
| <b>N Covered Bond Paying Agent/N Covered Bond Registrar:</b> | Deutsche Bank AG, Frankfurt, whose registered office is at Grosse Gallusstrasse 10-14, 60272, Frankfurt am Main, Germany has been appointed pursuant to the Principal Agency Agreement as N Covered Bond Paying Agent and N Covered Bond Registrar, respectively.  |
| <b>A\$ Registrar:</b>  | Austraclear Services Limited ABN 28 003 284 419 who has an office at 20 Bridge Street, Sydney NSW 2000, Australia has been appointed pursuant to the A\$ Registry Agreement as A\$ Registrar.  |
| <b>Bond Trustee:</b>   | Deutsche Trustee Company Limited, who has an office at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom has been appointed to act as Bond Trustee on behalf of the Covered Bondholders and the Couponholders in respect of the Covered Bonds and holds the benefit of, <i>inter alia</i> , the covenant to pay and the Covered Bond Guarantee on behalf of the Covered Bondholders and the Couponholders pursuant to the Bond Trust Deed.  |

|                                     |  |
|-------------------------------------|--|
| <b>Security Trustee:</b>            | P.T. Limited ABN 67 004 454 666, whose registered office is at Level 12, 123 Pitt Street, Sydney, NSW 2000 Australia has been appointed to act as Security Trustee to hold the benefit of the Security granted by the Covered Bond Guarantor to the Security Trustee (for the Secured Creditors) pursuant to the Security Deed.  |
| <b>Cover Pool Monitor:</b>          | Ernst & Young, having its registered office at 8 Exhibition Street, Melbourne VIC 3000, Australia has been appointed as Cover Pool Monitor pursuant to the Cover Pool Monitor Agreement as an independent monitor to perform tests in respect of the Asset Coverage Test or Amortisation Test, test compliance of the Asset Pool with the requirements of the Australian Banking Act (including the Legislated Collateralisation Test) and assess whether the Trust Manager is keeping an accurate register of assets in the Asset Pool.   |
| <b>Covered Bond Swap Providers:</b> | Each entity which agrees to act as a swap provider to the Covered Bond Guarantor to hedge certain interest rate, currency and/or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and Interest Rate Swaps and, in the case of a Non-Forward Starting Covered Bond Swap, amounts payable by the Covered Bond Guarantor under the Intercompany Notes (prior to the service of a Notice to Pay) and, in the case of a Non-Forward Starting Covered Bond Swap and Forward Starting Covered Bond Swap, under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay) by entering into one or more Covered Bond Swaps with the Covered Bond Guarantor and the Security Trustee under a Covered Bond Swap Agreement in respect of each relevant Series or Tranche of Covered Bonds (where applicable). |
| <b>Interest Rate Swap Provider:</b> | nab (in its capacity as the Interest Rate Swap Provider) has agreed to act as a swap provider to the Covered Bond Guarantor to hedge possible variances between (a) the rates of interest payable on the Mortgage Loans in the Mortgage Loan Portfolio, and on certain other assets in the Asset Pool and (b) the interest basis payable by the Covered Bond Guarantor under the Covered Bond Swaps, the Intercompany Notes (or the Covered Bond Guarantee) and the Demand Note, by entering into the Interest Rate Swaps with the Covered Bond Guarantor and the Security Trustee under the Interest Rate Swap Agreement.   |
| <b>Account Bank:</b>                | nab has been appointed the initial Account Bank to the Covered Bond Guarantor pursuant to the terms of the Account Bank Agreement.   |
| <b>Programme Description:</b>       | Global Covered Bond Programme.   |
| <b>Co-Arrangers:</b>                | nab and Deutsche Bank Aktiengesellschaft in respect of any issuance of Covered Bonds.  |
| <b>Dealers:</b>                     | In respect of any issuance of Covered Bonds (other than Rule 144A Covered Bonds), nab, Deutsche Bank Aktiengesellschaft, Barclays Bank PLC, Merrill Lynch International, Citigroup Global Markets Limited, Goldman Sachs International, HSBC France, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, RBC Europe  |

Limited and The Royal Bank of Scotland plc and any other Dealer appointed from time to time in accordance with the Programme Agreement which appointment may be to a specific issue or on an ongoing basis.

In respect of any issuance of Rule 144A Covered Bonds, nabSecurities, LLC, Deutsche Bank Aktiengesellschaft, Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC and any other Dealer appointed from time to time in accordance with the Programme Agreement which appointment may be to a specific issue or on an ongoing basis.

**Certain Restrictions:**

Each issue of Covered Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below).

**Programme Size:**

Up to US\$20 billion (or its equivalent in other currencies determined by reference to the spot rate for the sale of U.S. dollars against the purchase of such currency in the London foreign exchange market quoted by any leading bank selected by the Issuer on the relevant date of agreement (or the preceding day on which commercial banks and foreign exchange markets are open for business in London) between the Issuer and the relevant Dealer(s) for issue of the Covered Bonds) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

**Distribution:**

Covered Bonds may be distributed under the Programme by way of private or public placement and in each case on a syndicated or non-syndicated basis, subject to the restrictions set forth in the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below.

**Specified Currencies:**

Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the Applicable Final Terms).

**Maturities:**

Such maturities as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the Applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

**Issue Price:**

Covered Bonds may be issued at par or at a premium or discount to par on a fully-paid basis or partly-paid basis, as set out in the relevant Final Terms.

**Form of Covered Bonds:**

The Covered Bonds will be issued in bearer or registered form as described in the section of this Prospectus entitled "*Form of the Covered Bonds*" below. Registered Covered Bonds and A\$ Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and *vice versa*.

Interest on Covered Bonds in bearer form will only be payable outside the United States and its possessions.

Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds or Zero Coupon Covered Bonds, depending on the Applicable Final Terms, and subject, in each case, to issuance of a Rating Affirmation Notice by the Issuer.

The Issuer will also be able to issue N Covered Bonds in the form of Registered Definitive Covered Bonds.

**Fixed Rate Covered Bonds:**

Fixed Rate Covered Bonds will bear interest at a fixed rate which will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the Applicable Final Terms).

**Floating Rate Covered Bonds:**

Floating Rate Covered Bonds will bear interest at a rate determined:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the ISDA Definitions; or
- (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (iii) on such other basis as may be agreed between the Issuer and the relevant Dealer(s),

in each case as set out in the Applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Covered Bonds as set out in the Applicable Final Terms.

**Other provisions in relation to Floating Rate Covered Bonds:**

Floating Rate Covered Bonds may also have a maximum interest rate, a minimum interest rate or both (as indicated in the Applicable Final Terms). Interest on Floating Rate Covered Bonds in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer(s), as set out in the relevant Final Terms.

**Zero Coupon Covered Bonds:** Zero Coupon Covered Bonds may be offered and sold at a discount to their nominal amount and will not bear interest except in the case of late payment unless otherwise specified in the Applicable Final Terms.

**Redemption:** The Applicable Final Terms for a Series of Covered Bonds will indicate either that the relevant Covered Bonds of such Series cannot be redeemed prior to their stated maturity (other than for taxation reasons or if it becomes unlawful for the Intercompany Notes and/or the Demand Note to remain outstanding or a Covered Bond Guarantor Event of Default) or that such Covered Bonds will be redeemable at the option of the Issuer upon giving notice to the Covered Bondholders, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer(s) (as set out in the Applicable Final Terms).

**Extendable obligations under the Covered Bond Guarantee:** If an Extended Due for Payment Date is set out in the Final Terms for a Series of Covered Bonds and (a) the Issuer fails to pay, in full, the Final Redemption Amount for such Covered Bonds on the Final Maturity Date for such Covered Bonds (or by the end of the applicable grace period) and (b) following the service of a Notice to Pay on the Covered Bond Guarantor by no later than the date falling one Business Day prior to the Extension Determination Date, the Covered Bond Guarantor fails to pay, in full, the Guaranteed Amount equal to the unpaid portion of such Final Redemption Amount by no later than the Extension Determination Date for such Covered Bonds in accordance with the terms of the Covered Bond Guarantee (for example because, following the service of a Notice to Pay on the Covered Bond Guarantor, there are insufficient moneys available to it to pay, in accordance with the Guarantee Priority of Payments, such Guaranteed Amounts in full), then the obligation of the Covered Bond Guarantor to pay the unpaid portion of such Guaranteed Amount, or any part thereof will be deferred (and a Covered Bond Guarantor Event of Default will not occur as a result of such failure) until the first Interest Payment Date thereafter on which sufficient moneys are available (after providing for liabilities ranking in priority thereto or *pari passu* and rateably therewith subject to and in accordance with the Guarantee Priority of Payments) to fund the payment of such unpaid portion, or any part thereof, provided that such payment will not be deferred beyond the Extended Due for Payment Date when the unpaid portion of such Guaranteed Amount (together with accrued interest) will be due and payable. Interest will accrue on any such unpaid portion during such extended period and will be due and payable on each Interest Payment Date up to, and including, the Extended Due for Payment Date in accordance with Condition 4 of the Programme Conditions and/or, in the case of an N Covered Bond, the relevant Condition of the relevant N Covered Bond Conditions (if applicable).

**Hard Bullet Covered Bonds:** Hard Bullet Covered Bonds may be offered and will be subject to a Pre-Maturity Test. The intention of the Pre-Maturity Test is to provide liquidity for the Hard Bullet Covered Bonds if the Issuer's

credit ratings have fallen below a certain level.

**Denomination of Covered Bonds:** Covered Bonds will be issued in denominations of €100,000 or such other denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the Applicable Final Terms provided that the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, at least the equivalent amount in such currency) or such other higher amount as may be required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency and, in the case of any Covered Bonds offered in Australia, the minimum subscription amount in respect of an issue or transfer is A\$500,000 (disregarding any amount lent by the offeror, the Issuer or any associated person of the offeror or Issuer).

Minimum denomination of each Definitive Rule 144A Covered Bond will be US\$250,000 or its approximate equivalent amount in other Specified Currencies.

**Taxation:** All payments in respect of the Covered Bonds will be made without deduction or withholding for or on account of any taxes, subject as provided in Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable). If any such deduction or withholding is made by the Issuer, the Issuer will, only in the limited circumstances provided in Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable), pay additional amounts in respect of the amounts so deducted or withheld. If any payments made by the Covered Bond Guarantor under the Covered Bond Guarantee are or become subject to any such withholding or deduction, the Covered Bond Guarantor will not be obliged to pay any additional amount as a consequence under Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable). The Guaranteed Amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee do not include any additional amounts the Issuer would be obliged to pay as a result of any deduction or withholding in accordance with Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable). Any amounts to be paid on the Covered Bonds will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding. For a further discussion of any withholding tax obligations see the section "*Taxation*" of this Prospectus.

**Cross Default:** If an Issuer Acceleration Notice is served, then the Covered Bonds of all Series outstanding will be accelerated against the Issuer.

If a Covered Bond Guarantee Acceleration Notice is served then the obligation of the Covered Bond Guarantor to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated.

**Status of the Covered Bonds:**

The Covered Bonds will constitute direct, unsecured, unsubordinated and unconditional obligations of the Issuer and will rank *pari passu* without any preference or priority among themselves and (save for any applicable statutory provisions) at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding. The Covered Bonds do not constitute deposit liabilities of nab, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Australian Banking Act (or of the Financial Claims Scheme established under Division 2AA of Part II of the Australian Banking Act (the **Financial Claims Scheme**)) and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other party.

**Covered Bond Guarantee:**

Payment of Guaranteed Amounts in respect of the Covered Bonds when Due for Payment will be irrevocably guaranteed by the Covered Bond Guarantor under the Covered Bond Guarantee. The Covered Bond Guarantor will be under no obligation to make payment in respect of the Guaranteed Amounts when Due for Payment unless (a) an Issuer Event of Default has occurred and is continuing, and a Notice to Pay is served on the Covered Bond Guarantor and an Issuer Acceleration Notice has been served on the Issuer; or (b) a Covered Bond Guarantor Event of Default has occurred and is continuing and a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor and the Issuer. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will accelerate against the Covered Bond Guarantor and the Guaranteed Amounts will become immediately due and payable upon the service of a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct, absolute and (following service of an Issuer Acceleration Notice and Notice to Pay or a Covered Bond Guarantee Acceleration Notice) unconditional obligations of the Covered Bond Guarantor secured against the Mortgage Loans and the Related Security and other assets from time to time of the Trust and limited in recourse against the Covered Bond Guarantor.

The liability of the Covered Bond Guarantor to make payments under the Programme Documents (including under the Covered Bond Guarantee) is limited to its right of indemnity from the assets of the Trust. Except and to the extent that the Covered Bond Guarantor's right of indemnification against the assets of the Trust is reduced as a result of fraud, negligence or wilful default, no rights may be enforced against the personal assets of the Covered Bond Guarantor by any person and no proceedings may be brought against the Covered Bond Guarantor except to the extent of the Covered Bond Guarantor's right of indemnity and reimbursement out of the assets of



the Trust. Other than in the exception previously mentioned, the personal assets of the Covered Bond Guarantor are not available to meet payments under the Covered Bond Guarantee.

**Ratings:**

Covered Bonds to be issued under the Programme will have the credit ratings specified in the Applicable Final Terms on issuance.

In general, European regulated investors are restricted from using a credit rating for regulatory purposes if such credit rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation or issued by a credit rating agency established in a third country but whose credit ratings are endorsed by the credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended) application for registration in accordance with the CRA Regulation and such registration is not refused, or is provided by a third party country credit rating entity whose credit ratings are disclosed in that registration application as being credit ratings that will be endorsed by the European Entity.

Ratings are not a recommendation or suggestion, directly or indirectly, to any investor or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. A credit rating may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. The Rating Agencies are not advisors, and nor do the Rating Agencies provide investors or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. A rating should not be viewed as a replacement for such advice or services.

**Listing and admission to trading:**

Application has been made by the Issuer to admit Covered Bonds issued under the Programme to the official list of the Luxembourg Stock Exchange and to admit Covered Bonds to trading on the Regulated Market of the Luxembourg Stock Exchange. Covered Bonds issued under the Programme may be unlisted or, in the event that the Issuer is unable to maintain listing and/or trading having used all reasonable endeavours or if the maintenance of such listing and/or trading becomes in the opinion of the Issuer unduly onerous on the Issuer, the Issuer may procure the listing, trading and/or quotation of the Covered Bonds on some listing authority, stock exchange and/or quotation system acceptable to the Bond Trustee. The Applicable Final Terms relating to each Series or Tranche of the Covered Bonds will state whether or not the Covered Bonds are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets. N Covered Bonds will not be listed and/or admitted to trading.

**Governing Law:**

The Programme Agreement and any non-contractual obligations

construed in accordance with, English law.

The Establishment Deed, the Mortgage Sale Agreement, the Servicing Agreement, the Intercompany Note Subscription Agreement, the Demand Note Subscription Agreement, the Management Agreement, the Security Deed, the Definitions Schedule, the Cover Pool Monitor Agreement, the Account Bank Agreement, the Interest Rate Swap Agreement, each Covered Bond Swap Agreement and the A\$ Registry Agreement are governed by, and will be construed in accordance with, the laws applying in the State of New South Wales, Australia.

The Bond Trust Deed (including the Covered Bond Guarantee), the Principal Agency Agreement, the Covered Bonds (other than any A\$ Registered Covered Bonds and any N Covered Bonds), and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law unless specifically stated to the contrary. In this regard, the covenant to pay made by the Issuer to the Bond Trustee in respect of the A\$ Registered Covered Bonds in the Bond Trust Deed, the provisions relating to the maintenance of the Register in respect of the A\$ Registered Covered Bonds in the Bond Trust Deed and the provisions relating to the limitation of liability of the Covered Bond Guarantor in the Bond Trust Deed, the Principal Agency Agreement and the Covered Bonds are governed by, and will be construed in accordance with, the laws applying in the State of New South Wales, Australia.

Other than Conditions 3.2, 4.5, 6.2, 7.2, 9 and 14 of the N Covered Bond Conditions, clause 4 of the N Covered Bond Assignment Agreement and the N Covered Bond Agreement (which are governed by, and will be construed in accordance with, English law), the N Covered Bonds are governed by, and will be construed in accordance with, German law.

**Selling Restrictions:**

There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds. See the section of this Prospectus entitled "*Subscription and Sale and Transfer and Selling Restrictions*" below.

**Risk Factors:**

There are certain risks related to any issue of Covered Bonds under the Programme, which investors should ensure they fully understand, a summary of which is set out in the section of this Prospectus entitled "*Risk Factors*" and include, *inter alia*, the risk of subsequent changes in the actual or perceived creditworthiness of the Issuer or the Covered Bond Guarantor (as applicable), which may adversely affect the market value of the Covered Bonds. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Covered Bonds issued under the Programme which include, *inter alia*, risks related to the structure of a particular issue of Covered Bonds (including that there is limited recourse to the Covered Bond Guarantor), modifications and waivers of the terms and conditions of the Covered Bonds in certain circumstances without the consent of all of the Covered Bondholders, changes in laws, taxation laws or regulations which affect the Covered Bonds, risks related to secondary market trading of the Covered Bonds and exchange rate risks. For further particulars, please see "*Risk Factors*".

## DOCUMENTS INCORPORATED BY REFERENCE

Pursuant to Article 11 of the Prospectus Directive, the following documents, which have previously been published or are published simultaneously with this Prospectus and have been filed with the Competent Authority, will be incorporated into, and form part of, this Prospectus:

- (a) nab's Annual Financial Reports for the financial years ended 30 September 2011 (**2011 nab Annual Report**) and 30 September 2012 (**2012 nab Annual Report**, and together with the 2011 nab Annual Report, the **nab Annual Reports**) (including the audit report and the consolidated audited financial statements of the nab Group and the non-consolidated audited financial statements of nab for the financial years ended 30 September 2011 and 30 September 2012);
- (b) nab's Luxembourg Transparency Law - Annual Financial Report dated 19 November 2012, pages 2-6;
- (c) the Terms and Conditions of the Covered Bonds contained in the previous prospectus dated 15 November 2011 on pages 100 to 149 (inclusive); and
- (d) the cover pool information as set out on pages 1 to 2 of nab's November 2012 interim investor report.

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of the Issuer. Requests for such documents should be directed to the Issuer at its office set out at the end of this Prospectus.

The documents listed in (a) above contain financial information on the Issuer, as described in the tables below. Other information contained in such documents, but not specifically set out in the tables below, is incorporated by reference into this Prospectus for information purposes only.

### Cross Reference Table

|                  |                                   |
|------------------|-----------------------------------|
| Balance Sheet    | 2011 nab Annual Report<br>Page 58 |
|                  | 2012 nab Annual Report<br>Page 56 |
| Income Statement | 2011 nab Annual Report<br>Page 56 |
|                  | 2012 nab Annual Report<br>Page 54 |

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| Cash Flow Statement  | 2011 nab Annual Report<br>Page 59      |
|  | 2012 nab Annual Report<br>Page 57      |
| Accounting Policies and Explanatory<br>Notes (in each case referred to as the<br>"Notes to and forming part of the<br>Financial Statements") | 2011 nab Annual Report<br>Page 62-160  |
|  | 2012 nab Annual Report<br>Page 60-161  |
| Auditor's Report   | 2011 nab Annual Report<br>Page 162-163 |
|  | 2012 nab Annual Report<br>Page 163-164 |
| Legal and Arbitration Proceedings  | 2011 nab Annual Report<br>Page 122-123 |
|  | 2012 nab Annual Report<br>Page 117-118 |

Any information not listed in the cross reference table but included in the documents is given for information purposes only.

## FORM OF THE COVERED BONDS

The Covered Bonds of each Series will be in either bearer form, with or without receipts, interest coupons and/or talons attached, or registered form, without receipts, interest coupons and/or talons attached. Bearer Covered Bonds, A\$ Registered Covered Bonds and Registered Covered Bonds will be issued outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to, or for the benefit of U.S. persons as described herein, reliance on Rule 144A or Regulation D under the Securities Act.

### **Bearer Covered Bonds**

Each Tranche of Bearer Covered Bonds will be initially issued in the form of a temporary global covered bond without receipts and interest coupons attached (a **Temporary Global Covered Bond**) which will be delivered on or prior to the issue date of the relevant Tranche to a common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**).

Bearer Covered Bonds will only be delivered outside the United States and its possessions.

Whilst any Bearer Covered Bond is represented by a Temporary Global Covered Bond, payments of principal, interest (if any) and any other amount payable in respect of the Bearer Covered Bonds due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Covered Bond) only outside the United States and its possessions and to the extent that certification (in a form to be provided by Euroclear and/or Clearstream, Luxembourg) to the effect that the beneficial owners of interests in such Bearer Covered Bond are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Covered Bond is issued, interests in such Temporary Global Covered Bond will be exchangeable (free of charge) in whole or in part for, as specified in the Applicable Final Terms, either (a) interests in a permanent global covered bond without receipts and interest coupons attached (a **Permanent Global Covered Bond** and, together with the Temporary Global Covered Bonds, the **Bearer Global Covered Bonds** and each a **Bearer Global Covered Bond**) of the same Series or (b) security printed Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and/or talons attached (on the basis that all the appropriate details have been included on the face of such Bearer Definitive Covered Bonds and, where applicable, receipts, interest coupons and/or talons and the relevant information supplementing, replacing or modifying the Conditions appearing in the Applicable Final Terms has been endorsed or attached to such Bearer Definitive Covered Bonds), in each case upon notice being given by a relevant Clearing System acting on the instruction of any holder of an interest in the Temporary Global Covered Bond and subject, in the case of Bearer Definitive Covered Bonds, to such notice to persons as specified in the Applicable Final Terms. Purchasers in the United States and certain U.S. persons will not be able to receive Bearer Definitive Covered Bonds or interests in the Permanent Global Covered Bond. The holder of a Temporary Global Covered Bond will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Covered Bond for an interest in a Permanent Global Covered Bond or for Bearer Definitive Covered Bonds is improperly withheld or refused. Bearer Covered Bonds will be subject to certain restrictions on transfer set forth therein or will bear a legend regarding such restrictions.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Covered Bond will be made outside the United States and its possessions and through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Global Covered Bond without any requirement for certification.

Interests in a Permanent Global Covered Bond will be exchanged (free of charge) by the Issuer, in whole but not in part only at the option of the holder of such Permanent Global Covered Bond, for Definitive Covered Bonds and/or (in the case of a Series comprising both Bearer Covered Bonds and Registered Covered Bonds and if so specified in the Applicable Final Terms) Registered Covered Bonds: (a) upon not less than 60 days' written notice being given to the Principal Paying Agent by Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in this Permanent Bearer Global Covered Bond); or (b) upon the occurrence of an Exchange Event. An **Exchange Event** means the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of fourteen days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available.

The Issuer will promptly give notice to Covered Bondholders of each Series of Permanent Global Covered Bond in accordance with Condition 13 of the Programme Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear, Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Covered Bond) or the Bond Trustee may give notice to the Principal Paying Agent requesting exchange. Any such exchange must occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Bearer Global Covered Bonds, Bearer Definitive Covered Bonds and any Coupons or Talons attached thereto will be issued pursuant to the Principal Agency Agreement.

The following legend will appear on all Bearer Covered Bonds (other than Temporary Global Covered Bonds) that have an original maturity of more than one year and on all receipts, talons and interest coupons relating to such Bearer Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that U.S. persons (as defined under the Code), with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, receipts, talons or interest coupons and will not be entitled to capital gains treatment of any gain on any redemption, payment of principal, sale or other disposition in respect of such Bearer Covered Bonds, receipts, talons or interest coupons.

Covered Bonds which are represented by a Bearer Global Covered Bond will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

#### **Registered Covered Bonds (other than N Covered Bonds)**

The Registered Covered Bonds of each Tranche offered and sold in reliance on Regulation S will initially be represented by a global covered bond in registered form (a **Regulation S Global Covered Bond**). Prior to expiry of the Distribution Compliance Period (as defined in Regulation S) applicable to each Tranche of Covered Bonds, beneficial interests in a Regulation S Global Covered Bond may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 1 of the Programme Conditions and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Regulation S Global Covered Bond will bear a legend regarding such restrictions on transfer (see "*Subscription and Sale and Transfer and Selling Restrictions*").

The Registered Covered Bonds of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions exempt from registration under the Securities Act to qualified institutional buyers within the meaning of Rule 144A under the Securities Act.

The Registered Covered Bonds of each Tranche sold to QIBs will be represented by a global covered bond in registered form (a **Rule 144A Global Covered Bond** and, together with a Regulation S Global Covered Bond, the **Registered Global Covered Bonds**).

Registered Global Covered Bonds will either: (i) be deposited with the Common Depository for Euroclear and Clearstream, Luxembourg and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, as specified in the Applicable Final Terms; or (ii) be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream, Luxembourg. In the case of a Regulation S Global Covered Bond registered in the name of a nominee of DTC, prior to the end of the distribution compliance period (as defined in Regulation S) applicable to the Covered Bonds represented by such Regulation S Global Covered Bond, interests in such Regulation S Global Covered Bond may only be held through the accounts of Euroclear and Clearstream, Luxembourg.

Persons holding beneficial interests in Registered Global Covered Bonds will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Covered Bonds in fully registered form.

The Rule 144A Global Covered Bonds will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Covered Bonds will, in the absence of any provision to the contrary, be made to the person shown on the Register as the registered holder of the Registered Global Covered Bonds. None of the Issuer, the Covered Bond Guarantor, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Covered Bonds in definitive form will, in the absence of any provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 5(d) of the Programme Conditions and/or Condition 5.1 of the N Covered Bond Conditions (if applicable)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Covered Bond will be exchangeable (free of charge), in whole but not in part, for Registered Definitive Covered Bonds without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that: (i) in the case of Covered Bonds registered in the name of DTC or a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Covered Bonds and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act; or (ii) in the case of Covered Bonds registered in the name a common depository for Euroclear and Clearstream, Luxembourg, as specified in the Applicable Final Terms, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg, or its nominee, have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 13 of the Programme Conditions if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg and/or DTC (acting on the instructions of any registered holder of an interest in such Registered Global Covered Bond) or the Bond Trustee may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange must occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.



Definitive Rule 144A Covered Bonds will be issued only in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency).

### **A\$ Registered Covered Bonds**

The A\$ Registered Covered Bonds are issued in registered form by an entry in the A\$ Register maintained by the A\$ Registrar.

Entry of the name of the holder in the A\$ Register in respect of an A\$ Registered Covered Bond constitutes the obtaining or passing of title and is conclusive evidence that the person so entered is the registered holder of the A\$ Registered Covered Bonds. A\$ Registered Covered Bonds which are held in the Austraclear System will be registered in the name of Austraclear Ltd ABN 94 002 060 773. No certificate or other evidence of title will be issued to holders of the A\$ Registered Covered Bonds unless the Issuer determines that certificates should be available or it is required to do so pursuant to any applicable law or regulation.

### **Registered Covered Bonds - N Covered Bonds**

The Issuer may issue registered definitive bonds in the form of N Covered Bonds (*Namenschuldverschreibungen*) (as scheduled to the Bond Trust Deed) governed by German law and evidenced by a certificate made out in the name of the holder of the N Covered Bond.

### **Transfer of Interests**

Interests in a Registered Global Covered Bond may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Covered Bond. No beneficial owner of an interest in a Registered Global Covered Bond will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear, Clearstream and Luxembourg, in each case to the extent applicable.

Transfers of interests in A\$ Registered Covered Bonds held in the Austraclear System may be conducted only in accordance with the Austraclear Regulations and the A\$ Registry Agreement.

Registered Covered Bonds and A\$ Registered Covered Bonds are also subject to the restrictions on transfer set forth herein and will bear a legend regarding such restrictions (see "*Subscription and Sale and Transfer and Selling Restrictions*").

### **General**

Pursuant to the Principal Agency Agreement (as defined under Conditions of the Covered Bonds), the Principal Paying Agent will arrange that, where a further Tranche of Covered Bonds is issued which is intended to form a single Series with an existing Tranche of Covered Bonds, the Covered Bonds of such further Tranche will be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Covered Bonds of any other Tranche of the same Series until at least the expiry of the Distribution Compliance Period applicable to the Covered Bonds of such Tranche.

Any reference herein to DTC, Euroclear, Clearstream, Luxembourg and/or the Austraclear System will, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or additional or alternative clearing system specified in the Applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

No Covered Bondholder or Couponholder will be entitled to institute proceedings directly against the Issuer or the Covered Bond Guarantor or to take any action with respect to the Bond Trust Deed or to directly enforce the provisions of any other Programme Document unless the Bond Trustee having become so bound to proceed, fails so to do within a reasonable period and the failure will be continuing.

## FORM OF FINAL TERMS IN RESPECT OF COVERED BONDS TO BE ISSUED UNDER THE PROGRAMME

*Set out below is the form of Final Terms which will be completed for each Tranche of Covered Bonds issued under the Programme (other than N Covered Bonds).*

[Date]

### National Australia Bank Limited

**Issue of [Aggregate Nominal Amount of Tranche]  
under the US\$20 billion nab Covered Bond Programme  
unconditionally and irrevocably guaranteed as to payments of interest and principal by  
Perpetual Corporate Trust Limited  
as trustee of the nab Covered Bond Trust and Covered Bond Guarantor**

### PART A—CONTRACTUAL TERMS

Terms used herein will be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] November 2012 [and the supplement to the Prospectus dated [*insert date*]] ([together,] the **Prospectus**), which constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (as amended) (the **Prospectus Directive**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus.

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Prospectus dated 15 November 2011 which are incorporated by reference in the Base Prospectus dated [●] November 2012 [and the supplement to the Prospectus dated [*insert date*]] ([together,] the **Prospectus**). This document constitutes the Final Terms of the Covered Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the **Prospectus Directive**) and must be read in conjunction with the Prospectus dated [●] November 2012 [and the supplements to the Prospectus dated [●]] which together constitute a base prospectus for the purposes of Article 5.4 of the Prospectus Directive. Full information on the Issuer and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of these Final Terms and the Prospectus dated [●] November 2012. Pursuant to Article 14(2) of the Prospectus Directive, copies of such Prospectus [and supplement to the Prospectus[s]] are available for viewing, free of charge, at the registered office of the Issuer and on the website of the Luxembourg Stock Exchange (*www.bourse.lu*) and copies may be obtained, free of charge, from the registered office of the Principal Paying Agent at [●], the Registrar at [●] and the Transfer Agent at [●].

1. (a) Series Number: [●]
- (b) Tranche Number: [●]
- (c) Date on which Covered Bonds will be consolidated and form a single Series: [The Covered Bonds will be consolidated and form a single Series with [●] on [the Issue Date]/[exchange of the Temporary Global Covered Bond for interests

- (As referred to under Condition 16) in the Permanent Global Covered Bond, as referred to in paragraph [●] below, which is expected to occur on or about [●]/[Not Applicable]
2. Specified Currency or Currencies: [●]
  3. Aggregate Nominal Amount of Covered Bonds admitted to trading:
    - (a) Series: [●]
    - (b) Tranche: [●]
  4. Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]*]
  5. (a) Specified Denominations: [●]  
(As referred to under Condition 1)
    - (b) Calculation Amount: [●]
  6. (a) Issue Date: [●]
    - (b) Interest Commencement Date: [●/Issue Date/Not Applicable]
    - (c) A\$ Record Date: [●/Not Applicable]
  7. Final Maturity Date: [●/Interest Payment Date falling in or nearest to [●]]
  8. Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee: [●/Interest Payment Date falling in or nearest to [●]]  
 [If an Extended Due for Payment Date is specified and the Final Redemption Amount is not paid in full on the Final Maturity Date, payment of the unpaid amount will be automatically deferred until the Extended Due for Payment Date, provided that any amount representing the Final Redemption Amount due and remaining unpaid on the Final Maturity Date may be paid by the Issuer on any Interest Payment Date occurring thereafter up to (and including) the relevant Extended Due for Payment Date. See Condition [6(a)].]
  9. Interest Basis: [●] per cent. per annum Fixed Rate  
(As referred to under Condition 4)
 

[[LIBOR/EURIBOR/HIBOR/BA-CDOR/SIBOR/BKBM/NIBOR/●] +/- [●] per cent. per annum Floating Rate]  
 [[BBSW] +/- [●] per cent. per annum Floating Rate]  
 [Zero Coupon]  
 (see paragraphs 15, 16 and 17)
  10. Redemption/Payment Basis: [99]/[101] per cent. of the nominal amounts  
(As referred to under Condition 6 (other than

Condition 6(a))

11. Change of Interest Basis or Redemption/Payment Basis: (As referred to under Conditions 4 and 6) [Not applicable][from Fixed to Floating][from Floating to Fixed]
12. Put/Call Options: (As referred to under Conditions 6(c) and 6(d)) [Investor Put]  
[Issuer Call]  
[Not Applicable] [(see paragraphs 18 and 19 below)]
13. Date Board approval for issuance of Covered Bonds obtained: [●]
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. Fixed Rate Covered Bond Provisions: (As referred to under Condition 4(a)) [Applicable/Not Applicable]
- (a) Rate[(s)] of Interest: (As referred to under Condition 4(a)) [●] per cent. per annum payable [annually/semi-annually/quarterly/[●] in arrear] on each Interest Payment Date
- (b) Interest Payment Date(s): [[●] in each year from (and including) [●] up to and (including) the Final Maturity Date, subject to adjustment in accordance with the Business Day Convention set out below]/[●]
- (c) Fixed Coupon Amount(s): (*Applicable to Covered Bonds in definitive form*) (As referred to under Condition 4(a)) [[●] per Calculation Amount/Not Applicable]
- (d) Broken Amount(s): (*Applicable to Covered Bonds in definitive form*) (As referred to under Condition 4(a)) [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●] [Not Applicable]
- (e) Day Count Fraction: (As referred to under Condition 4(a)) [30/360 or Actual/Actual (ICMA) or RBA Bond Basis/Australian Bond Basis]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- Adjusted: [Applicable/Not Applicable]
  - Non-Adjusted: [Applicable/Not Applicable]

- (g) Additional Business Centres: [●]
- (h) Determination Date(s): [●] in each year  
(As referred to under Condition 4(a))
16. Floating Rate Covered Bond Provisions: [Applicable/Not Applicable]  
(As referred to under Condition 4(b))
- (a) Specified Period(s)/Specified Interest Payment Dates: [[●] in each year from (and including) [●] up to (and including) the Final Maturity Date subject to adjustment in accordance with the Business Day Convention set out below]  
(As referred to under Condition 4(b))
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention]  
(As referred to under Condition 4(b))
- (c) Additional Business Centre(s): [●]  
(As referred to under Condition 4(b))
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]  
(As referred to under Condition 4(b))
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]  
(As referred to under Condition 4(b))
- (f) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: Reference Rate: [●] month [●]  
[LIBOR/EURIBOR/HIBOR/BA-CDOR/BBSW/SIBOR/BKBM/NIBOR/●]  
  
Relevant Financial Centre: [London/New York/Brussels/Hong Kong/Toronto/Sydney/Singapore/Auckland/Oslo]
  - Interest Determination Date(s): [Second London business day prior to the start of each Interest Period]  
(As referred to under Condition 4(b)) [First day of each Interest Period]  
[Second day on which the TARGET2 System is open prior to the start of each Interest Period]  
[Second Singapore business day prior to the start of each Interest Period]  
[[●] Auckland business day prior to the start of each Interest Period]

|     |   |   |
|-----|---|---|
|     |   | [Second Oslo business day prior to the start of each Interest Period]   |
|     |   | [[●] days prior to the start of each Interest Period]   |
|     | • Relevant Screen Page:   | [●]   |
| (g) | ISDA Determination:<br>(As referred to under Condition 4(b))                  | [Applicable/Not Applicable]   |
|     | • Floating Rate Option:   | [●]   |
|     | • Designated Maturity:  | [●]   |
|     | • Reset Date:   | [●]   |
| (h) | Margin(s):<br>(As referred to under Condition 4(b))                           | [+/-] [●] per cent. per annum   |
| (i) | Minimum Rate of Interest:<br>(As referred to under Condition 4(b))            | [●] per cent. per annum   |
| (j) | Maximum Rate of Interest:<br>(As referred to under Condition 4(b))            | [●] per cent. per annum   |
| (k) | Day Count Fraction:<br>(As referred to under Condition 4(b))                  | [Actual/Actual (ISDA)<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>30/360<br>30E/360<br>30E/360 (ISDA)<br>RBA Bond Basis<br>Australian Bond Basis] |
| 17. | Zero Coupon Covered Bond Provisions:<br>(As referred to under Condition 4(h)) | [Applicable/Not Applicable]   |
| (a) | Accrual Yield:  | [●] per cent. per annum   |
| (b) | Reference Price:  | [●]   |
| (c) | Day Count Fraction in relation to Early Redemption Amounts and late payment:  | [Conditions 6(f) and 6(k) apply/[●]   |
| (d) | Business Day Convention   | [Actual/Actual (ISDA)<br>Actual/365 (Fixed)<br>Actual/365 (Sterling)<br>Actual/360<br>30/360]   |

30E/360  
30E/360 (ISDA)  
RBA Bond Basis  
Australian Bond Basis]

(e) Additional Business Centre(s) [●]

#### PROVISIONS RELATING TO REDEMPTION

18. Notice periods for Condition 5.2 (Redemption for tax reasons) or Condition 5.5 (Redemption due to illegality): Minimum Period: [30] days  
Maximum Period: [60] days

19. Issuer Call: [Applicable/Not Applicable]

(a) Optional Redemption Date(s): [●]

(b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/[●]]

(c) If redeemable in part: [Applicable/Not Applicable]

(i) Minimum Redemption Amount: [●]

(ii) Maximum Redemption Amount: [●]

(d) Notice period (if other than as set out in the Conditions): [Not Applicable]

[Not less than [[5] and not more than [30]] *[insert Business Centres]* Business Days' notice to the Bond Trustee, Agent and Covered Bondholders prior to the Optional Redemption Date in accordance with Condition [6]. Any notice given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or Austraclear in accordance with Condition 13 shall be deemed to have been given to the Covered Bondholders on the day on which that notice is given to Euroclear and/or Clearstream, Luxembourg and/or DTC and/or Austraclear.]

[[●] **Business Day** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in [●]]

20. Investor Put: [Applicable/Not Applicable]  
(As referred to under Condition 6(d))

(a) Optional Redemption Date(s): [●]



- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s):  per Calculation Amount/
- (c) Notice period (if other than as set out in the Conditions): Minimum Period:  Business Days  
Maximum Period:  Business Days
21. Final Redemption Amount:  per Calculation Amount/  
(As referred to under Condition 6(a))
22. Early Redemption Amount payable on redemption for taxation reasons or illegality of the Intercompany Note Subscription Agreement or the Demand Note Subscription Agreement or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(f)):  per Calculation Amount]  
(As referred to under Condition 6(f))

#### **GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS**

23. Tax gross-up by Issuer in accordance with Condition 7:  Applicable/Not applicable]  
 If not applicable:  
  
If any payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer are or become subject to any withholding or deduction, on account of any taxes, duties or other charges of whatever nature, imposed or levied by or on behalf of Australia or by any other authority having power to tax, the Issuer will not be obliged to pay any additional amount as a consequence. For the avoidance of doubt, any amounts to be paid on the Covered Bonds will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.]
24. Form of Covered Bonds: Bearer Covered Bonds:  
  
 Temporary Bearer Global Covered Bond exchangeable for a Permanent Bearer Global

Covered Bond which is exchangeable for Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]. The Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

[Temporary Bearer Global Covered Bond exchangeable for Definitive Covered Bonds on and after the Exchange Date. The Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

[Permanent Bearer Global Covered Bond exchangeable for Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]. The Covered Bonds shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.]

Registered Covered Bonds:

[Regulation S Global Covered Bond (US\$[ ] nominal amount) registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg]/Rule 144A Global Covered Bond (US\$[ ] nominal amount) registered in the name of a nominee for [DTC/ a common depository for Euroclear and Clearstream, Luxembourg] (*specify nominal amounts*).]

[A\$ Registered Covered Bond registered in the name of Austraclear in the Austraclear System.]

- |     |   |   |
|-----|---|---|
| 25. | Additional Financial Centre(s) or other special provisions relating to Payment Days: (As referred to under Condition 5(g))                                    | [Not Applicable/●]  |
| 26. | [Talons for future Coupons to be attached to Definitive Bearer Covered Bonds: (As referred to under the Introduction to the Conditions of the Covered Bonds)] | [No/Yes]  |
| 27. | U.S. Selling Restrictions:  | [Reg S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable] |

## **RESPONSIBILITY**

[[[●]] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading].

## PART B—OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [the Regulated Market of the Luxembourg Stock Exchange][*other*] with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be listed on the official list of the [Luxembourg Stock Exchange][*other*] with effect from [ ].] [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [●]

### 2. RATINGS

- Ratings: The Covered Bonds to be issued [have been] [are expected to be] rated:
- [Fitch Australia Pty Ltd: [●] ]  
[Moody's Investors Service Pty Ltd: [●] ]
- [The ratings issued by the Rating Agencies have been endorsed by Moody's Investors Services Limited and Fitch Ratings Limited.]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The Managers and their affiliates have engaged, and may in future engage in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer, the Covered Bond Guarantor and their affiliates.]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

Estimated total expenses: [●]

### 5. YIELD (*Fixed Rate Covered Bonds only*)

Indication of yield: [●]

### 6. OPERATIONAL INFORMATION

- (i) ISIN Code: [●]
- (ii) Common Code: [●]  
(*insert here any other relevant codes such as CUSIP and CINS codes and renumber accordingly*)

- (iii) [Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and the relevant identification number(s):] [Not Applicable/Austraclear Services Limited, Level 4, 20 Bridge St, Sydney NSW 2000/ The Depository Trust Company, 55 Water Street, New York, NY 10041-0099, U.S.A./ [●][*insert address*]]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Name(s) and address(es) of initial Paying Agent(s) in relation to the Covered Bonds (other than the A\$ Registered Covered Bonds): [●]
- (vi) Name(s) and address(es) of additional Paying Agent(s) (if any) in relation to the Covered Bonds (other than the A\$ Registered Covered Bonds): [●]
- (vii) Name(s) and address(es) of A\$ Registrar in relation the A\$ Registered Covered Bonds:

Signed on behalf of **National Australia Bank Limited**:

By: .....

*Duly authorised*

Signed on behalf of **Perpetual Corporate Trust Limited**  
in its capacity as trustee of the nab Covered Bond Trust:

By: .....

*Duly authorised*

By: .....

*Duly authorised*

## CONDITIONS OF THE COVERED BONDS

*The following are the Conditions of the Covered Bonds (other than N Covered Bonds) which will be incorporated by reference into, and (as completed by the applicable Final Terms in relation to a Tranche of Covered Bonds) apply to each A\$ Registered Covered Bond, Global Covered Bond (as defined below) and each Definitive Covered Bond, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such Definitive Covered Bond will have endorsed thereon or attached thereto such Conditions. The Applicable Final Terms (or the relevant provisions thereof) will be entered in the Register in respect of each A\$ Registered Covered Bond or endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond. References to the **Applicable Final Terms** are to the Final Terms (or the relevant provisions thereof) entered in the Register or the A\$ Register, as the case may be, in respect of, or attached to, or endorsed on this Covered Bond.*

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by National Australia Bank Limited (**nab** and the **Issuer**) constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Bond Trust Deed**) dated on or about 15 November 2011 (the **Programme Date**) made between, amongst others, the Issuer, Perpetual Corporate Trust Limited ABN 99 000 341 533 as covered bond guarantor (the **Covered Bond Guarantor**), nab as trust manager (the **Trust Manager**) and Deutsche Trustee Company Limited as bond trustee (in such capacity, the **Bond Trustee**, which expression will include any successor as Bond Trustee).

Save as provided for in Conditions 9 and 14, references herein to the **Covered Bonds** will be references to the Covered Bonds of this Series and will mean:

- (a) in relation to any Covered Bonds represented by a global covered bond (a **Global Covered Bond**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Covered Bond;
- (c) any Definitive Covered Bonds in bearer form (**Bearer Definitive Covered Bonds**) issued in exchange for a Global Covered Bond in bearer form;
- (d) any Definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds**) (whether or not issued in exchange for a Global Covered Bond in registered form); and
- (e) any A\$ Registered Covered Bonds.

The Covered Bonds (other than the A\$ Registered Covered Bonds) and the Coupons (as defined below) have the benefit of a principal agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Principal Agency Agreement**) dated the Programme Date and made between the Issuer, the Covered Bond Guarantor, the Trust Manager, the Bond Trustee and Deutsche Bank A.G., London Branch, as issuing and principal paying agent (in such capacity, the **Principal Paying Agent**, which expression will include any successor Principal Paying Agent) and the other paying agents appointed pursuant to the Principal Agency Agreement (together with the Principal Paying Agent, the **Paying Agents**, which expression will include any additional or successor paying agents), Deutsche Bank A.G., London Branch as exchange agent (in such capacity, the **Exchange Agent**, which expression will include any additional or successor exchange agent), Deutsche Bank Trust Company Americas as registrar (in such capacity, the **Registrar**, which expression will include any successor registrar), Deutsche Bank Trust Company Americas as transfer agent (in such capacity, a **Transfer Agent** and together with the Registrar, the **Transfer Agents**, which expression will include any additional or successor transfer agents), Deutsche Bank Trust Company Americas as U.S. paying agent (in such capacity, the **U.S. Paying Agent**, which expression will include any additional or successor U.S. Paying Agents).

A\$ Registered Covered Bonds also have the benefit of The ASX Austraclear Registry and IPA Services Agreement (such agreement as amended and/or supplemented and/or restated from time to time, the **A\$ Registry Agreement** and, together with the Principal Agency Agreement, the **Agency Agreements**) dated on or about the Programme Date and made between nab as Issuer, the Covered Bond Guarantor, the Bond Trustee and Austraclear Services Limited ABN 28 003 284 419 (**Austraclear Services**) as A\$ registrar (in such capacity, the **A\$ Registrar**). If a calculation agent is required for the purpose of calculating any amount or making any determination under any A\$ Registered Covered Bonds, such appointment will be notified in the Applicable Final Terms (the person so specified, the **Calculation Agent**). The Issuer or, following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice and a Notice to Pay, the Covered Bond Guarantor (acting at the direction of the Trust Manager) may terminate the appointment of the Calculation Agent, appoint additional or other Calculation Agents or elect to have no Calculation Agent. Where no Calculation Agent is appointed the calculation of interest, principal and other payments in respect of A\$ Registered Covered Bonds will be made by the Issuer or, following the occurrence of an Issuer Event of Default and the service of an Issuer Acceleration Notice and a Notice to Pay, the Trust Manager (references herein to the Calculation Agent will include the Issuer or the Trust Manager, when acting as Calculation Agent in accordance with the foregoing).

As used herein, **Agents** will mean each Paying Agent, each Exchange Agent, each Transfer Agent, each Registrar and the A\$ Registrar, **Principal Paying Agent** will mean, in relation to a Tranche or Series of Covered Bonds (other than the A\$ Registered Covered Bonds), the Principal Paying Agent or such other paying agent as the Final Terms for that Tranche or Series may specify, **Registrar** will mean, in relation to a Tranche or Series of Covered Bonds (other than A\$ Registered Covered Bonds), the Registrar or such other registrar as the Final Terms for that Tranche or Series may specify, **A\$ Registrar** will mean, in relation to a Tranche or Series of A\$ Registered Covered Bonds, the A\$ Registrar or such other A\$ registrar as the Final Terms for that Tranche or Series may specify, **Transfer Agent** will mean, in relation to a Tranche or Series of Covered Bonds, the Transfer Agent or such other transfer agent as the Final Terms for that Tranche or Series may specify, **Exchange Agent** will mean, in relation to a Tranche or Series of Covered Bonds, the Exchange Agent or such other exchange agent as the Final Terms for that Tranche or Series may specify and **Calculation Agent** will mean, in relation to a Tranche or Series of A\$ Registered Covered Bonds, the Calculation Agent as the Final Terms for that Tranche or Series may specify.

Interest-bearing Bearer Definitive Covered Bonds have (unless otherwise indicated in the Applicable Final Terms) interest coupons (**Coupons**) and, if indicated in the Applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons will, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Covered Bonds (which include Registered Global Covered Bonds and/or Registered Definitive Covered Bonds as the case may be), Global Covered Bonds and A\$ Registered Covered Bonds do not have Coupons or Talons attached on issue.

The Bond Trustee acts as trustee for the holders for the time being of the Covered Bonds (the **Covered Bondholders**, which expression will, in relation to any Covered Bonds represented by a Global Covered Bond, be construed as provided below), the holders of the Coupons (the **Couponholders**, which expression will, unless the context otherwise requires, include the holders of the Talons), and for holders of each other Series of Covered Bonds in accordance with the provisions of the Bond Trust Deed.

As used herein, **Tranche** means Covered Bonds which are identical in all respects (including as to listing or admission to trading) and **Series** means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing or admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The Covered Bond Guarantor has, in the Bond Trust Deed, irrevocably and unconditionally guaranteed the due and punctual payment of Guaranteed Amounts in respect of the Covered Bonds as and when the same become due for payment on certain dates in accordance with the Bond Trust Deed (**Due for Payment**), but only after service of a Notice to Pay on the Covered Bond Guarantor following an Issuer Event of Default



and service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer or the occurrence of a Covered Bond Guarantor Event of Default and service by the Bond Trustee of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor.

The security for the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee and the other Programme Documents to which it is a party has been created in and pursuant to, and on the terms set out in, a security agreement governed by the law applying in the State of New South Wales, Australia (such security as amended and/or supplemented and/or restated from time to time, the **Security Deed**) dated 10 November 2011 and made between the Covered Bond Guarantor, the Issuer, the Bond Trustee, P.T. Limited ABN 67 004 454 666 (the **Security Trustee**) and certain other Secured Creditors.

These Conditions include summaries of, and are subject to, the provisions of the Bond Trust Deed, the Security Deed and the Agency Agreements (as applicable).

Copies of the Bond Trust Deed, the Security Deed, the Definitions Schedule (as defined below), the Agency Agreements and each of the other Programme Documents are available for inspection free of charge during normal business hours at the specified office of the Principal Paying Agent, the Registrar and the Transfer Agent. Copies of the Applicable Final Terms for all Covered Bonds of each Series (including in relation to unlisted Covered Bonds of any Series) are obtainable during normal business hours at the specified office of the Paying Agents, the Registrar and Transfer Agent and any Covered Bondholder must produce evidence satisfactory to the relevant Agent as to its holding of Covered Bonds and identity. The Covered Bondholders and the Couponholders are deemed to have notice of, are bound by, and are entitled to the benefit of, all the provisions of, and definitions contained in, the Bond Trust Deed, the Security Deed, the Definitions Schedule (as defined below), the relevant Agency Agreements, each of the other Programme Documents and the Applicable Final Terms which are applicable to them and to have notice of each set of Final Terms relating to each other Series.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions will bear the meanings given to them in the Bond Trust Deed, the Applicable Final Terms and/or the nab Covered Bond Trust Definitions Schedule made between the parties to the Programme Documents on 10 November 2011 (the **Definitions Schedule**) (as the same may be amended and/or supplemented and/or restated from time to time), a copy of each of which may be obtained as described above. In the event of inconsistency between the Bond Trust Deed and the Definitions Schedule, the Bond Trust Deed will prevail and in the event of inconsistency between the Bond Trust Deed and the Applicable Final Terms, the Applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Covered Bonds are in bearer form or in registered form as specified in the Applicable Final Terms and, in the case of Definitive Covered Bonds (being Bearer Definitive Covered Bond(s) and/or, as the context may require, Registered Definitive Covered Bond(s)), serially numbered, in the Specified Currency and the Specified Denomination(s). Covered Bonds of one Specified Denomination may not be exchanged for Covered Bonds of another Specified Denomination and Bearer Covered Bonds may not be exchanged for Registered Covered Bonds or A\$ Registered Covered Bonds and vice versa.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond or a Zero Coupon Covered Bond, depending upon the Interest Basis shown in the Applicable Final Terms, and subject, in each case, to confirmation from the Rating Agencies that the then current ratings of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of this Covered Bond.

Bearer Definitive Covered Bonds are issued with Coupons attached, unless they are Zero Coupon Covered Bonds in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Covered Bonds and Coupons will pass by delivery, title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Principal Agency Agreement and title to the A\$ Registered Covered Bonds will pass upon registration of transfers in accordance with these Conditions.

The Issuer, the Covered Bond Guarantor, each of the Agents and the Bond Trustee will (except as otherwise permitted in the Bond Trust Deed and these Conditions or as ordered by a court of competent jurisdiction or as required by law or applicable regulations) deem and treat the bearer of any Bearer Covered Bond or Coupon and the registered holder of any Registered Covered Bond or A\$ Registered Covered Bond as the absolute owner thereof (notwithstanding any notice to the contrary and whether or not it is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Covered Bond, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Covered Bonds is represented by a Global Covered Bond held on behalf of, or, as the case may be, registered in the name of a common depository for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) or The Depository Trust Company (**DTC**) each person (other than Euroclear, Clearstream, Luxembourg or DTC) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg or DTC as to the nominal amount of such Covered Bonds standing to the account of any person will be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream's Creation on-line system) in accordance with its usual procedures and in which the holder of a particular nominal amount of the Covered Bonds is clearly identified with the amount of such holding) will be treated by the Issuer, the Covered Bond Guarantor, the Paying Agents and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, and, in the case of DTC or its nominee, voting, giving consents and making requests, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond will be treated by the Issuer, the Covered Bond Guarantor, any Paying Agent and the Bond Trustee as the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Covered Bond and the expression **Covered Bondholder** and related expressions will be construed accordingly. Covered Bonds which are represented by a Global Covered Bond will be transferable only in accordance with the rules and procedures for the time being of DTC or Euroclear and Clearstream, Luxembourg, as the case may be.

For so long as any of the A\$ Registered Covered Bonds are lodged in the clearance and settlement system operated by Austraclear Ltd ABN 94 002 060 773 (**Austraclear** and such system being the **Austraclear System**) in accordance with the regulations and procedures established by Austraclear to govern the use of the Austraclear System (such regulations and procedures being the **Austraclear Regulations**) each person (other than Austraclear Ltd) who is for the time being shown in the records of Austraclear as the holder of such A\$ Registered Covered Bonds (in which regard any certificate or other document issued by the Austraclear System or the A\$ Registrar as to such A\$ Registered Covered Bonds standing to the account of any person will be conclusive and binding for all purposes save in the case of manifest error and any such certificate or other document may comprise any form of statement or print out of electronic records provided by Austraclear or the A\$

Registrar in accordance with its usual procedures and in which the holder of the A\$ Registered Covered Bonds is clearly identified with the amount of such holding) will (except as otherwise permitted in the Bond Trust Deed and these Conditions or as ordered by a court of a competent jurisdiction or as required by applicable law or regulations) be treated by the Issuer, the Covered Bond Guarantor and the Bond Trustee as the holder of such A\$ Registered Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts of such Covered Bonds and for the purpose of voting, giving consents and making requests in relation to such A\$ Registered Covered Bonds and the expression **Covered Bondholder** and related expressions will be construed accordingly. For so long as any of the A\$ Registered Covered Bonds are lodged in the Austraclear System, beneficial interests in A\$ Registered Covered Bonds will be transferable only in accordance with the Austraclear Regulations. Where Austraclear Ltd is recorded in the A\$ Register as the holder of an A\$ Registered Covered Bond, each person in whose Security Record (as defined in the Austraclear Regulations) an A\$ Registered Covered Bond is recorded is deemed to acknowledge in favour of the A\$ Registrar, the Issuer and Austraclear Ltd that:

- (i) the A\$ Registrar's decision to act as the registrar of that A\$ Registered Covered Bond is not a recommendation or endorsement by the A\$ Registrar or Austraclear Ltd in relation to that A\$ Registered Covered Bond, but only indicates that the A\$ Registrar considers that the holding of the A\$ Registered Covered Bonds is compatible with the performance by it of its obligations as A\$ Registrar under the A\$ Registry Agreement; and
- (ii) the holder of the A\$ Registered Covered Bond does not rely on any fact, matter or circumstance contrary to paragraph (i).

For so long as the Covered Bonds are represented by a Global Covered Bond and the relevant clearing systems so permit, the Covered Bonds will be tradeable only in the minimum authorised denomination of €100,000 and higher integral multiples of €1,000, notwithstanding that no definitive Covered Bonds will be issued with a denomination above €99,000.

References to DTC, the Austraclear System, Euroclear and/or Clearstream, Luxembourg will, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the Applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent (other than in respect of any A\$ Registered Covered Bonds) and the Bond Trustee.

## **2. Transfers of Registered Covered Bonds and A\$ Registered Covered Bonds**

### ***(a) Transfers of interests in Registered Global Covered Bonds***

Transfers of beneficial interests in Rule 144A Global Covered Bonds (as defined below) and Regulation S Global Covered Bonds (as defined below) (together, the **Registered Global Covered Bonds**) will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Covered Bond will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Covered Bonds in definitive form or for a beneficial interest in another Registered Global Covered Bond only in the authorised denominations set out in the Applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Principal Agency Agreement. Transfers of a Registered Global Covered Bond registered in the name of a nominee for DTC will be limited to transfers of such Registered Global Covered Bond, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

**(b) *Transfers of Registered Covered Bonds in definitive form***

Subject as provided in Conditions 2(f), 2(g) and 2(h) below, upon the terms and subject to the conditions set forth in the Principal Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations set out in the Applicable Final Terms). In order to effect any such transfer: (i) the holder or holders must: (A) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the relevant Registrar or the relevant Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and (B) complete and deposit such other certifications as may be required by the relevant Registrar or, as the case may be, the relevant Transfer Agent; and (ii) the relevant Registrar or, as the case may be, the relevant Transfer Agent must be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the relevant Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 5 to the Principal Agency Agreement). Subject as provided above, the relevant Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Covered Bond in definitive form of a like aggregate nominal amount to the Registered Covered Bond (or the relevant part of the Registered Covered Bond) transferred. In the case of the transfer of part only of a Registered Covered Bond in definitive form, a new Registered Covered Bond in definitive form in respect of the balance of the Registered Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to the address specified by the transferor.

**(c) *Transfers of A\$ Registered Covered Bonds***

Title to the A\$ Registered Covered Bonds passes when details of the transfer are entered in the A\$ Register. The A\$ Register will be closed for the purpose of determining entitlements to payments of interest and principal at 5.00 pm in the place where the A\$ Register is kept on the eighth calendar day before the relevant date for payment, or such other date specified in or determined in accordance with the Applicable Final Terms for that purpose (the **A\$ Record Date**).

A\$ Registered Covered Bonds may be transferred in whole but not in part. Application for the transfer of A\$ Registered Covered Bonds not entered into the Austraclear System or any alternative clearing system must be made by the lodgement of a transfer form with the A\$ Registrar at its specified office. Each transfer form must be duly completed, accompanied by any evidence the A\$ Registrar may require to establish that the transfer form has been duly executed and signed by the transferor and the transferee.

If a Covered Bondholder transfers some but not all of the Covered Bonds it holds and the transfer form does not identify the specific Covered Bonds transferred, the A\$ Registrar may choose which Covered Bonds registered in the name of the Covered Bondholder have been transferred. However, the Principal Amount Outstanding of the Covered Bonds registered as transferred must equal the Principal Amount Outstanding of the Covered Bonds expressed to be transferred in the transfer form.

For so long as any of the A\$ Registered Covered Bonds are lodged in the Austraclear System, beneficial interests in A\$ Registered Covered Bonds will be transferable only in accordance with the Austraclear Regulations.

(d) ***Registration of transfer upon partial redemption***

In the event of a partial redemption of Covered Bonds under Condition 6, the Issuer will not be required to register the transfer of any Registered Covered Bond or A\$ Registered Covered Bond, or part of a Registered Covered Bond or an A\$ Registered Covered Bond, called for partial redemption.

(e) ***Costs of registration***

Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer, the A\$ Registrar, any Registrar or any Transfer Agent may require the payment of a sum sufficient to cover any Taxes including stamp duty, GST or other governmental charge that may be imposed in relation to the registration.

(f) ***Transfers of interests in Regulation S Global Covered Bonds***

Prior to expiry of the applicable Distribution Compliance Period, transfers by the holder of, or of a beneficial interest in, a Regulation S Global Covered Bond to a transferee in the United States or who is a U.S. person will only be made (i) upon receipt by the Registrar or the Transfer Agent of a written certification substantially in the form set out in the Principal Agency Agreement, amended as appropriate (a **Transfer Certificate**), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; or (ii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States and, in each case, in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction.

In the circumstances set out in this Condition 2(f), such transferee may take delivery through a Legended Covered Bond in global or definitive form. Prior to the end of the applicable Distribution Compliance Period beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may only be held through the accounts of Euroclear and Clearstream, Luxembourg. After expiry of the applicable Distribution Compliance Period: (i) beneficial interests in Regulation S Global Covered Bonds registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC or indirectly through a participant in DTC; and (ii) such certification requirements will no longer apply to such transfers.

(g) ***Transfers of interests in Legended Covered Bonds***

Transfers of Legended Covered Bonds or beneficial interests therein may be made:

- (i) to a transferee who takes delivery of such interest through a Regulation S Global Covered Bond, upon receipt by the Registrar or the Transfer Agent of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that, in the case of a Regulation S Global Covered Bond registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Covered Bonds being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg; or

- (ii) to a transferee who takes delivery of such interest through a Legended Covered Bond where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
- (iii) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction.

Upon the transfer, exchange or replacement of Legended Covered Bonds, or upon specific request for removal of the Legend therein, the Registrar or the Transfer Agent will deliver only Legended Covered Bonds or refuse to remove the Legend therein, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

**(h) *Exchanges and transfers of Registered Covered Bonds generally***

Holders of Registered Covered Bonds in definitive form may exchange such Covered Bonds for interests in a Registered Global Covered Bond of the same type at any time.

**(i) *Definitions***

In the Conditions, the following expressions will have the following meanings:

**Distribution Compliance Period** means the period that ends 40 days after the completion of the distribution of the relevant Tranche of Covered Bonds, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

**Legended Covered Bonds** means Registered Covered Bonds (whether in definitive form or represented by a Registered Global Covered Bond) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

**QIB** means a "qualified institutional buyer" within the meaning of Rule 144A;

**Regulation S** means Regulation S under the Securities Act;

**Regulation S Global Covered Bond** means a Registered Global Covered Bond representing Covered Bonds sold outside the United States in reliance on Regulation S;

**Rule 144A** means Rule 144A under the Securities Act;

**Rule 144A Global Covered Bond** means a Registered Global Covered Bond representing Covered Bonds sold in the United States to QIBs in reliance on Rule 144A; and

**Securities Act** means the United States Securities Act of 1933, as amended.

### 3. Status of the Covered Bonds and the Covered Bond Guarantee

#### (a) Status of the Covered Bonds

The Covered Bonds and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (other than any obligation preferred by mandatory provisions of applicable law).

*Section 13A(3) of the Australian Banking Act 1959 of Australia (the **Australian Banking Act**) provides that if an authorised deposit taking institution (ADI) (of which the Issuer is one) becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are to be available to meet the ADI's liabilities in the following order:*

- (a) *first, the ADI's liabilities (if any) to the Australian Prudential Regulation Authority (APRA) in respect of the rights APRA has against the ADI to be paid amounts equal to the amount which the holder of a protected account is entitled to receive from APRA under Division 2AA of Part II of the Australian Banking Act (the **Financial Claims Scheme**);*
- (b) *second, the ADI's debts (if any) to APRA in respect of APRA's costs incurred in relation to the exercise of its powers and the performance of its functions relating to the ADI in connection with the Financial Claims Scheme;*
- (c) *third, the ADI's liabilities (if any) in Australia in relation to protected accounts that accountholders keep with the ADI;*
- (d) *fourth, the ADI's debts (if any) to the Reserve Bank of Australia (the **RBA**);*
- (e) *fifth, the ADI's liabilities (if any) under an industry support contract that is certified under section 11CB of the Australian Banking Act; and*
- (f) *sixth, the ADI's other liabilities (if any) in the order of their priority apart from section 13A(3) of the Australian Banking Act.*

*Section 86 of the Reserve Bank Act 1959 of Australia (the **Reserve Bank Act**) provides that, in a winding up of an ADI, debts due to the RBA by an ADI such as the Issuer shall, subject to section 13A(3) of the Australian Banking Act, have priority over all other debts of such ADI.*

*Section 16 of the Australian Banking Act provides that in a winding up of an ADI the costs (including costs in the nature of remuneration and expenses) of APRA of being in control of the ADI's business or of having an administrator in control of the ADI's business will, subject to section 13A(3) of the Australian Banking Act, have priority over all other unsecured debts.*

*The Issuer's indebtedness under the Covered Bonds will not be a protected account for the purposes of the Financial Claims Scheme in Division 2AA of Part II of the Australian Banking Act and will not be a deposit liability of the Issuer for the purposes of the Australian Banking Act and is not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. For the purposes of section 13A(3) of the Australian Banking Act the Issuer's indebtedness under the Covered Bonds will rank as another liability under paragraph (f) above. If the Issuer becomes unable to meet its obligations or suspends payment, its assets in Australia are to be available to meet its indebtedness evidenced by the Covered Bonds only after the liabilities referred to in section 13A(3)(a) - (e) have been met.*

(b) ***Status of the Covered Bond Guarantee***

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same become Due for Payment has been unconditionally and irrevocably guaranteed by the Covered Bond Guarantor (the **Covered Bond Guarantee**) as set out in the Bond Trust Deed. However, the Covered Bond Guarantor will have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the service of a Notice to Pay by the Bond Trustee on the Covered Bond Guarantor which the Bond Trustee is required to serve following the occurrence of an Issuer Event of Default and service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice or, if earlier, following the occurrence of a Covered Bond Guarantor Event of Default and service by the Bond Trustee of a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are direct, absolute and (following service of an Issuer Acceleration Notice and Notice to Pay or a Covered Bond Guarantee Acceleration Notice), unconditional obligations of the Covered Bond Guarantor, which are secured as provided in the Security Deed and limited recourse to the Covered Bond Guarantor as described in Condition 17.

Any payment made by the Covered Bond Guarantor under the Covered Bond Guarantee will (unless such obligation has been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 9) discharge *pro tanto* the obligations of the Issuer in respect of such payment under the Covered Bonds and Coupons except where such payment has been declared void, voidable or otherwise recoverable in whole or in part and recovered from the Bond Trustee or the Covered Bondholders.

4. **Interest**

(a) ***Interest on Fixed Rate Covered Bonds***

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the **Interest Commencement Date** at the rate(s) per annum equal to the Rate(s) of Interest payable, subject as provided in these Conditions, in arrear on the Interest Payment Date(s) in each year up to (and including) the Final Maturity Date. If a Notice to Pay is served on the Covered Bond Guarantor, the Covered Bond Guarantor will pay Guaranteed Amounts in equivalent amounts to those described in the preceding sentence under the Covered Bond Guarantee in respect of the Covered Bonds on the Original Due for Payment Dates or, if applicable, the Extended Due for Payment Date.

If the Covered Bonds are in definitive form, except as provided in the Applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the fixed coupon amount specified in the Final Terms (the **Fixed Coupon Amount**). Payments of interest on any Interest Payment Date will, if so specified in the Applicable Final Terms, amount to the broken amount so specified in the relevant Final Terms (the **Broken Amount**).

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Covered Bonds in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the Applicable Final Terms, interest will be calculated in respect of any period by applying the Rate of Interest to:

- (i) in the case of Fixed Rate Covered Bonds which are A\$ Registered Covered Bonds, the Principal Amount Outstanding of the A\$ Registered Covered Bond;



- (ii) in the case of Fixed Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Fixed Rate Covered Bonds represented by such Global Covered Bond; or
- (iii) in the case of Fixed Rate Covered Bonds in definitive form, the Calculation Amount;

and in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond will be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 4(a):

- (i) if **Actual/Actual (ICMA)** is specified in the Applicable Final Terms:
  - (A) in the case of Covered Bonds where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the Applicable Final Terms) that would occur in one calendar year; or
  - (B) in the case of Covered Bonds where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;
- (ii) if **30/360** is specified in the Applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (iii) if **RBA Bond Basis or Australian Bond Basis** is specified in the Applicable Final Terms:
  - (A) for amounts paid and/or calculated in respect of Interest Payment Dates, one divided by the number of Interest Payment Dates in a year; and

- (B) for amounts paid and/or calculated in respect of dates other than Interest Payment Dates, Actual/Actual (ICMA).

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**Original Due for Payment Date** means, in respect of the payment of Guaranteed Amounts, prior to the occurrence of a Covered Bond Guarantor Event of Default and following the delivery of a Notice to Pay on the Covered Bond Guarantor, the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts occurs or, if later, the day which is two Business Days following the date of service of a Notice to Pay on the Covered Bond Guarantor in respect of such Guaranteed Amounts or, if the Applicable Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Scheduled Payment Date falling on the Final Maturity Date of such Series of Covered Bonds as if such date had been the Extended Due for Payment Date.

**Principal Amount Outstanding** means in respect of a Covered Bond on any day the principal amount of that Covered Bond on the relevant Issue Date thereof less principal amounts received by the relevant Covered Bondholder in respect thereof on or prior to that day.

**sub-unit** means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, Euro 0.01.

(b) ***Interest on Floating Rate Covered Bonds***

(i) ***Interest Payment Dates***

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the Applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the Applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the Applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, the expression **Interest Period** will mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the Applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the **Floating Rate Convention**, such Interest Payment Date: (i) in the case of (x) above, will be the last day that is a Business Day in the relevant month and the provisions of (B) below will apply *mutatis mutandis*; or (ii) in the case of (y) above, will be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date will be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date will be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the **Following Business Day Convention**, such Interest Payment Date will be postponed to the next day which is a Business Day; or
- (C) the **Modified Following Business Day Convention**, such Interest Payment Date will be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date will be brought forward to the immediately preceding Business Day; or
- (D) the **Preceding Business Day Convention**, such Interest Payment Date will be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Sydney and, if the Covered Bonds are not A\$ Registered Covered Bonds, in London and any Additional Business Centre specified in the Applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) and which if the Specified Currency is Australian Dollars will be Sydney or (2) in relation to any Covered Bonds denominated or payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto (the **TARGET2 System**) is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Covered Bonds will be determined in the manner specified in the Applicable Final Terms.

(A) *ISDA Determination for Floating Rate Covered Bonds*

Where ISDA Determination is specified in the Applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (ii), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or, in respect of the A\$ Registered Covered Bonds, the Calculation Agent or other person

specified in the Applicable Final Terms under an interest rate swap transaction if the Principal Paying Agent or, in respect of the A\$ Registered Covered Bonds, the Calculation Agent or that other person were acting as calculation agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Covered Bonds (the **ISDA Definitions**) and under which:

- (1) the Floating Rate Option is as specified in the Applicable Final Terms;
- (2) the Designated Maturity is the period specified in the Applicable Final Terms; and
- (3) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**), the Euro-zone inter-bank offered rate (**EURIBOR**), the Hong Kong inter-bank offered rate (**HIBOR**), the Toronto inter-bank offered rate (**BA-CDOR**) or the Australian Bank Bill Swap Rate (**BBSW**) for a currency, the first day of that Interest Period or (ii) if the applicable Floating Rate Option is based on the Singapore inter-bank offered rate (**SIBOR**) the second Singapore business day prior to the start of each Interest Period or (iii) if the applicable Floating Rate Option is based on the New Zealand inter-bank offered rate (**BKBM**), the first day of that Interest Period or (iv) if the applicable Floating Rate Option is based on the Oslo inter-bank offered rate (**NIBOR**) the second Oslo business day prior to the start of each Interest Period; or (v) in any other case, as specified in the Applicable Final Terms.

Unless otherwise stated in the Applicable Final Terms the Minimum Rate of Interest will be deemed to be zero.

For the purposes of this sub-Paragraph (b) Floating Rate, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

*(B) Screen Rate Determination for Floating Rate Covered Bonds*

Where Screen Rate Determination is specified in the Applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards or, in the case of A\$ Registered Covered Bonds only, rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which either (i) in the case of A\$ Registered Covered Bonds, appears or appear, as the case may be, on the Relevant Screen Page as at 10.30 a.m. (Sydney time) in the case of BBSW on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Calculation Agent, or (ii) otherwise, appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case

of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR, or Singapore time, in the case of SIBOR) or as at 10.00 a.m. Toronto time in the case of BA-CDOR or as at 11.00 a.m. Auckland time in the case of BKBM or as at 12.00 a.m. Oslo time in the case of NIBOR on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) will be disregarded by the Calculation Agent or the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

For the purposes of these Conditions:

**Interest Determination Date** shall mean the date specified as such in the Final Terms or if none is so specified:

- (i) if the Reference Rate is LIBOR (other than Sterling or Euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) if the Reference Rate is Sterling LIBOR, HIBOR, BA-CDOR or BBSW, the first day of each Interest Period;
- (iii) if the Reference Rate is EURIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period;
- (iv) if the Reference Rate is SIBOR, the second Singapore business day prior to the start of each Interest Period;
- (v) if the Reference Rate is BKBM, the first day of each Interest Period; or
- (vi) if the Reference Rate is NIBOR, the second Oslo business day prior to the start of each Interest Period.

**Reference Rate** shall mean (i) LIBOR, (ii) EURIBOR, (iii) HIBOR, (iv) BA-CDOR, (v) BBSW, (vi) SIBOR, (vii) BKBM or (viii) NIBOR, in each case for the relevant period, as specified in the applicable Final Terms.

**Relevant Financial Centre** shall mean London, in the case of a determination of LIBOR, Brussels, in the case of a determination of EURIBOR, Hong Kong, in the case of a determination of HIBOR, Toronto, in the case of a determination of BA-CDOR, Sydney, in the case of a determination of BBSW, Singapore, in the case of a determination of SIBOR, Auckland, in the case of a determination of BKBM and Oslo, in the case of a determination of NIBOR as specified in the applicable Final Terms.

The Principal Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

In the case of A\$ Registered Covered Bonds, in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation

appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the rate calculated by the Calculation Agent as the average of the Reference Rates quoted by four leading banks in Sydney to leading banks in Sydney at or about 10.30 a.m. (Sydney time) on the Interest Determination Date for a period equivalent to the Interest Period or, if the Calculation Agent is unable to obtain at least two quotes in accordance with the foregoing, the rate the Calculation Agent calculates as the average of the rates per annum (being the nearest equivalent to the Reference Rate) quoted by two or more leading banks in Sydney selected by the Calculation Agent to leading banks in the Sydney at or about 10.30 a.m. (Sydney time) on the Interest Determination Date for a period equivalent to the Interest Period.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified in the Applicable Final Terms as being other than BBSW, LIBOR, EURIBOR, HIBOR, BA-CDOR, SIBOR, BKBM or NIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the Applicable Final Terms.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the Applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period will be such Minimum Rate of Interest.

If the Applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period will be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent and the Calculation Agent, in the case of Floating Rate Covered Bonds which are A\$ Registered Covered Bonds, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent and the Calculation Agent, in the case of Floating Rate Covered Bonds which are A\$ Registered Covered Bonds, will calculate the amount of interest payable on the Floating Rate Covered Bonds (each an **Interest Amount**) for the relevant Interest Period. Each Interest Amount will be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Covered Bonds which are A\$ Registered Covered Bonds, the Principal Amount Outstanding of the A\$ Registered Covered Bond;
- (B) in the case of Floating Rate Covered Bonds which are represented by a Global Covered Bond, the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bond; or
- (C) in the case of Floating Rate Covered Bonds in definitive form, the Calculation Amount,

and, in each case multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Covered Bond will be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

If "Interest Amounts Non-Adjusted" is specified in the Applicable Final Terms then notwithstanding the bringing forward or postponement (as applicable) of an Interest Payment Date as a result of the application of the Business Day Convention set out in the Applicable Final Terms, the Interest Amount in respect of the relevant Interest Period and each subsequent Interest Period will be calculated as stated above on the basis of the original Interest Payment Dates without adjustment in accordance with the applicable Business Day Convention.

**Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period:

- (A) if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the Applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if **Actual/365 (Fixed)** is specified in the Applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if **Actual/365 (Sterling)** is specified in the Applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if **Actual/360** is specified in the Applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if **30/360, 360/360** or **Bond Basis** is specified in the Applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

- (F) if **30E/360** or **Eurobond Basis** is specified in the Applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30; and

- (G) if **30E/360 (ISDA)** is specified in the Applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"Y1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;



"M2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30;

"D2" is the calendar day, expressed as a number, immediately following the last day of the Interest Period, unless (i) that day is the last day of February but not the Final Maturity Date (or, as the case may be, the Extended Due for Payment Date) or (ii) such number would be 31, in which case D2 will be 30.

(v) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent and the Calculation Agent, in the case of Floating Rate Covered Bonds which are A\$ Registered Covered Bonds, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Bond Trustee and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Covered Bonds are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth Business Day (as defined in Condition 4(b)(i)), except in the case of the Luxembourg Stock Exchange will be notified no later than the first Business Day of the relevant Interest Period, thereafter by the Principal Paying Agent or the Calculation Agent. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Bond Trustee and each stock exchange or other relevant authority on which the relevant Floating Rate Covered Bonds are for the time being listed or by which they have been admitted to listing and to the Covered Bondholders in accordance with Condition 13.

(vi) *Determination or Calculation by Bond Trustee*

If for any reason at any relevant time after the Issue Date, the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent or the Calculation Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii) above or as otherwise specified in the Applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Bond Trustee may determine (or appoint an agent to determine) the Rate of Interest at such rate as, in its absolute discretion (having such regard as it thinks fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the Applicable Final Terms), it deems fair and reasonable in all the circumstances or, as the case may be, the Bond Trustee may calculate (or appoint an agent to calculate) the Interest Amount(s) in such manner as it deems fair and reasonable. In making any such determination or calculation, the Bond Trustee may appoint and rely on a determination or calculation by a calculation agent (which must be an investment bank or other suitable entity of international repute). Each such determination or calculation will be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(vii) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Principal Paying Agent or the Calculation Agent or the Bond Trustee will (in the absence of wilful default, bad faith or manifest error or proven error) be binding on the Issuer, the Covered Bond Guarantor, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Bond Trustee and all the Covered Bondholders and Couponholders and (in the absence of wilful default or bad faith or proven error) no liability to the Issuer the Covered Bond Guarantor, the Covered Bondholders or the Couponholders will attach to the Principal Paying Agent or the Calculation Agent or the Bond Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**(c) *Accrual of interest***

Interest (if any) will cease to accrue on each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) on the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused or default is otherwise made in the payment thereof, in which event interest will continue to accrue as provided in the Bond Trust Deed.

**5. *Payments***

**(a) *Method of payment***

Subject as provided below:

- (i) payments in a Specified Currency other than Euro will be made by credit or electronic transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian Dollars will be Sydney); and
- (ii) payments in Euro will be made by credit or electronic transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment but without prejudice to the provisions of Condition 7. For the avoidance of doubt, any amounts to be paid on the Covered Bonds will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding. References to Specified Currency will include any successor currency under applicable law.

**(b) *Presentation of Bearer Definitive Covered Bonds and Coupons***

Payments of principal and interest (if any) in respect of Bearer Definitive Covered Bonds will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender of Bearer Definitive Covered Bonds or Coupons, as the case may be, at any specified office of any Paying Agent outside the United States (which expression, as used

herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Fixed Rate Covered Bonds in definitive bearer form (other than Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression will include Coupons falling to be issued on exchange of matured Talons), failing which an amount equal to the face value of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon amounts in respect of any Fixed Rate Covered Bond in definitive bearer form becoming due and repayable by the Issuer (in the absence of a Notice to Pay) or the Covered Bond Guarantor under the Covered Bond Guarantee prior to its Final Maturity Date (or, as the case may be, Extended Due for Payment Date), all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the due date for redemption of any Floating Rate Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) will become void and no payment or, as the case may be, exchange for further Coupons will be made in respect thereof. A **Long Maturity Covered Bond** is a Fixed Rate Covered Bond (other than a Fixed Rate Covered Bond which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Covered Bond will cease to be a Long Maturity Covered Bond on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the Principal Amount Outstanding of such Covered Bond. If the date for redemption of any Bearer Definitive Covered Bond is not an Interest Payment Date, interest (if any) accrued in respect of such Covered Bond from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date will be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(c) ***Payments in respect of Bearer Global Covered Bonds***

Payments of principal and interest (if any) in respect of Covered Bonds represented by any Bearer Global Covered Bond will (subject as provided below) be made in the manner specified above in relation to Bearer Definitive Covered Bonds and otherwise in the manner specified in the relevant Global Covered Bond (against presentation or surrender, as the case may be, of such Global Covered Bond at the specified office of any Paying Agent outside the United States). On the occasion of each payment, a record of such payment made on such Bearer Global Covered Bond, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Covered Bond by the Paying Agent and such record will be *prima facie* evidence that the payment in question has been made.

(d) ***Payments in respect of Registered Covered Bonds***

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Covered Bond at the specified office of the relevant Registrar or the Paying Agents. Such payments will be made by electronic transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register of holders of the Registered Covered Bonds maintained by the relevant

Registrar at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Covered Bonds held by a holder is less than US\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, will be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than Euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian Dollars will be Sydney) and (in the case of a payment in Euro) any bank which processes payments in Euro.

Payments of interest in respect of each Registered Covered Bond (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register at the close of business on (i) in the case of Global Covered Bonds in registered form, the Business Day prior to the relevant due date and (ii) in the case of Registered Definitive Covered Bonds, the Business Day falling 15 days prior to the relevant due date (the **Record Date**) at the holder's address shown in the Register on the Record Date and at the holder's risk. Upon application of the holder to the specified office of the relevant Registrar not less than three Business Days before the due date for any payment of interest in respect of a Registered Covered Bond, the payment may be made by electronic transfer on the due date in the manner provided in the preceding paragraph. Any such application for electronic transfer will be deemed to relate to all future payments of interest (other than interest due on redemption) in respect of the Registered Covered Bonds which become payable to the holder who has made the initial application until such time as the relevant Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Covered Bond on redemption will be made in the same manner as payment of the principal in respect of such Registered Covered Bond.

Holders of Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses will be charged to such holders by the relevant Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Covered Bond in respect of Covered Bonds denominated in a Specified Currency other than U.S. dollars will be paid by electronic transfer by the Paying Agent to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Principal Agency Agreement.

None of the Issuer, the Covered Bond Guarantor, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) ***Payments in respect of A\$ Registered Covered Bonds***

Payments of principal in respect of each A\$ Registered Covered Bond will be made to the person who is the holder of the A\$ Registered Covered Bond at 10.00 am in the place where the A\$ Register in relation to the A\$ Registered Covered Bonds is maintained on the due date.

Payments of interest in respect of each A\$ Registered Covered Bond will be made to the person who is the holder of the A\$ Registered Covered Bond at 4.00 pm in the place where the A\$ Register in relation to the A\$ Registered Covered Bonds is maintained on the A\$ Record Date.

Payment of the interest due in respect of each A\$ Registered Covered Bond on the redemption will be made in the same manner as payment of principal in respect of each A\$ Registered Covered Bond.

If the A\$ Registered Covered Bond is lodged in the Austraclear System, payments in respect of the A\$ Registered Covered Bonds will be by transfer to the relevant account of the holder of the beneficial interest in the A\$ Registered Covered Bond in accordance with the Austraclear Regulations.

If the A\$ Registered Covered Bond is not lodged in the Austraclear System, payments in respect of the A\$ Registered Covered Bonds will be made by crediting on the relevant due date, the amount due to the account previously notified by the holder of the A\$ Registered Covered Bond to the Issuer and the A\$ Registrar. If the holder of the A\$ Registered Covered Bond has not notified the Issuer and the A\$ Registrar of an account to which payments to it must be made by close of business in the place where the A\$ Register is maintained on the A\$ Record Date, the payments will be made by a cheque in Australian Dollars and mailed by uninsured prepaid ordinary mail on the AU Business Day immediately before the relevant due date to the holder (or the first named of joint holders) of the A\$ Registered Covered Bond at the holder's address shown in the A\$ Register on the A\$ Record Date and at the holder's risk.

No payment of interest in respect of an A\$ Registered Covered Bond will be made to an address in the United States or transferred to an account maintained by the holder of the A\$ Registered Covered Bond in the United States.

Holders of A\$ Registered Covered Bonds will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any A\$ Registered Covered Bond as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses will be charged to such holders by the A\$ Registrar in respect of any payments of principal or interest in respect of the A\$ Registered Covered Bonds.

None of the Issuer, the Covered Bond Guarantor or the Bond Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the A\$ Registered Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

**(f) *General provisions applicable to payments***

The holder of a Global Covered Bond (or, as provided in the Bond Trust Deed, the Bond Trustee) will be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer or, as the case may be, the Covered Bond Guarantor will be discharged by payment to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or the Covered Bond Guarantor to, or to the order of, the holder of such Global Covered Bond (or the Bond Trustee, as the case may be). No person other than the holder of the relevant Global Covered Bond (or, as provided in the Bond Trust Deed, the Bond Trustee) will have any claim against the Issuer or the Covered Bond Guarantor in respect of any payments due on that Global Covered Bond.

Notwithstanding the foregoing provisions of this Condition, payments of principal and/or interest in U.S. dollars in respect of the Bearer Covered Bonds will only be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of interest on the Bearer Covered Bonds in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Trust Manager, adverse tax consequences to the Issuer or the Covered Bond Guarantor.

**(g) *Payment Day***

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day (as defined below), the holder thereof will not be entitled to payment of the relevant amount due until the next following Payment Day and will not be entitled to any interest or other sum in respect of any such delay. In this Condition (unless otherwise specified in the Applicable Final Terms), **Payment Day** means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (A) the relevant place of presentation;
  - (B) Sydney and, in the case of Covered Bonds that are not A\$ Registered Covered Bonds, London; and
  - (C) any Additional Financial Centre specified in the Applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the places specified in Condition 5(g)(i) and which, if the Specified Currency is Australian Dollars, will be Sydney) or (2) in relation to any sum payable in Euro, a day on which the TARGET 2 System is open; and
- (iii) in the case of any payment in respect of a Registered Global Covered Bond denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Covered Bond) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

**(h) *Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Covered Bonds will be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertakings or covenants given in addition thereto, or in substitution therefor, pursuant to the Bond Trust Deed;
- (ii) the Final Redemption Amount of the Covered Bonds;
- (iii) the Early Redemption Amount of the Covered Bonds;
- (iv) the Optional Redemption Amount(s) (if any) of the Covered Bonds;
- (v) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 6(f));
- (vi) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds; and
- (vii) any Excess Proceeds which may be payable by the Bond Trustee under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds will be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertakings given in addition thereto, or in substitution therefor, pursuant to the Bond Trust Deed.

(i) ***Redenomination***

Where redenomination is specified in the Applicable Final Terms as being applicable, the Issuer may, without the consent of the Covered Bondholders and the Couponholders, on giving prior written notice to the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar (in the case of Registered Covered Bonds), Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Covered Bondholders in accordance with Condition 13, elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds will be redenominated in Euro. In relation to any Covered Bonds where the Applicable Final Terms provides for a minimum Specified Denomination in the Specified Currency which is equivalent to at least Euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area, it will be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg and/or DTC must have credited to its securities account with the relevant clearing system a minimum balance of Covered Bonds of at least Euro 100,000.

The election will have effect as follows:

- (i) the Covered Bonds will be deemed to be redenominated in Euro in the denomination of Euro 0.01 with a nominal amount for each Covered Bond equal to the nominal amount of that Covered Bond in the Specified Currency, converted into Euro at the Established Rate, provided that, if the Issuer determines, in consultation with the Principal Paying Agent and the Bond Trustee, that the then market practice in respect of the redenomination in Euro of internationally offered securities is different from the provisions specified above, such provisions will be deemed to be amended so as to comply with such market practice and the Issuer will promptly notify the Covered Bondholders, the competent listing authority, stock

exchange and/or market (if any) on or by which the Covered Bonds may be listed and/or admitted to trading and the Paying Agents of such deemed amendments;

- (ii) save to the extent that an Exchange Notice has been given in accordance with paragraph (iv) below, the amount of interest due in respect of the Covered Bonds will be calculated by reference to the aggregate nominal amount of Covered Bonds presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment will be rounded down to the nearest Euro 0.01;
- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they will be issued at the expense of the Issuer in the denominations of Euro 100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Covered Bondholders and any remaining amounts less than Euro 100,000 will be redeemed by the Issuer and paid to the Covered Bondholders in Euro in accordance with Condition 6;
- (iv) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Covered Bonds) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement Euro-denominated Covered Bonds and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Covered Bonds and Coupons so issued will also become void on that date although those Covered Bonds and Coupons will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Covered Bonds and Coupons will be issued in exchange for Covered Bonds and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as will be notified to the Covered Bondholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Covered Bonds;
- (v) after the Redenomination Date, all payments in respect of the Covered Bonds and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Covered Bonds to the Specified Currency were to Euro. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro cheque;
- (vi) if the Covered Bonds are Fixed Rate Covered Bonds and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated
  - (A) in the case of Covered Bonds represented by a Global Covered Bond, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Covered Bonds represented by such Global Covered Bonds; and
  - (B) in the case of Definitive Covered Bonds, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Covered Bond in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Covered Bond will be the product of the amount (determined in the manner



provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

- (vii) if the Covered Bonds are Floating Rate Covered Bonds or Variable Interest Covered Bonds, the Applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (viii) such other changes will be made to this Condition (and the Programme Documents) as the Issuer may decide, after consultation with the Principal Paying Agent and the Bond Trustee, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in Euro.

(j) **Definitions**

In these Conditions, the following expressions have the following meanings:

**Established Rate** means the rate for the conversion of the relevant Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to Article 123 of the Treaty.

**Euro** means the lawful currency for the time being of the member states of the European Union that adopt the single currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty.

**Rate of Interest** means the rate of interest payable from time to time in respect of a Series of Covered Bonds, as determined in, or as determined in the manner specified in, the Applicable Final Terms.

**Redenomination Date** means (in the case of interest bearing Covered Bonds) any date for payment of interest under the Covered Bonds or (in the case of Zero Coupon Covered Bonds) any date, in each case specified by the Issuer in the notice given to the Covered Bondholders pursuant to Condition 5(i)(i) and which falls on or after the date on which the country of the relevant Specified Currency first participates in the third stage of European economic and monetary union.

**Treaty** means the Treaty on the functioning of the European Community, as amended.

**6. Redemption and Purchase**

(a) **Final redemption**

Unless previously redeemed in full or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at par (the **Final Redemption Amount**) in the relevant Specified Currency on the Final Maturity Date.

Without prejudice to Condition 9, if an Extended Due for Payment Date is specified as "applicable" in the Final Terms for a Series of Covered Bonds and the Issuer has failed to pay the Final Redemption Amount on the Final Maturity Date specified in the Final Terms (or after expiry of the grace period set out in Condition 9(a)(i)) and, following the service of a Notice to Pay on the Covered Bond Guarantor by no later than the date falling one Business Day prior to the Extension Determination Date, the Trust Manager determines that the Covered Bond Guarantor has insufficient moneys available under the Guarantee Priority of Payments to pay the Guaranteed Amounts corresponding to the Final Redemption Amount in full in respect of the relevant Series of Covered Bonds on the date falling on the earlier of (a) the date which falls two Business Days after service of

such Notice to Pay on the Covered Bond Guarantor or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(a)(i)) under the terms of the Covered Bond Guarantee and (b) the Extension Determination Date, then (subject as provided below) payment of the unpaid amount by the Covered Bond Guarantor under the Covered Bond Guarantee will be deferred until the Extended Due for Payment Date, provided that the Covered Bond Guarantor (at the direction of the Trust Manager) may pay any amount representing the Final Redemption Amount on the relevant Final Maturity Date and any amount representing the Final Redemption Amount due and remaining unpaid on the earlier of (a) and (b) above may also be paid by the Covered Bond Guarantor (at the direction of the Trust Manager) on any Interest Payment Date thereafter up to (and including) the Extended Due for Payment Date. The Issuer will confirm to the Principal Paying Agent or the A\$ Registrar (in the case of A\$ Registered Covered Bonds) as soon as reasonably practicable and in any event at least four Business Days prior to the Final Maturity Date of a Series of Covered Bonds whether (x) payment will be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date or (y) payment will not be made in full of the Final Redemption Amount in respect of a Series of Covered Bonds on that Final Maturity Date. Any failure by the Issuer to notify the Principal Paying Agent or the Calculation Agent (as the case may be) will not affect the validity or effectiveness of the extension.

The Trust Manager will notify the relevant Covered Bondholders (in accordance with Condition 13), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the relevant Registrar or the A\$ Registrar (in the case of Registered Covered Bonds or A\$ Registered Covered Bonds, as applicable) as soon as reasonably practicable and in any event at least one Business Day prior to the dates specified in (a) and (b) of the preceding paragraph of any determination by the Trust Manager of the inability of the Covered Bond Guarantor to pay in full the Guaranteed Amounts corresponding to the Final Redemption Amount in respect of a Series of Covered Bonds pursuant to the Covered Bond Guarantee. Any failure by the Trust Manager to notify such parties will not affect the validity or effectiveness of the extension nor give rise to any rights in any such party. In such circumstances, the Trust Manager must direct the Covered Bond Guarantor to, and upon receiving such direction the Covered Bond Guarantor must, on the earlier of (a) the date falling two Business Days after the service of a Notice to Pay on the Covered Bond Guarantor or if later the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(a)(i)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the moneys (if any) available (after paying or providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *rateably* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and will pay Guaranteed Amounts constituting the Scheduled Interest in respect of each such Covered Bond on such date. The obligation of the Covered Bond Guarantor to pay any amounts in respect of the balance of the Final Redemption Amount not so paid will be deferred as described above. Such failure to pay by the Covered Bond Guarantor will not constitute a Covered Bond Guarantor Event of Default.

Any discharge of the obligations of the Issuer as a result of the payment of Excess Proceeds to the Bond Trustee will be disregarded for the purposes of determining the amounts to be paid by the Covered Bond Guarantor under the Covered Bond Guarantee in connection with this Condition 6(a).

For the purposes of these Conditions:

**Extended Due for Payment Date** means, in relation to any Series of Covered Bonds, the date, if any, specified as such in the Applicable Final Terms to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Final Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the dates specified in Condition 6(a) above.

**Extension Determination Date** means, in respect of a Series of Covered Bonds, the date falling two Business Days after the expiry of seven days starting on (and including) the Final Maturity Date of such Series of Covered Bonds.

**Guarantee Priority of Payments** means the guarantee priority of payments relating to the allocation and distribution of all Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay on the Covered Bond Guarantor, but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor in accordance with clause 17.5 of the Establishment Deed.

**Rating Agency** means any one of Moody's Investors Service Pty Limited and Fitch Australia Pty Limited (together, the **Rating Agencies**) or their successors, to the extent they provide ratings in respect of the Covered Bonds.

**(b) *Redemption for taxation reasons***

The Covered Bonds may be redeemed at the option of the Issuer in whole, or in part, at any time (if this Covered Bond is not a Floating Rate Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13, the Covered Bondholders (which notice will be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that, on the occasion of the next Interest Payment Date, the Issuer is or will be required to pay additional amounts as provided or referred to in Condition 7. Covered Bonds redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

**(c) *Redemption at the option of the Issuer (Issuer Call)***

If Issuer Call is specified in the Applicable Final Terms, the Issuer may, having (unless otherwise specified, in the Applicable Final Terms) given not less than 30 nor more than 60 days' notice to the Bond Trustee, (other than in the case of the redemption of Registered Covered Bonds) the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds or A\$ Registered Covered Bonds) the relevant Registrar or the A\$ Registrar (as applicable) and, in accordance with Condition 13, the Covered Bondholders (which notice will be irrevocable) redeem all or some only (as specified in the Applicable Final Terms) of the Covered Bonds then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in the Applicable Final Terms together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Upon expiry of such notice, the Issuer will be bound to redeem the Covered Bonds accordingly. In the event of a redemption of some only of the Covered Bonds, such redemption must be for an amount being the Minimum Redemption Amount or a Higher Redemption Amount. In the case of a partial redemption of Covered Bonds, the Covered Bonds to be redeemed (the **Redeemed Covered Bonds**) will be selected:

- (i) in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, individually by lot;
- (ii) in the case of Redeemed Covered Bonds represented by a Global Covered Bond, in accordance with the rules of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) (or any alternative or additional clearing system as may be specified in the Final Terms); and

- (iii) in the case of Redeemed Covered Bonds which are A\$ Registered Covered Bonds, on the basis that the Redeemed Covered Bonds must be a multiple of their Specified Denominations,

in each case, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, a list of the serial numbers of such Redeemed Covered Bonds will be published in accordance with Condition 13 not less than 30 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Covered Bonds represented by Definitive Covered Bonds will bear the same proportion to the aggregate nominal amount of all Redeemed Covered Bonds as the aggregate nominal amount of Definitive Covered Bonds outstanding bears to the aggregate nominal amount of the Covered Bonds outstanding, in each case on the Selection Dates, provided that such first mentioned nominal amount will, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination, and the aggregate nominal amount of Redeemed Covered Bonds represented by a Global Covered Bond will be equal to the balance of the Redeemed Covered Bonds. No exchange of the relevant Global Covered Bond will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6(c) and notice to that effect will be given by the Issuer to the Covered Bondholders in accordance with Condition 13 at least 30 days prior to the Selection Date.

**(d) *Redemption at the option of the Covered Bondholders (Investor Put)***

If Investor Put is specified in the Applicable Final Terms, upon the holder of any Covered Bond giving the Issuer not less than 30 nor more than 60 days' written notice as specified in the applicable Final Terms the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the Applicable Final Terms, such Covered Bond on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date

To exercise the right to require redemption of a Covered Bond the holder thereof must, if the Covered Bond is in definitive form and held outside Euroclear and Clearstream, Luxembourg or DTC, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6(d) accompanied by this Covered Bond. If this Covered Bond is represented by a Global Covered Bond held through Euroclear or Clearstream, Luxembourg or DTC to exercise the right to require redemption of this Covered Bond the holder of this Covered Bond must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg or DTC, (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or DTC, or any common depository, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg or DTC from time to time and, if this Covered Bond is represented by a Global Covered Bond, at the same time present or procure the presentation of the relevant Global Covered Bond to the Agent for notation accordingly. If this Covered Bond is an A\$ Registered Covered Bond lodged in the Austraclear System, to exercise the right to require redemption of this Covered Bond the holder of the beneficial interest in this Covered Bond must, within the notice period, give notice to the A\$ Registrar of such exercise in accordance with the Austraclear Regulations. If this Covered Bond is an A\$ Registered Covered Bond held outside of the Austraclear System, to exercise a right to require redemption of this Covered Bondholder must, within the notice period, give notice to the Issuer and the A\$ Registrar of such exercise in a form acceptable to the A\$ Registrar together with any evidence the A\$ Registrar may require to establish title of the Covered Bondholder to the relevant Covered Bond.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, the Austraclear System or DTC, given by a holder of any Covered Bond pursuant to this Condition 6(d) will be irrevocable except where, prior to the due date of redemption, an Issuer Event of Default or a Covered Bond Guarantor Event of Default has occurred and is continuing and the Bond Trustee has declared the Covered Bonds to be due and payable pursuant to Condition 9, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 6(d) and instead request or direct the Bond Trustee to declare such Covered Bond forthwith due and payable pursuant to Condition 9.

(e) ***Redemption due to illegality***

The Covered Bonds of all Series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice as specified in the applicable Final Terms to the Bond Trustee, the Principal Paying Agents, the Registrars and, in accordance with Condition 13, all the Covered Bondholders (which notice will be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that it has, or will before the next Interest Payment Date of any Covered Bond of any Series, become unlawful for the Intercompany Note Subscriber and/or the Demand Note Subscriber to subscribe for or continue to fund any Intercompany Note and/or the Demand Note held by the Intercompany Note Subscriber or the Demand Note Subscriber, as the case may be, issued by the Covered Bond Guarantor pursuant to the Intercompany Note Subscription Agreement or the Demand Note Subscription Agreement, as the case may be, as a result of any change in, or amendment to, the applicable laws or regulations or any change in the application or official interpretation of such laws or regulations, which change or amendment has become or will become effective before the next such Interest Payment Date.

Covered Bonds redeemed pursuant to this Condition 6(e) will be redeemed at their Early Redemption Amount referred to in Condition 6(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

(f) ***Early Redemption Amounts***

For the purpose of Conditions 6(b) and 6(e) above and 6(j) below and Condition 9, each Covered Bond will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Covered Bond with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Covered Bond (other than a Zero Coupon Covered Bond) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Covered Bond is denominated, at the amount specified in, or determined in the manner specified in, the Applicable Final Terms or, if no such amount or manner is so specified in the Applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Covered Bond, at an amount (the **Amortised Face Amount**) equal to the sum of:
  - (A) the Reference Price; and
  - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Covered Bonds to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Covered Bond becomes due and repayable,

or such other calculation basis as may be provided for in the Applicable Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, it will be made (i) in the case of a Zero Coupon Covered Bond payable in a Specified Currency other than Euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (ii) in the case of a Zero Coupon Covered Bond payable in Euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non leap year divided by 365) or (iii) on such other calculation basis as may be specified in the Applicable Final Terms.

(g) ***[Reserved]***

(h) ***Purchases***

The Issuer or any of its subsidiaries or the Covered Bond Guarantor (acting at the direction of the Trust Manager) may at any time purchase or otherwise acquire Covered Bonds (provided that, in the case of Bearer Definitive Covered Bonds, Coupons and Talons appertaining thereto are attached thereto or surrendered therewith) at any price and in any manner. If purchases are made by tender, tenders must be available to all the Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, in respect of Covered Bonds other than A\$ Registered Covered Bonds, at the option of the Issuer or the relevant subsidiary, surrendered to the relevant Registrar and/or the relevant Paying Agent, for cancellation (except that any Covered Bonds (other than A\$ Registered Covered Bonds) purchased or otherwise acquired by the Covered Bond Guarantor must immediately be surrendered to the relevant Registrar and/or to any Paying Agent for cancellation).

(i) ***Cancellation***

All Covered Bonds (other than A\$ Registered Covered Bonds) which are redeemed in full will forthwith be cancelled (together with, in the case of Bearer Definitive Covered Bonds, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Covered Bonds so cancelled and any Covered Bonds purchased and surrendered for cancellation pursuant to Condition 6(h) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, Coupons and Talons cancelled therewith) will be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(j) ***Late payment on Zero Coupon Covered Bonds***

If the amount payable in respect of any Zero Coupon Covered Bond upon redemption of such Zero Coupon Covered Bond pursuant to Condition 6(a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused or default is otherwise made in the payment thereof, the amount due and repayable in respect of such Zero Coupon Covered Bond will be the amount calculated as provided in Condition 6(f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Covered Bond becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Covered Bond have been paid; and
- (ii) the date on which the full amount of the moneys payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent (other than in the case of A\$ Registered Covered Bonds), the Bond Trustee, the relevant Registrar or, in the case of A\$ Registered Covered Bonds, the A\$ Registrar or the relevant Covered Bondholder and

notice to that effect has been given to the Covered Bondholders either in accordance with Condition 13 or individually.

**(k) *Certification on redemption under Condition 6(b) and 6(e)***

Prior to the publication of any notice of redemption pursuant to Condition 6(b) or (e), the Issuer will deliver to the Bond Trustee a certificate signed by two Authorised Signatories (as defined in the Definitions Schedule) of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee will be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it will be conclusive and binding on all holders of the Covered Bonds and Couponholders.

**7. Taxation**

All payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer and all payments of Guaranteed Amounts by or on behalf of the Covered Bond Guarantor, as the case may be, must be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Australia or any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction is required by law or regulation or administrative practice of any jurisdiction.

If the Applicable Final Terms indicate that tax-gross up by the Issuer in accordance with this Condition 7 is applicable, in the event of such a withholding or deduction being made by the Issuer in respect of a payment made by it, the Issuer will pay such additional amounts as will be necessary in order that the net amounts received by the Covered Bondholders or Couponholders after such withholding or deduction will equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Covered Bonds or Coupons, as the case may be, in the absence of such withholding or deduction; except that the foregoing obligation to pay additional amounts will not apply to any such tax, assessment, governmental charge or duty:

- (a) which is payable otherwise than by deduction or withholding from payments of principal of and interest on such Covered Bond or Coupon;
- (b) which is payable by reason of the Covered Bondholder or Couponholder or beneficial owner (or any one of them in case of principal or interest derived by two or more persons jointly) having, or having had, some personal or business connection with Australia (other than mere ownership of or receipt of payment under the Covered Bonds or Coupon or the fact that payments are, or for the purposes of taxation are deemed to be, from sources in, or secured in Australia);
- (c) which is payable solely by reason of the Covered Bondholder's or Couponholder's or beneficial owner's failure to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity, connection with taxing jurisdiction of the Covered Bondholder or Couponholder or other beneficial owner of such Covered Bond;
- (d) which is payable by reason of a change in law that becomes effective more than thirty days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(g));  
or

- (e) which is an estate, inheritance, gift, sales, transfer, personal property, stamp duty or similar tax, assessment or other charge;
- (f) which is payable by reason of the Covered Bondholder or Couponholder or beneficial owner of such Covered Bond or Coupon being an associate of the Issuer or the Covered Bond Guarantor for the purposes of section 128F of the Tax Act;
- (g) which is imposed or withheld as a consequence of a determination having been made under Part IVA of the Tax Act (or any modification or equivalent thereof) by the Commissioner of Taxation of the Commonwealth of Australia that withholding tax is payable in respect of a payment in circumstances where the payment would not have been subject to withholding tax in the absence of the scheme which was the subject of that determination;
- (h) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (i) which is payable on the Covered Bonds and Coupons presented for payment by or on behalf of a Covered Bondholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond or Coupon to another Paying Agent in a member state of the European Union;
- (j) with respect to any payment of principal of or interest (including original issue discount) on the Covered Bonds and Coupons by the Issuer to any Covered Bondholder or Couponholder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or any other beneficial owner would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Covered Bonds and Coupons; or
- (k) any combination of (a) through (j) above.

For the avoidance of doubt, any amounts to be paid on the Covered Bonds and Coupons will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and no additional amounts will be required to be paid on account of any such deduction or withholding.

If the Applicable Final Terms indicate that tax gross-up by the Issuer in accordance with this Condition 7 is not applicable or do not indicate that Condition 7 is applicable, if any payments of principal and interest (if any) in respect of the Covered Bonds and Coupons by or on behalf of the Issuer are or become subject to any withholding or deduction, on account of any taxes, duties or other charges of whatever nature, imposed or levied by or on behalf of Australia or by any other authority having power to tax, the Issuer will not be obliged to pay any additional amount as a consequence. For purposes of the preceding sentence and the next paragraph, any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code shall be deemed a tax imposed by the United States.



If any payments made by the Covered Bond Guarantor under the Covered Bond Guarantee are or become subject to any withholding or deduction, on account of any taxes, duties or other charges of whatever nature, imposed or levied by or on behalf of Australia or by any other authority having power to tax, the Covered Bond Guarantor will not be obliged to pay any additional amount as a consequence. For purposes of the preceding sentence and the next paragraph, any withholding imposed pursuant to Sections 1471 through 1474 of the Code, and any regulations thereunder, agreements entered into pursuant thereto, or official interpretations thereof, shall be deemed a tax imposed by the United States.

As used herein the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Bond Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## 8. Prescription

The Covered Bonds (other than A\$ Registered Covered Bonds), whether in bearer or registered form and Coupons will become void unless presented for payment within ten years (in the case of principal) and five years (in the case of interest) in each case from the Relevant Date (as defined in Condition 7) therefor, subject in each case to the provisions of Condition 5.

There will not be included in any Coupon sheet issued on exchange of a Talon, any Coupon the claim for payment in respect of which would be void pursuant to this Condition 8 or Condition 5 or any Talon which would be void pursuant to Condition 5.

## 9. Events of Default and Enforcement

### (a) *Issuer Events of Default*

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose or the purpose of any Extraordinary Resolution referred to in this Condition 9(a) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Bond Trust Deed) then outstanding, as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Australian Dollars converted into Australian Dollars at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of the Covered Bondholders will, (but in the case of the happening of any of the events mentioned in subparagraph (iii), (iv) (v), (vi), (viii) or (ix) inclusive below, only if the Bond Trustee will have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series) (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (an **Issuer Acceleration Notice**) in writing to the Issuer (copied to the Covered Bond Guarantor) that as against the Issuer (but not, for the avoidance of doubt, as against the Covered Bond Guarantor under the Covered Bond Guarantee) each Covered Bond of each Series is, and each such Covered Bond will, unless such event will have been cured by the Issuer prior to the Issuer's receipt of the notice in writing from the Bond Trustee, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Bond Trust Deed if any of the following events (each an **Issuer Event of Default**) will occur and be continuing:

- (i) default by the Issuer in any payment when due of principal on the Covered Bonds or any of them and the default continues for a period of seven days;

- (ii) default by the Issuer in payment when due of any instalment of interest on the Covered Bonds or any of them and the default continues for a period of 30 days;
- (iii) a failure by the Issuer to perform or observe any of its other obligations under the Conditions or the Bond Trust Deed and the failure continues for the period of 30 days next following the service by the Bond Trustee on the Issuer of notice requiring the same to be remedied;
- (iv) a distress or execution or other legal process is levied or enforced upon or sued out or put in force against any part of the property, assets or revenues of the Issuer and such distress or execution or other legal process, as the case may be, is not discharged or stayed within 14 days of having been so levied, enforced or sued out;
- (v) an encumbrancer takes possession or a receiver or administrator is appointed of the whole or any part of the undertaking, property, assets or revenues of the Issuer (other than in respect of moneys borrowed or raised on a non-recourse basis);
- (vi) the Issuer (a) becomes insolvent or is unable to pay its debts as they mature; or (b) applies for or consents to or suffers the appointment of a liquidator or receiver or administrator of the Issuer or of the whole or any part of the undertaking, property, assets or revenues of the Issuer (other than in respect of moneys borrowed or raised on a non-recourse basis); or (c) takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or any arrangement or composition with or for the benefit of creditors;
- (vii) other than under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency either an order is made for the winding-up of the Issuer or an effective resolution is passed by shareholders or members for the winding-up of the Issuer;
- (viii) a moratorium will be agreed or declared in respect of any indebtedness of the Issuer or any governmental authority or agency will have condemned, seized or compulsorily purchased or expropriated all or in the opinion of the Bond Trustee a substantial part of the assets of or capital of the Issuer; or
- (ix) (a) the Issuer ceases to carry on banking business in Australia or the Issuer's authority under the Australian Banking Act or any amendment or re-enactment thereof to carry on banking business in Australia is revoked; or (b) the Issuer enters into any arrangement or agreement for any sale or disposal of the whole of its business by amalgamation or otherwise other than, in the case of (b) only, (A) under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency which results in a substitution of the principal debtor under the Covered Bonds and Coupons pursuant to Condition 14; or (B) with the consent of the Covered Bondholders by Extraordinary Resolution;
- (x) if an Asset Coverage Test Breach Notice has been served and has not been revoked (in accordance with the terms of the Programme Documents) on the next following Calculation Date after service of such Asset Coverage Test Breach Notice on the Covered Bond Guarantor; or
- (xi) if the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached during the Pre-Maturity Test Period and the Covered Bond Guarantor has not taken the required actions set out in clause 14.4 of the Establishment Deed following that breach by the earlier to occur of:
  - (A) ten AU Business Days from the date that the Seller is notified of that breach; and

(B) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

Notwithstanding any other provision of this Condition 9(a) (other than Condition 9(a)(vii)), no Issuer Event of Default in respect of the Covered Bonds shall occur solely on account of any failure by the Issuer to perform or observe any of its obligations in relation to, or the agreement or declaration of any moratorium with respect to, or the taking of any proceeding in respect of, any share, note or other security or instrument constituting Tier 1 Capital or Tier 2 Capital (as defined by APRA from time to time).

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to this Condition 9(a), the Bond Trustee will forthwith serve a notice to pay (the **Notice to Pay**) on the Covered Bond Guarantor (copied to the Trust Manager) pursuant to the Covered Bond Guarantee and the Covered Bond Guarantor will be required to make payments of Guaranteed Amounts when the same will become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may or must take such proceedings or other action or step against the Issuer in accordance with Condition 9(c).

The Bond Trust Deed provides that all moneys received by the Bond Trustee following the occurrence of an Issuer Event of Default and the delivery of an Issuer Acceleration Notice and Notice to Pay, from the Issuer or any receiver, manager, liquidator, administrator, controller, statutory manager or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the **Excess Proceeds**), must be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor, as soon as practicable, and must be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds must thereafter form part of the Charged Property and must be used by the Covered Bond Guarantor in the same manner as all other moneys from time to time standing to the credit of the GIC Account pursuant to the Security Deed and the Establishment Deed. Any Excess Proceeds received by the Bond Trustee will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons (as applicable and to the extent of the amount so received and subject to restitution of the same if such Excess Proceeds will be required to be repaid by the Covered Bond Guarantor) (but will be deemed not to have done so for the purposes of subrogation rights of the Covered Bond Guarantor contemplated by the Bond Trust Deed). However, the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and a Notice to Pay or if earlier, Service of a Covered Bond Guarantee Acceleration Notice) unconditional and irrevocable and the receipt by or on behalf of the Bond Trustee of any Excess Proceeds will not reduce or discharge any of such obligations.

By subscribing for Covered Bond(s), each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Covered Bond Guarantor for application in the manner as described above.

**(b) Covered Bond Guarantor Events of Default**

The Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds (which for this purpose and the purpose of any Extraordinary Resolution referred to in this Condition 9(b) means the Covered Bonds of this Series together with the Covered Bonds of any other Series constituted by the Bond Trust Deed) then outstanding as if they were a single Series (with the Principal Amount Outstanding of Covered Bonds not denominated in Australian Dollars converted into Australian Dollars at the relevant Covered Bond Swap Rate) or if so directed by an Extraordinary Resolution of

all the Covered Bondholders will, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), but in the case of the happening of any of the events described in paragraph (ii) below, only if the Bond Trustee will have certified in writing to the Issuer and the Covered Bond Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Covered Bondholders of any Series, give notice (the **Covered Bond Guarantee Acceleration Notice**) in writing to the Issuer and to the Covered Bond Guarantor (copied to the Trust Manager), that (x) each Covered Bond of each Series is, and each Covered Bond of each Series will as against the Issuer (if not already due and repayable against it following the service of an Issuer Acceleration Notice in accordance with Condition 9(a)), thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest and (y) all amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee will thereupon immediately become due and payable at the Guaranteed Amount corresponding to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest, in each case as provided in the Bond Trust Deed and thereafter the Security will become enforceable if any of the following events (each a **Covered Bond Guarantor Event of Default**) will occur and be continuing:

- (i) default is made by the Covered Bond Guarantor for a period of 14 days or more in the payment of any Guaranteed Amounts when Due for Payment in respect of the Covered Bonds of any Series except in the case of the payments of a Guaranteed Amount when Due for Payment under Condition 6(a) where the Covered Bond Guarantor will be required to make payments of Guaranteed Amounts which are Due for Payment on the dates specified therein; or
- (ii) default is made by the Covered Bond Guarantor in the performance or observance of any other obligation, condition or provision binding on it (other than any obligation for the payment of Guaranteed Amounts in respect of the Covered Bonds of any Series) under the Bond Trust Deed, the Security Deed or any other Programme Document to which the Covered Bond Guarantor is a party (other than the Programme Agreement or any Subscription Agreement) and, except where such default is or the effects of such default are, in the opinion of the Bond Trustee, not capable of remedy when no such continuation and notice as is hereinafter mentioned will be required, such default continues for 30 days (or such longer period as the Bond Trustee may permit) after written notice thereof has been given by the Bond Trustee to the Covered Bond Guarantor requiring the same to be remedied; or
- (iii) an Insolvency Event occurs in respect of the Covered Bond Guarantor in its personal capacity (but not in its capacity as trustee of any trust) and the Covered Bond Guarantor is not replaced as trustee of the Trust by the Trust Manager in accordance with the Establishment Deed within 60 days of the Insolvency Event occurring; or
- (iv) a failure to satisfy the Amortisation Test (as set out in the Establishment Deed) on any Calculation Date following an Issuer Event of Default; or
- (v) the Covered Bond Guarantee is not, or is claimed by the Covered Bond Guarantor not to be, in full force and effect.

Following the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor each of the Bond Trustee and the Security Trustee may or must take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) and the Covered Bondholders will have a claim against the Covered Bond Guarantor, under the Covered Bond Guarantee, for an amount equal to the Early Redemption Amount for each Covered Bond of each Series together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable under Condition 7) as provided in the Bond Trust Deed in respect of each Covered Bond.

(c) ***Enforcement***

The Bond Trustee may at any time, at its discretion and without further notice, following service of an Issuer Acceleration Notice (in the case of the Issuer) or, if earlier, following service of a Covered Bond Guarantee Acceleration Notice (in the case of the Covered Bond Guarantor) take such proceedings or other action or step as it may think fit against or in relation to the Issuer and/or the Covered Bond Guarantor, as the case may be, and/or any other person as it may think fit to enforce the provisions of the Bond Trust Deed, the Covered Bonds and the Coupons or any other Programme Document, but it will not be bound to take any such enforcement proceedings or other action or step in relation to the Bond Trust Deed, the Covered Bonds or the Coupons or any other Programme Document unless (i) it has been so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Australian Dollars at the relevant Covered Bond Swap Rate as stated above) or so requested in writing by the holders of not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and converted into Australian Dollars at the relevant Covered Bond Swap Rate as stated above) and (ii) it has been indemnified and/or secured and/or prefunded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee will only have regard to the interests of the Covered Bondholders of all Series equally and will not have regard to the interests of any other Secured Creditors.

The Bond Trustee may at any time, following service of a Covered Bond Guarantee Acceleration Notice at its discretion and without further notice, direct or instruct the Security Trustee to take such steps or proceedings against the Covered Bond Guarantor and/or any other person as it may think fit to enforce the provisions of the Security Deed or any other Programme Document and may, at any time after the Security has become enforceable, direct and instruct the Security Trustee to take such steps as it may think fit to enforce the Security.

In the event that the Bond Trustee is:

- (a) requested by the Security Trustee; or
- (b) required by the holders of the Covered Bonds,

to provide the Security Trustee with instructions, the Bond Trustee will do so (save where expressly provided otherwise):

- (i) in the case of paragraph (a) above only, in its absolute discretion subject to and in accordance with the Bond Trust Deed; or
- (ii) in the case of both paragraph (a) or (b) above, if so requested in writing by the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Covered Bonds then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if the nominal amount of the Covered Bonds is not denominated in Australian Dollars, converted into Australian Dollars at the relevant Covered Bond Swap Rate) or directed by an Extraordinary Resolution of the holders of the Covered Bonds then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if the nominal amount of the Covered Bonds is not denominated in Australian Dollars, converted into Australian Dollars at the relevant Covered Bond Swap Rate),

subject in each case to the Bond Trustee being indemnified and/or secured and/or prefunded to its satisfaction prior to giving any instructions to the Security Trustee. The Bond Trustee will be

entitled to request the Covered Bondholders (voting as aforesaid) to direct it in relation to any matter in relation to which the Security Trustee has requested instructions. The Bond Trustee has no obligation to monitor the performance of the Security Trustee and has no liability to any person for the performance or non-performance of the Security Trustee. In no circumstance will the Bond Trustee be required to indemnify, secure or prefund the Security Trustee.

In exercising any of its powers, trusts, authorities and discretions under this paragraph each of the Bond Trustee and the Security Trustee will only have regard to the interests of the Covered Bondholders of all Series equally and will not have regard to the interests of any other Secured Creditors.

No Covered Bondholder or Couponholder will be entitled to proceed directly against the Issuer or the Covered Bond Guarantor or to take any action with respect to the Bond Trust Deed, the Covered Bonds, the Coupons, the Security or to directly enforce the provisions of any other Programme Document, unless the Bond Trustee or the Security Trustee, as applicable, having become bound so to proceed, fails so to do within a reasonable time and such failure is continuing in which event any Covered Bondholder or Couponholder may, on giving an indemnity and/or prefunding and/or security satisfactory to the Bond Trustee, in the name of the Bond Trustee (but not otherwise) himself institute such proceedings and/or prove in the winding-up, administration or liquidation of the Issuer or the Covered Bond Guarantor to the same extent and in the same jurisdiction (but not further or otherwise than the Bond Trustee would have been entitled to do so in respect of the Covered Bonds and Coupons and/or the Bond Trust Deed).

**10. Replacement of Covered Bonds, Coupons and Talons**

Should any Covered Bond (other than any A\$ Registered Covered Bond), Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds or Coupons) or the specified office of the relevant Registrar or Transfer Agent (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice has been published in accordance with Condition 13 upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Covered Bonds (other than A\$ Registered Covered Bonds), Coupons or Talons must be surrendered before replacements will be issued.

**11. Principal Paying Agent, Paying Agents, Registrar, A\$ Registrar, Transfer Agent and Exchange Agent**

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar, the A\$ Registrar, the initial Transfer Agent, the initial Exchange Agent and their initial specified offices are set out below.

In the event of the appointed office of any such bank being unable or unwilling to continue to act as the Principal Paying Agent, or failing duly to determine the Rate of Interest, if applicable, or to calculate the Interest Amounts for any Interest Period, the Issuer will appoint the London office of such other bank as may be approved by the Bond Trustee to act as such in its place. The Principal Paying Agent may not resign its duties or be removed from office without a successor having been appointed as stated above.

In the event of the appointed A\$ Registrar being unable or unwilling to continue to act as the A\$ Registrar, or failing duly to comply with the A\$ Registry Agreement, the Issuer will appoint such other registrar and/or paying agent as may be approved by the Bond Trustee to act as such in its place. The A\$ Registrar may not resign its duties or be removed from office without a successor having been appointed as stated above.

The Issuer is entitled, with the prior written approval of the Bond Trustee (not to be unreasonably withheld), to vary or terminate the appointment of any Paying Agent, Registrar or A\$ Registrar and/or appoint additional or other Paying Agents, Registrars or A\$ Registrars and/or approve any change in the specified office through which any Paying Agent, Registrar or A\$ Registrar acts, provided that:

- (a) there will at all times be a Principal Paying Agent, a Registrar and, so long as any A\$ Registered Covered Bonds are outstanding, an A\$ Registrar;
- (b) so long as any of the Covered Bonds are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Covered Bonds) and a Transfer Agent (in the case of Registered Covered Bonds) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or as the case may be, other relevant authority;
- (c) so long as any of the Registered Global Covered Bonds payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent;
- (d) the Issuer will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive if any; and
- (e) the Issuer will ensure that it appoints a Paying Agent in a Member State of the European Union (other than the United Kingdom) in the event that it is required to withhold or deduct tax on payments made in the United Kingdom.

In addition, the Issuer will, when necessary appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(f). Notice of any such variation, termination, appointment or change will be given by the Issuer to the Covered Bondholders as soon as reasonably practicable in accordance with Condition 13.

In acting under the Agency Agreements, the Agents act solely as agents of the Issuer and the Covered Bond Guarantor (to the extent applicable) and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders or Couponholders. Each Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

## **12. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Covered Bond to which it appertains) a further Talon, subject to the provisions of Condition 8.

## **13. Notices**

All notices regarding the Bearer Covered Bonds will be valid if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Bearer Covered Bonds are admitted to trading on, and listed on the Regulated Market of the Luxembourg

Stock Exchange, a daily newspaper of general circulation in Luxembourg and/or the Luxembourg Stock Exchange's website, *www.bourse.lu*. It is expected that any such newspaper publication will be made in the *Financial Times* in London and the *Luxembourg Wort* or the *Tageblatt* in Luxembourg. The Issuer will also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Covered Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers or where published in such newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Bond Trustee approves.

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Covered Bonds are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Until such time as any Definitive Covered Bonds are issued, there may, so long as the Covered Bonds are represented in their entirety by any Global Covered Bonds held on behalf of DTC and/or Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to the Covered Bondholders and, in addition, for so long as any Covered Bonds are listed on a stock exchange or admitted to trading by any other relevant authority and the rules of that stock exchange, or as the case may be, other relevant authority so require, such notice or notices will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice will be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to DTC and/or Euroclear and/or Clearstream, Luxembourg.

All notices regarding the A\$ Registered Covered Bonds will be deemed to be validly given if sent by pre-paid post or (if posted to an address overseas) by airmail to, or left at the address of, the holders (or the first named of joint holders) at their respective addresses recorded in the A\$ Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any A\$ Registered Covered Bonds are admitted to trading on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. For so long as the A\$ Registered Covered Bonds are lodged in the Austraclear System there may be substituted for such, publication in the *Australian Financial Review* or *The Australian* or mailing the delivery of the relevant notice to Austraclear for communication by it to the holders of beneficial interests in the A\$ Registered Covered Bonds and, in addition, for so long as any A\$ Registered Covered Bonds are listed on a stock exchange or admitted to trading by any other relevant authority and the rules of that stock exchange, or as the case may be, other relevant authority so require, such notice or notices will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice will be deemed to have been given to the holders of beneficial interests in the A\$ Registered Covered Bonds on the day on which the said notice was given to Austraclear.

Notices to be given by any Covered Bondholder (other than in relation to A\$ Registered Covered Bonds) to the Issuer will be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relative Covered Bond or Covered Bonds, with the Agent (in the case of the Bearer Covered Bonds), or the Registrar (in the case of Registered Covered Bonds). Whilst any of the Covered Bonds are represented by a Global Covered Bond, such notice may be given by any holder of a Covered Bond to the Principal Paying Agent or the Registrar



through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose. Notices to be given by any Covered Bondholder in respect of A\$ Registered Covered Bonds to the Issuer will be in writing and must be (i) sent by pre-paid post or (if posted to an address overseas) by airmail to; or (ii) left at the address of, the Issuer and will be deemed to have been given on the fourth day after mailing or on the day of delivery, respectively.

#### **14. Meetings of Covered Bondholders, Modification, Waiver and Substitution**

Covered Bondholders, Couponholders and other Secured Creditors should note that the Issuer, the Covered Bond Guarantor and (other than in relation to A\$ Registered Covered Bonds) the Principal Paying Agent may without their consent or the consent of the Bond Trustee or the Security Trustee agree to modify any provision of any Final Terms which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provisions of law.

The Bond Trust Deed contains provisions for convening meetings of the Covered Bondholders of any Series to consider any matter affecting their interests, including the modification of these Conditions or the provisions of the Bond Trust Deed. The quorum at any such meeting in respect of the Covered Bonds of any Series for passing an Extraordinary Resolution (other than in respect of a Series Reserved Matter) is one or more persons holding or representing not less than a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing the Covered Bondholders of such Series whatever the Principal Amount Outstanding of the Covered Bonds of such Series so held or represented, except that at any meeting the business of which includes any Series Reserved Matter, the quorum for any such meeting will be one or more persons holding or representing not less than two-thirds of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding or at any adjourned meeting, the business of which includes any Series Reserved Matter, the quorum will be one or more persons holding or representing not less than one third of the aggregate Principal Amount Outstanding of the Covered Bonds of such Series for the time being outstanding. The expression Extraordinary Resolution when used in these Conditions means: (a) a resolution passed at a meeting of the Covered Bondholders duly convened and held in accordance with the Bond Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three fourths of the votes cast on such poll; or (b) a resolution in writing signed by or on behalf of Covered Bondholders holding not less than three-fourths in Principal Amount Outstanding of the Covered Bonds then outstanding, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Covered Bondholders; or (c) a resolution passed by way of electronic consents given by holders through the relevant clearing system(s) (in a form satisfactory to the Bond Trustee) by or on behalf of the Covered Bondholders of not less than three-fourths in Principal Amount Outstanding for the time being outstanding of the Covered Bonds (of the relevant Series or all Series, as applicable). An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series will, subject as provided below, be binding on all the Covered Bondholders of such Series, whether or not they are present at the meeting, and on all Couponholders in respect of such Series of Covered Bonds. Pursuant to the Bond Trust Deed, the Bond Trustee may convene a single meeting of the holders of Covered Bonds of more than one Series if in the opinion of the Bond Trustee there is no conflict between the respective interests of such Covered Bondholders, in which event the provisions of this paragraph will apply thereto *mutatis mutandis*.

Notwithstanding the provisions of the immediately preceding paragraph, any Extraordinary Resolution to direct the Bond Trustee to accelerate the Covered Bonds pursuant to Condition 9(a) or to give a Covered Bond Guarantee Acceleration Notice pursuant to Condition 9(b) or to direct the

Bond Trustee or the Security Trustee or to direct the Bond Trustee to direct the Security Trustee to take any enforcement action or to direct the Bond Trustee to determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default will not be treated as such for the purposes of the Bond Trust Deed (each a **Programme Resolution**) and will only be capable of being passed at a single meeting of the Covered Bondholders of all Series then outstanding. Any such meeting to consider a Programme Resolution may be convened by the Issuer, the Covered Bond Guarantor or the Bond Trustee or by the Covered Bondholders of any Series. The quorum at any such meeting for passing a Programme Resolution is one or more persons holding or representing at least a clear majority of the aggregate Principal Amount Outstanding of the Covered Bonds of all Series for the time being outstanding or at any adjourned such meeting one or more persons holding or representing Covered Bonds whatever the Principal Amount Outstanding of the Covered Bonds of any Series so held or represented. A Programme Resolution passed at any meeting of the Covered Bondholders of all Series will be binding on all the Covered Bondholders of all Series, whether or not they are present at the meeting, and on all related Couponholders.

In connection with any meeting of the holders of Covered Bonds of more than one Series where such Covered Bonds are not denominated in Australian Dollars, the Principal Amount Outstanding of the Covered Bonds of any Series not denominated in Australian Dollars must be converted into Australian Dollars at the relevant Covered Bond Swap Rate.

The Bond Trustee may (and in the case of any modification contemplated by clause 21.1(c) of the Bond Trust Deed, the Bond Trustee must), without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders and without the consent or sanction of the other Secured Creditors (other than any Secured Creditor who is party to the relevant document), at any time and from time to time, concur with the Issuer, the Covered Bond Guarantor (acting on the directions of the Trust Manager) or any other party and/or direct the Security Trustee to concur with the Issuer, the Covered Bond Guarantor (acting at the direction of the Trust Manager) or any other party in making:

- (a) any modification (other than in relation to a Series Reserved Matter) to the Covered Bonds of one or more Series, the related Coupons or any Programme Document which in the opinion of the Bond Trustee is not materially prejudicial to the interests of the Covered Bondholders of any Series;
- (b) any modification to the Covered Bonds of one or more Series, the related Coupons or any Programme Document which is in the opinion of the Bond Trustee of a formal, minor or technical nature, or in the opinion of the Bond Trustee is made to correct a manifest error or to comply with mandatory provisions of law (and for this purpose the Bond Trustee may disregard whether any such modification relates to a Series Reserved Matter); or
- (c) any modification contemplated by clause 21.4 of the Bond Trust Deed.

In forming an opinion as to whether a modification is of a formal, minor or technical nature or is being made to correct a manifest error or to comply with mandatory provisions of law or is contemplated by clause 21.4 of the Bond Trust Deed, the Bond Trustee may have regard to any evidence it considers reasonable to rely on including (without any obligation to rely on any of the following) (i) a certificate from the Issuer (a) stating the intention of the parties to the relevant Programme Documents; (b) stating that such modification is required to reflect such intention; and (c) confirming that nothing has been said to, or by, initial or subsequent investors or other parties which is any way inconsistent with the stated intention; and (ii) a Rating Affirmation Notice.

Notwithstanding the above the Bond Trustee will not be obliged to agree to any amendment, which, in the sole opinion of the Bond Trustee, would have the effect of (i) exposing the Bond Trustee, to

any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee, in the Bond Trust Deed, the other Programme Documents and/or the Conditions.

The Bond Trustee may without the consent or sanction of any of the Covered Bondholders of any Series, the related Couponholders and without the consent of any other Secured Creditor and without prejudice to its rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default from time to time and at any time but only if in so far as in its opinion the interests of the Covered Bondholders of any Series will not be materially prejudiced thereby, waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or the Covered Bond Guarantor or any other person of any of the covenants or provisions contained in the Bond Trust Deed, the other Programme Documents or the Conditions or determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default will not be treated as such for the purposes of the Bond Trust Deed, PROVIDED ALWAYS THAT the Bond Trustee must not exercise any powers conferred on it in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 9(a) or (b) but so that no such direction or request will affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Bond Trustee may determine, will be binding on the Covered Bondholders, the related Couponholders and, if, but only if, the Bond Trustee requires, must be notified by the Issuer or the Covered Bond Guarantor (acting at the direction of the Trust Manager) (as the case may be) to the Covered Bondholders in accordance with Condition 13 as soon as practicable thereafter.

Subject to as provided below, the Bond Trustee will be bound to waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer or the Covered Bond Guarantor or any other person of any of the covenants or provisions contained in the Bond Trust Deed, the other Programme Documents or the Conditions or determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default will not be treated as such for the purposes of the Bond Trust Deed if it is: (i) in the case of such waiver or authorisation, (a) so directed by an Extraordinary Resolution of the Covered Bondholders of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Bond Trust Deed and, if applicable, converted into Australian Dollars at the relevant Covered Bond Swap Rate); or (b) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant one or more Series (with the Covered Bonds of all such Series taken together as a single Series in the circumstances provided in the Bond Trust Deed and, if applicable, converted into Australian Dollars at the relevant Covered Bond Swap Rate); or (ii), in the case of any such determination, (a) so directed by an Extraordinary Resolution of the Covered Bondholders of all Series then outstanding with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Australian Dollars at the relevant Covered Bond Swap Rate) or (b) requested to do so in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of all Series then outstanding (with the Covered Bonds of all Series taken together as a single Series and, if applicable, converted into Australian Dollars as stated above), and at all times then only if it is indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

The Security Trustee may, without the consent of the Covered Bondholders and/or Couponholders of any Series and without the consent of the other Secured Creditors (other than any Secured Creditor who is party to the relevant document) and without prejudice to their rights in respect of any subsequent breach, Issuer Event of Default, Potential Issuer Event of Default, Covered Bond

Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default from time to time and at any time, but only if (for so long as any Covered Bonds are outstanding) it is instructed by the Bond Trustee in accordance with the Bond Trust Deed or (if no Covered Bonds are outstanding) it is instructed by the Majority Secured Creditors, authorise or waive any breach or proposed breach of any of the covenants or provisions contained in the Covered Bonds of any Series, the Security Deed or any Programme Document or determine that any Issuer Event of Default, Potential Issuer Event of Default, Covered Bond Guarantor Event of Default or Potential Covered Bond Guarantor Event of Default will not be treated as such for the purposes of the Security Deed. Any such authorisation or waiver or modification will be binding on the Covered Bondholders and/or Couponholders and the other Secured Creditors and, unless the Bond Trustee and the Security Trustee otherwise agree, will be notified by the Issuer or the Covered Bond Guarantor (or the Trust Manager on its behalf) (as the case may be) to the Covered Bondholders in accordance with Condition 13 and each Rating Agency as soon as practicable thereafter.

Any such modification, waiver, authorisation or determination will be binding on all the Covered Bondholders of all Series of Covered Bonds for the time being outstanding, the related Couponholders and the other Secured Creditors, and unless the Bond Trustee otherwise agrees, any such modification must be notified by the Issuer, to the Covered Bondholders of all Series of Covered Bonds in accordance with Condition 13 and to the Rating Agencies as soon as practicable thereafter.

Where in connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Bond Trustee and the Security Trustee are required to have regard to the general interests of the Covered Bondholders of each Series as a class (but must not have regard to any interests arising from circumstances particular to individual Covered Bondholders or Couponholders whatever their number) and, in particular but without limitation, must not have regard to the consequences of any such exercise for individual Covered Bondholders, the related Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee and the Security Trustee will not be entitled to require, nor will any Covered Bondholder or Couponholder be entitled to claim, from the Issuer, the Covered Bond Guarantor, the Bond Trustee, the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Covered Bondholders and/or Couponholders, except to the extent already provided for in Condition 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Bond Trust Deed.

Notwithstanding any other provision of any Programme Document but subject to clause 21.3 of the Bond Trust Deed, the Bond Trustee will be obliged to concur in and effect any modifications to the Programme Documents that are requested by the Covered Bond Guarantor or the Trust Manager to: (a) accommodate the accession of a new Servicer, new Swap Provider, new Trust Manager, new Account Bank, new Cover Pool Monitor or new Agent to the Programme provided that (i) each of the Swap Providers have certified to the Bond Trustee and the Security Trustee that they consent to such modification of those documents to which they are a party (such consent not to be unreasonably withheld); (ii) two Authorised Signatories of the Trust Manager have certified to the Bond Trustee and the Security Trustee in writing that such modifications are required in order to accommodate the addition of the new Servicer, new Swap Provider, new Trust Manager, new Account Bank, new Cover Pool Monitor or new Agent to the Programme; and (iii) two Authorised Signatories of the Trust Manager have certified to the Security Trustee and the Bond Trustee that all other conditions precedent to the accession of the new Servicer, new Swap Provider, new Trust Manager, new Account Bank, or new Cover Pool Monitor or new Agent to the Programme set out in the Programme Documents have been satisfied at the time of the accession; (b) take into account any changes in the covered bonds ratings criteria of the Rating Agencies where, absent such

modifications, the rating assigned by the relevant Rating Agency to one or more Series of Covered Bonds may be subject to a downgrade, qualification or withdrawal, subject to receipt by the Bond Trustee and the Security Trustee of a certificate signed by two Authorised Signatories of the Issuer each certifying to the Bond Trustee and the Security Trustee that such modifications are required for this purposes of preventing the relevant downgrade, qualification or withdrawal; (c) allow a Swap Provider to transfer securities as Swap Collateral under a relevant Swap Agreement Credit Support Document, including to appoint a custodian to hold such securities in a custody account pursuant to a custody agreement; or (d) ensure compliance of the Programme or the Issuer (as applicable) with, or ensure that the Issuer may benefit from (including if a Regulatory Event occurred or was likely to occur), any existing, amended or new legislation, regulation, directive, prudential standard or prudential guidance note of any regulatory body (including the Australian Prudential Regulation Authority) in relation to covered bonds subject to receipt by the Bond Trustee and the Security Trustee of a certificate signed by two Authorised Signatories of the Trust Manager each certifying to the Bond Trustee and the Security Trustee that such modifications are required in order to comply with or benefit from such legislation, regulation, directive, prudential standard or prudential guidance note.

### **Substitution**

The Bond Trust Deed provides that the Bond Trustee may, without the consent or sanction of the Covered Bondholders or Couponholders agree, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Covered Bonds, Coupons and the Bond Trust Deed of another company, being a subsidiary of the Issuer subject to (a) the Bond Trustee being satisfied that the interests of the Covered Bondholders will not be materially prejudiced by the substitution and (b) certain other conditions set out in the Bond Trust Deed being complied with.

The Bond Trust Deed provides that in connection with any scheme of amalgamation or reconstruction of the Issuer not involving the bankruptcy or insolvency of the Issuer and (A) where the Issuer does not survive the amalgamation or reconstruction or (B) where all or substantially all of the assets and business of the Issuer will be disposed of to, or succeeded to, by another entity (whether by operation of law or otherwise), the Bond Trustee will, if requested by the Issuer, be obliged, without the consent or sanction of the Covered Bondholders or Couponholders, at any time to agree to the substitution in the place of the Issuer (or of the previous substitute) as principal debtor under the Bond Trust Deed (the **Substituted Debtor**) being the entity with and into which the Issuer amalgamates or the entity to which all or substantially all of the business and assets of the Issuer is transferred, or succeeded to, pursuant to such scheme of amalgamation or reconstruction (whether by operation of law or otherwise), subject to, *inter alia*:

- (i) the Substituted Debtor entering into a supplemental trust deed or some other form of undertaking in form and manner satisfactory to the Bond Trustee agreeing to be bound by the Bond Trust Deed with any consequential amendments which the Bond Trustee may deem appropriate as fully as if the Substituted Debtor had been named in the Bond Trust Deed as principal debtor or guarantor in place of the Issuer;
- (ii) the Substituted Debtor acquiring or succeeding to pursuant to such scheme of amalgamation or reconstruction all or substantially all of the assets and business of the Issuer; and
- (iii) confirmations being received by the Bond Trustee from each Rating Agency that the substitution will not adversely affect the current rating of the Covered Bonds.

Any such supplemental trust deed or undertaking will, if so expressed, operate to release the Issuer or the previous substitute as stated above from all of its obligations as principal debtor under the Bond Trust Deed.

Any substitution pursuant to this Condition 14 will be binding on the Covered Bondholders and the Couponholders and, unless the Bond Trustee agrees otherwise, will be notified by the Issuer to the Covered Bondholders not later than 14 days after any such substitution in accordance with Condition 13.

It will be a condition of any substitution pursuant to this Condition 14 that the Covered Bond Guarantee will remain in place or be modified to apply *mutatis mutandis* and continue in full force and effect in relation to any Substituted Debtor.

For the purposes of this Condition 14:

**Potential Issuer Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default;

**Potential Covered Bond Guarantor Event of Default** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Covered Bond Guarantor Event of Default; and

**Series Reserved Matter** in relation to Covered Bonds of a Series means: (i) reduction or cancellation of the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, modification of the method of calculating the date of payment in respect of any principal or interest in respect of the Covered Bonds; (ii) alteration of the currency in which payments under the Covered Bonds and Coupons are to be made, other than pursuant to Condition 5(i); (iii) alteration of the quorum or majority required to pass an Extraordinary Resolution; (iv) any amendment to the Covered Bond Guarantee or the Security Deed; (v) except in accordance with Condition 6(i) or the provision relating to substitution in this Condition 14, the sanctioning of any scheme or proposal for the exchange or sale of the Covered Bonds for or the conversion of the Covered Bonds into, or the cancellation of the Covered Bonds in consideration of, shares, stock, Covered Bonds, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, bonds, Covered Bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash and for the appointment of some person with power on behalf of the Covered Bondholders to execute an instrument of transfer of the Registered Covered Bonds held by them in favour of the persons with or to whom the Covered Bonds are to be exchanged or sold respectively; and (vi) alteration of the proviso to paragraph 5 or paragraph 6 of Schedule 4 to the Bond Trust Deed or the alteration of this definition.

**15. Indemnification of the Bond Trustee and the Security Trustee and the Bond Trustee and Security Trustee contracting with the Issuer and/or the Covered Bond Guarantor**

If, in connection with the exercise of its powers, trusts, authorities or discretions the Bond Trustee is of the opinion that the interests of the Covered Bondholders of any one or more series would be materially prejudiced thereby, the Bond Trustee will not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders of the relevant Series by Extraordinary Resolution or by a direction in writing of such Covered Bondholders of at least 25 per cent. of the Principal Amount Outstanding of Covered Bonds of the relevant Series then outstanding or as otherwise required under the Programme Documents.

The Bond Trust Deed and the Security Deed contain provisions for the indemnification of the Bond Trustee and the Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action unless indemnified and/or secured and/or prefunded to their satisfaction.

The Bond Trust Deed and the Security Deed also contain provisions pursuant to which each of the Bond Trustee and Security Trustee, respectively, is entitled, *inter alia*: (i) to enter into business transactions with the Issuer, the Covered Bond Guarantor and/or any of their respective Subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Covered Bond Guarantor and/or any of their respective Subsidiaries and affiliates; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Covered Bondholders or Couponholders or the other Secured Creditors and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Bond Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any Mortgage Loans or Related Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons whether or not on behalf of the Bond Trustee. The Bond Trustee will not be responsible for: (i) supervising the performance by the Issuer or any other party to the Programme Documents of their respective obligations under the Programme Documents and the Bond Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties; (ii) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Programme Documents under the Programme Documents; (iii) monitoring the Mortgage Loan Portfolio, including whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test, the Pre-Maturity Test or the Amortisation Test; or (iv) monitoring whether Mortgage Loans and Related Security satisfy the Eligibility Criteria. The Bond Trustee will not be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent secured creditor in relation to the Security and have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security and the Programme Documents.

The Security Trustee will not be responsible: (i) for any liability whatsoever for acting in accordance with any resolution of the Covered Bondholders; (ii) for the notification of the happening or continuance of a Covered Bond Guarantor Event of Default to the Secured Creditors; (iii) for any examination or enquiry into, nor be liable for any defect or failure in, the title of the Covered Bond Guarantor to any Charged Property; (iv) under any liability whatsoever for any failure to take action in respect of a breach by the Covered Bond Guarantor of its duties as trustee of the Trust or in respect of a Covered Bond Guarantor Event of Default of which it is not actually aware; (v) for the form or contents of any Programme Document and will not be liable as a result of or in connection with any inadequacy, invalidity or unenforceability of any provision of any Programme Documents except insofar that it applies to the Security Trustee or to any representation and warranty given by the Security Trustee; and (vi) for supervising or monitoring the performance by the Issuer or any other party to the Programme Documents of their respective obligations under the Programme Documents and the Security Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties.

The Bond Trustee may refrain from taking any action or exercising any right, power, authority or discretion vested in it relating to the transactions contemplated in the Programme Documents until it has been indemnified and/or secured and/or prefunded to its satisfaction against any and all actions, charges, claims, costs, damages, demands, expenses, liabilities, losses and proceedings which might be sustained by it as a result and will not be required to do anything which may cause it to expend or

risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights, powers, authorities or discretions if it has reasonable grounds for believing that repayment of such funds or adequate indemnity, security or prefunding against such liability is not assured to it.

The Security Trustee may refrain from taking steps (other than the steps in relation to the enforcement of the Security) under the Security Deed or any of the other Programme Documents or exercise any of its powers, rights, trusts, authorities, duties, functions or discretions (including to require anything to be done, form any opinion or view, make any determination or give any notice, consent, waiver or approval) under or pursuant to the Security Deed or any other Programme Document to which the Security Trustee is a party without first taking instructions from the Bond Trustee (so long as there are any Covered Bonds outstanding) (provided that the Security Trustee is not required to seek instructions from the Bond Trustee in relation to the release of Security (as set out in the Security Deed) or any investments in Authorised Investments) or (if there are no Covered Bonds outstanding) the Majority Secured Creditors; and the Security Trustee has been indemnified and/or secured to its satisfaction as aforesaid and provided always that the Security Trustee will not be bound to take any enforcement proceedings which may, in the opinion of the Security Trustee in its absolute discretion, result in the Security Trustee failing to receive any payment to which it is or would be entitled.

**16. Further Issues**

The Issuer will be at liberty from time to time without the consent of the Covered Bondholders or the Couponholders to create and issue further Covered Bonds having terms and conditions the same as the Covered Bonds of any Series or the same in all respects save for the amount and date of the first payment of interest thereon, issue date and/or purchase price and so that the same will be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

**17. Non-petition and limited recourse**

Only the Security Trustee (acting on the directions of (for so long as there any Covered Bonds outstanding) the Bond Trustee or (where no Covered Bonds are outstanding) the Majority Secured Creditors) may pursue the remedies available under the general law or under the Security Deed to enforce the Security and no Transaction Party will be entitled to proceed directly against the Covered Bond Guarantor to enforce the Security. In particular, each Transaction Party (other than the Security Trustee, and in respect of certain rights, the Bond Trustee) has agreed with the Covered Bond Guarantor and the Security Trustee that, except to the extent provided for in the Programme Documents, it will not: (i) take any steps for the purpose of recovering any Secured Obligations; or (ii) enforcing any rights arising out of the Programme Documents against the Covered Bond Guarantor or procuring the winding up of the Trust, unless the Security Trustee, once bound to take any steps or proceedings to enforce the Security pursuant to the Security Deed, fails to do so within a reasonable time and such failure is continuing, in which case such Secured Creditors will be entitled to take such steps or proceedings as it deems necessary (other than presentation of a petition for the winding-up of the Trust).

The Covered Bond Guarantor enters into the Programme Documents only in its capacity as trustee of the Trust and in no other capacity. A liability arising under or in connection with the Programme Documents is limited to and can be enforced against the Covered Bond Guarantor only to the extent to which it can be satisfied out of the property of the Trust out of which the Covered Bond Guarantor is actually indemnified for the liability. This limitation of the Covered Bond Guarantor's liability applies despite any other provision of the Programme Documents and extends to all liabilities and obligations of the Covered Bond Guarantor in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Programme Documents.



The parties other than the Covered Bond Guarantor may not sue the Covered Bond Guarantor in any capacity other than as trustee of the Trust, including seek the appointment of a receiver (except in relation to property of the Trust), a liquidator, an administrator or any similar person to the Covered Bond Guarantor or prove in any liquidation, administration or arrangement of or affecting the Covered Bond Guarantor (except in relation to property of the Trust).

The provisions of this Condition 17 will not apply to any obligation or liability of the Covered Bond Guarantor to the extent that it is not satisfied because under the Programme Documents or by operation of law there is a reduction in the extent of the Covered Bond Guarantor's indemnification out of the assets of the Trust, as a result of the Covered Bond Guarantor's fraud, negligence or wilful default.

It is acknowledged that the parties are each responsible under the Programme Documents for performing a variety of obligations relating to the Trust. No act or omission of the Covered Bond Guarantor (including any related failure to satisfy its obligations or breach of representation or warranty under the Programme Documents) will be considered fraud, negligence or wilful default of the Covered Bond Guarantor for the purpose of the preceding paragraph to the extent to which the act or omission was caused or contributed to by any failure by any party or any other person to fulfil its obligations relating to the Trust or by any other act or omission of any party, the Servicer, the Seller, the Cover Pool Monitor or any other person.

No attorney, agent, receiver or receiver and manager appointed in accordance with the Programme Documents has authority to act on behalf of the Covered Bond Guarantor in a way which exposes the Covered Bond Guarantor to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Covered Bond Guarantor for the purpose of the preceding paragraph.

The Covered Bond Guarantor is not obliged to do or refrain from doing anything under the Programme Documents (including incur any liability) unless the Covered Bond Guarantor's liability is limited in the same manner as set out above.

Notwithstanding any other provisions of the Programme Documents, each party to the Programme Documents (other than the Security Trustee) agrees with and acknowledges to the Security Trustee that the Security Trustee enters into each Programme Document to which it is a party only in its capacity as trustee of the Security Trust and in no other capacity and that the Security Trustee will have no liability under or in connection with the Programme Documents (whether to the Secured Creditors, the Covered Bond Guarantor or any other person) other than to the extent to which the liability is able to be satisfied out of the property of the Security Trust from which the Security Trustee is actually indemnified for the liability. This limitation will not apply to a liability of the Security Trustee to the extent that it is not satisfied because, under the Programme Documents or by operation of law, there is a reduction in the extent of the Security Trustee's indemnification as a result of the Security Trustee's fraud, negligence or wilful default. Nothing in this Condition 17 or any similar provision in any other Programme Document limits or adversely affects the powers of the Security Trustee, any receiver or attorney in respect of the Charge or the Charged Property, in relation to the Trust.

To the extent permitted by law, no recourse under any obligation, covenant, or agreement of any person contained in the Programme Documents may be had against any shareholder, officer, agent or director of such person as such, by the enforcement of any assessment or by any legal proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that the Programme Documents are corporate obligations of each person expressed to be a party thereto and no personal liability will attach to or be incurred by the shareholders, officers, agents or directors of such person as such, or any of them, under or by reason of any of the obligations, covenants or agreements of such person contained in the Programme Documents, or implied therefrom, and that any and all

personal liability for breaches by such person of any of such obligations, covenants or agreements, either under any applicable law or by statute or constitution, of every such shareholder, officer, agent or director is expressly waived by each person expressed to be a party thereto as a condition of and consideration for execution of the Programme Documents.

**18. Contracts (Rights of Third Parties) Act 1999**

No person will have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999.

**19. Governing Law**

The Bond Trust Deed (including the Covered Bond Guarantee), the Principal Agency Agreement, the Covered Bonds (other than any A\$ Registered Covered Bonds) and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and will be construed in accordance with, English law unless specifically stated to the contrary (in this regard, the covenant to pay made by the Issuer to the Bond Trustee in respect of the A\$ Registered Covered Bonds in the Bond Trust Deed, the provisions relating to the maintenance of the Register in respect of the A\$ Registered Covered Bonds in the Bond Trust Deed and the provisions relating to the limitation of liability of the Covered Bond Guarantor in the Bond Trust Deed, the Principal Agency Agreement and the Covered Bonds are governed by, and will be construed in accordance with, the laws applying in the State of New South Wales, Australia). The A\$ Registry Agreement and the A\$ Registered Covered Bonds are governed by, and will be construed in accordance with the laws applying in the State of New South Wales, Australia unless specifically stated to the contrary.

## **USE OF PROCEEDS**

The gross proceeds from each issue of Covered Bonds will be used for the general purposes of nab (which include making a profit) and its subsidiaries.

## NATIONAL AUSTRALIA BANK LIMITED

### INFORMATION ABOUT NAB

#### History and development of nab

The legal name of nab is National Australia Bank Limited and it trades commercially as **National Australia Bank** and, particularly within Australia, as **nab** or **National**.

nab is registered in the State of Victoria with Australian Business Number (ABN) 12 004 044 937.

nab was incorporated on 23 June 1893.

nab is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act. Its registered office is Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8634 2345).

### BUSINESS OVERVIEW

#### Principal activities

The nab Group is an international financial services group, providing a comprehensive and integrated range of financial products and services.

The principal activities of the nab Group are banking services, credit and access card facilities, leasing, housing and general finance, international banking, investment banking, wealth management, funds management, life insurance, and custodian, trustee and nominee services.

The nab Group structure includes the following business units:

- *Business Banking* provides a diverse range of commercial banking services to business customers, ranging from small businesses through to Australia's largest institutions, including many of the ASX Top 200 listed companies. Business Banking also provides specialist industry expertise in the Agribusiness, Property, Healthcare, Natural Resources, Education and Government sectors.
- *Personal Banking* provides quality products and services to five million retail and small business customers. These products and services are delivered through a range of distribution channels and brands including NAB, Homeside, UBank and a variety of broker and 'mortgage manager' brands operated by the Advantedge business.
- *Wholesale Banking* has seven key lines of business: Corporate & Business Sales, Fixed Interest, Currencies and Commodities (**FICC**), Global Capital Markets, Treasury, Asset Servicing, Specialised Finance and the Financial Institutions Group. Operating as a global business, Wholesale Banking has approximately 2,800 employees in Australia, New Zealand, Asia, the UK and the US.
- *UK Banking* operates under the Clydesdale Bank and Yorkshire Bank brands. It offers a range of banking services for both personal and business customers through retail branches, business and private banking centres, direct banking and brokers. As announced on 30 April 2012, UK Banking has undertaken a strategic review in response to the challenging economic and operating conditions in the region. These conditions have included further deterioration in the commercial real estate market and credit rating downgrades across the banking sector. Both of these issues have had a material impact on UK Banking's financial performance. The main outcomes of the strategic review were to simplify the business model to focus on retail operations and Small and Medium Enterprises

(SME) business lending in Scotland and Northern England, improve the balance sheet structure by transferring the vast majority of UK Banking's commercial real estate assets to NAB in the first half of the 2013 financial year and place the transferred portfolio into run-off to be managed separately. This transfer took place on 5 October 2012. Delivery of the strategic review outcomes is progressing well with restructuring activity ahead of plan.

- *NZ Banking* comprises the Retail, Business, Agribusiness, Corporate and Insurance franchises in New Zealand, operating under the BNZ brand. It excludes BNZ's Wholesale Banking operations.
- *NAB Wealth* provides superannuation, investments, insurance and private wealth solutions to retail, corporate and institutional clients. NAB Wealth operates one of the largest networks of retail financial advisers in Australia.
- *Great Western Bank (GWB)* offers a range of traditional banking and wealth management products delivered in a community banking model with over 180 locations across the Midwestern United States. GWB maintains a fully deposit funded position and is the 7th largest bank lender of Agribusiness loans in the United States as of 30 June 2012. In addition to Agribusiness, GWB's diversified lending portfolio includes small and medium business, commercial property, and consumer product offerings.

On 22 June 2012, GWB finalised the acquisition of First Federal Savings Bank of Iowa (First Federal). The First Federal franchise contributed over US\$400 million in assets and 11 bank branches to the GWB footprint in the Iowa market, helping GWB surpass US\$9 billion in total assets.

- *Specialised Group Assets*: the Specialised Group Assets (SGA) portfolios comprise non-franchise assets with approximately \$7.2 billion of Credit Risk Weighted Assets. This represents a reduction of \$18.1 billion since September 2009, of which \$7.8 billion was achieved during the year to September 2012, largely resulting from the removal of economic risk relating to the remaining SCDO assets, the continued run-down of credit exposures and a change in the treatment of the Credit Wrapped ABS.

The portfolio of assets, which is primarily domiciled in the United Kingdom and the United States is as follows:

- Structured Asset Management (SAM)
  - Structured Asset Management
  - Credit Wrapped Bonds
- Private Portfolio USA
  - Private Equity & Real Estate Investment Funds USA
  - Infrastructure Finance USA
  - Corporate Lending USA
- Corporate UK
  - Corporate & NBFIs Lending UK
  - Commercial Property UK

- Leveraged Finance UK
- Structured Asset Finance UK
- *Corporate Functions and Other* business includes nab's operations in Asia and functions that support all businesses including Group Funding and Other Corporate Functions activities.

## **Principal markets**

The principal markets in which the nab Group operates are banking services, credit and access card facilities, leasing, housing and general finance, international banking, wealth management, funds management, life insurance and custodian, trustee and nominee services.

## **ORGANISATIONAL STRUCTURE**

nab is the holding company for the nab Group, as well as being the main operating company. As at the date of this Prospectus, nab had four wholly owned main operating subsidiaries: Bank of New Zealand, MLC Limited, Clydesdale Bank PLC and Great Western Bank.

The nab Group has examined the possibility of adopting a non-operating holding company (**NOHC**) structure to support its operations in the longer term. The process is complex, with many regulatory, tax, legal, accounting and other issues to address. While a number of issues have now been resolved, no decision whether to proceed has yet been taken.

## **TREND INFORMATION**

Other than as set out in Note 52 (Events Subsequent to Balance Sheet) under "Notes to the Consolidated Financial Statements" in the Annual Report for the year ending 30 September 2012, there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on nab's prospects for at least the current financial year, other than as disclosed in nab's Annual Reports (as incorporated by reference in this Prospectus) and the contingent liabilities described under "*Legal and arbitration proceedings*" below.

## **PROFIT FORECASTS OR ESTIMATES**

nab does not intend to make or imply any profit forecasts or profit estimates in this Prospectus. No statement contained in this Prospectus should be interpreted as such a forecast or estimate.

## **ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

The name and function of each of the Directors of nab as at the date of this Prospectus are listed below. Unless otherwise stated, the business address of each Director is Level 4 (UB4440), 800 Bourke Street, Docklands, Victoria 3008, Australia.

- Cameron A Clyne  
 Managing Director and Group Chief Executive Officer. Other appointments: Chairman of National Australia Group Europe Limited, Chairman of Clydesdale Bank PLC and Executive Director Bank of New Zealand (each a subsidiary of nab).
- Mark A Joiner  
 Executive Director, Finance. Other appointments: Director, Aurora Vineyard Limited, Chairman JBWere Pty Limited (a subsidiary of nab).

- Michael A Chaney  
Non-Executive Director & Chairman and Chairman of the Nomination Committee. Other appointments: Chairman, Woodside Petroleum Ltd and Gresham Partners Holdings Limited. Director, Centre for Independent Studies. Chancellor of University of Western Australia. Member, JP Morgan International Advisory Council.
- Patricia A Cross  
Non-Executive Director, Chairman of the Remuneration Committee, a member of the Risk Committee and a member of the Nomination Committee and a Director of JBWere Pty Ltd (a subsidiary of NAB). Other appointments: Director, Qantas Airways Limited, Grattan Institute and Methodist Ladies College.
- Daniel T Gilbert  
Non-Executive Director, a member of the Remuneration Committee and a member of the Nomination Committee and Chairman of the Information Technology Committee. Other appointments: Managing Partner, Gilbert + Tobin, Chairman, National Museum of Australia, University of Western Sydney Foundation.
- Kenneth R Henry  
Non-Executive Director, a member of the Audit Committee and a member of the Nomination Committee. Other appointments: Chairman, Advisory Council of the SMART Infrastructure Facility, University of Wollongong and The Institute of Public Policy, ANU. Member, Board of Reconciliation Australia, Sir Roland Wilson Foundation, ANU, Advisory Board of the Australian Demographic and Social Research Institute (ADSRI), ANU.
- Paul J Rizzo  
Non-Executive Director, Chairman of the Risk Committee, a member of the Audit Committee and a member of the Nomination Committee and a member of the Information Technology Committee. Other appointments: Chairman, Defence Audit and Risk Committee for the Australian Government Department of Defence and the Rizzo Report Implementation Committee for Defence and Foundation for Very Special Kids. Deputy Chairman, Defence Strategic Reform Advisory Board.
- Jillian S Segal  
Non-Executive Director, a member of the Risk Committee, a member of the Audit Committee and a member of the Nomination Committee. Other appointments: Chairman, General Sir John Monash Foundation. Director, The Garvan Institute of Medical Research, ASX Limited and ASX Compliance Pty Limited. Member, Australian Government's Remuneration Tribunal and Sydney Advisory Council of the Centre for Social Impact. Deputy Chancellor, University of New South Wales Council.
- John G Thorn  
Non-Executive Director, Chairman of the Audit Committee and a member of the Nomination Committee and a member of the Information Technology Committee. Other appointments: Director, Amcor Limited, Caltex Australia Limited and Salmat Limited.

- Geoffrey A Tomlinson

Non-Executive Director, a member of the Remuneration Committee and a member of the Nomination Committee, Chairman of National Wealth Management Holdings Limited, MLC Limited, MLC Investments Limited, MLC Wealth Management Limited (formerly Aviva Australia Holdings Ltd), WM Life Australia Ltd and Navigator Australia Ltd (each, a subsidiary of nab). Other appointments: Director, Calibre Global Limited.

- John A Waller

Non-Executive Director, a member of the Audit Committee, a member of the Risk Committee and a member of the Nomination Committee and Chairman of Bank of New Zealand and BNZ Investments Limited (each, a subsidiary of nab). Other appointments: Chairman, Eden Park Trust. Director, Fonterra Co-operative Group Limited, Sky Network Television Limited, Alliance Group Limited, Haydn & Rollett Limited, Donaghys Limited, JAW Advisory Limited, Direct Property Fund Limited, Direct Property Fund No.2 Limited, Direct Property Fund & subsidiaries and Yealands Wine Group Limited.

- Anthony KT Yuen

Non-Executive Director, a member of the Risk Committee, a member of the Remuneration Committee and a member of the Nomination Committee. Other appointments: Member, Supervisory Committee, ABF Hong Kong Bond Index Fund.

As at the date of this Prospectus, no potential conflicts or conflicts of interest exist between any duties owed to nab by the members of its Board of Directors listed above and their private interests and/or other duties in respect of their management roles.

## MAJOR SHAREHOLDERS

nab is a public limited company. As at 31 October 2012, the following shareholders each held more than 1 per cent. of the issued share capital of nab:

- HSBC Custody Nominees (16.46 per cent.)
- JP Morgan Nominees Australia Limited (13.28 per cent.)
- National Nominees Limited (11.25 per cent.)
- Citicorp Nominees Pty Limited (3.33 per cent.)
- BNP Paribas Nominees Pty Limited (1.88 per cent.)
- Citicorp Nominees Pty Limited, Colonial First State Inv A/C (1.58 per cent.)
- JP Morgan Nominees Australia Limited, Cash Income A/C (1.19 per cent.)
- National Australia Trustees (1.09 per cent.)
- AMP Group (0.76 per cent.)

There are several provisions of Australian law that are relevant to the ability of any person to gain control of nab.



Mergers, acquisitions and divestments of Australian public companies listed on the Australian Securities Exchange (such as nab) are regulated by detailed and comprehensive legislation and the rules and regulations of the Australian Securities Exchange.

In summary, under the Corporations Act, a person must not acquire a relevant interest in issued voting shares in an Australian listed company if, broadly, because of the transaction, that person's or someone else's voting power in the company increases from 20 per cent. or below to more than 20 per cent., or from a starting point that is above 20 per cent. and below 90 per cent., unless those shares are acquired in a manner specifically permitted by law. This restriction also limits the options available to a shareholder wanting to sell a shareholding of more than 20 per cent. in an Australian listed company.

Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market in Australia, in a state, in a territory or in a region of Australia.

Acquisitions of certain interests in Australian companies by foreign interests are also subject to review and approval by the Treasurer of the Commonwealth of Australia (**Australian Treasurer**).

There are also specific limitations on the acquisition of a shareholding in a bank under the Financial Sector (Shareholdings) Act 1998 of Australia (the **FSSA**). Under the FSSA, a person (including a company) must not acquire an interest in an Australian financial sector company where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 15 per cent. of the voting power of the financial sector company without first obtaining the Australian Treasurer's approval. Even if a person has less than 15 per cent. of the voting power, the Australian Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia may require the person to relinquish that control. The definition of a financial sector company includes banks such as nab.

Save as disclosed in the section entitled "*Organisational Structure*" in this Prospectus, there are no arrangements in place within the nab Group the operation of which may result in a change of control of nab.

## **FINANCIAL INFORMATION CONCERNING NAB'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

### ***Historical financial information***

The following financial information in relation to nab for its financial year ended 30 September 2011 and 30 September 2012 are contained in its Annual Reports for the years ending 30 September 2011 and 30 September 2012 (including the audit report and the consolidated audited financial statements of the Group and the non-consolidated audited financial statements for nab) which are incorporated by reference into this Prospectus.

See further "*Documents Incorporated by Reference*" above.

The financial statements which are incorporated by reference contain both nab's own statements and consolidated statements for the nab Group.

### ***Auditing of historical annual financial information***

The historical financial information referred to above has been audited; please see the Auditors' Statements at pages 162-163 of the Annual Report for the year ended 30 September 2011 and at pages 163- 164 of the Annual Report for the year ended 30 September 2012, which are incorporated by reference into this Prospectus.

## ***Legal and arbitration proceedings***

### *Overview*

Except as listed below and as described in the documents incorporated by reference (see "Legal and Arbitration Proceedings" in the Cross Reference Table in the section "*Documents Incorporated by Reference*" of this Prospectus), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which nab is aware) in the 12-month period before the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of nab and/or nab Group.

### *Class actions*

On 18 November 2010, Pathway Investments Pty Ltd and Another commenced a class action proceeding against the Group in the Supreme Court of Victoria in relation to the Group's disclosure about exposure to certain Collateralised Debt Obligations (**CDOs**). On 9 November 2012, the Group reached an agreement to settle the class action without admission of liability by the Group. The settlement involves a payment of \$85 million plus an allowance in respect of interest and costs in full and final settlement of the class action, of which \$50 million is comprised of available insurance proceeds with the remainder substantially covered by existing provisions. The settlement of the proceedings is subject to approval of the Supreme Court of Victoria.

On 6 December 2011, Steven Farey and Others commenced a class action proceeding against the Group in relation to the payment of exception fees, along with similar proceedings against several other financial institutions. The quantum of the claim against the Group has not yet been identified in the proceeding. The Group has not been required to file a defence as the proceeding has been stayed until 7 December 2012. The proceeding will be vigorously defended.

### *United Kingdom Financial Services Compensation Scheme*

The United Kingdom (**UK**) Financial Services Compensation Scheme (**FSCS**) provides compensation to depositors in the event that a financial institution is unable to repay amounts due. Following the failure of a number of financial institutions in the UK, claims have been triggered against the FSCS, initially to pay interest on borrowings which the FSCS has raised from the UK Government to support the protected deposits. The principal of these borrowings is anticipated to be repaid from the realisation of the assets of the institutions. The FSCS has estimated levies due to 31 March 2013 and an accrual of \$12 million (£8 million) is held for the Group's calculated liability. The ultimate FSCS levy as a result of the failures is uncertain.

### *Claims related to Payment Protection Insurance sales in the UK*

Market wide issues relating to the UK banking industry payment protection insurance (**PPI**) matter are ongoing. A provision of \$168 million (£108 million) is held for this matter. The provision reflects an assessment of future PPI claims based upon estimates, statistical analysis and assumptions in relation to a wide range of factors that remain uncertain, including how many PPI claims will be made against Clydesdale Bank PLC, for what value, and the prospects of mis-selling being established in relation to those claims. The final amount required to settle the potential liability is therefore uncertain. The Group continues to keep the matter under review.

### *Review and redress of sales of certain interest rate derivative products*

On 29 June 2012 the UK Financial Services Authority (**FSA**) announced that it had reached agreement with a number of UK banks in relation to a review and redress exercise on sales of certain interest rate derivative products to small and medium businesses.

Clydesdale Bank PLC agreed to participate in this exercise, as announced by the FSA on 23 July 2012, and has embarked on a program to identify small and medium sized customers that may have been affected. The exercise voluntarily incorporates certain of the Group's tailored business loan products as well as the standalone hedging products identified in the FSA's notice.

The total cost of this exercise is uncertain. A provision of \$75 million (£48 million) for customer redress, including the interest rate derivative products review, is held and reflects management's best estimate of the probable outflow of funds as at 30 September 2012.

***Significant change in the financial or trading position of nab***

There has been no significant change in the financial or trading position of the nab Group since 30 September 2012.

***Australian Government Measures***

Division 2AA of Part II of the Australian Banking Act sets out arrangements for the protection of deposit account holders of an insolvent ADI under the Financial Claims Scheme. Pursuant to the Financial Claims Scheme a person who holds a protected account with a net credit balance at an ADI which APRA has applied to be wound up and which has been declared by the responsible Australian Government minister to be covered by the Financial Claims Scheme will be entitled to receive payment from APRA in respect of that balance and certain accrued but uncredited interest, subject to various adjustments and preconditions. The rights of account-holders with protected accounts will be reduced to the extent protected under the Financial Claims Scheme and, to the extent of that reduction, will become rights of APRA.

A "protected account" is an account or a specified financial product:

- (i) where the ADI is required to pay the accountholder, on demand or at an agreed time, the net credit balance of the account; or
- (ii) otherwise prescribed by regulation.

The Australian Treasurer has published a declaration of products prescribed as protected accounts for the purposes of the Australian Banking Act.

**Covered Bonds issued under the Programme are not deposit liabilities of nab, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Australian Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Australian Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction.**

## THE NAB COVERED BOND TRUST

### The Trust

The nab Covered Bond Trust (**Trust**) is a special purpose trust established by the Establishment Deed dated 10 November 2011, under the laws applying in the State of New South Wales. Perpetual Corporate Trust Limited is the trustee of the Trust.

The Covered Bond Guarantor is dependent on the Trust Manager and the Servicer (among others) to provide certain management and administrative services to it, on the terms of the Establishment Deed and the other Programme Documents.

The Trust was established for purposes relating only to the Covered Bonds, including (without limitation):

- (a) the acquisition, management and sale of, amongst other things, Mortgage Loans and the Related Security;
- (b) the borrowing of moneys to fund the acquisition of such assets;
- (c) the hedging of risks associated with such assets and such funding;
- (d) the acquisition, management and sale of Substitution Assets and Authorised Investments;
- (e) the giving of guarantees;
- (f) the granting of security; and
- (g) any purpose which is ancillary or incidental to any of the purposes set out in paragraphs (a) to (f) above.

The Trust has not engaged since its establishment, and will not engage whilst the Covered Bonds, any Intercompany Notes or the Demand Note remain outstanding, in any material activities other than activities incidental to the purposes for which it was established, activities contemplated under the Programme Documents to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

The beneficial interest in the Trust will be represented by:

- ten Residual Capital Units; and
- one Residual Income Unit.

The initial holder of the ten Residual Capital Units will be nab.

The initial holder of the one Residual Income Unit will be nab.

### Perpetual Corporate Trust Limited

Perpetual Corporate Trust Limited was appointed trustee of the Trust on 10 November 2011 pursuant to the Establishment Deed establishing the Trust.

Perpetual Corporate Trust Limited was incorporated in New South Wales on 27 October 1960 as Perpetual Trustees Nominees Limited under the Companies Statute of New South Wales as a public company. The name was changed to Perpetual Corporate Trust Limited on 18 October 2006 and Perpetual Corporate Trust

Limited now operates as a limited liability public company under the Corporations Act. Perpetual Corporate Trust Limited is registered in New South Wales and its registered office is at Level 12, 123 Pitt Street, Sydney, Australia.

Perpetual Corporate Trust Limited has 5,010,000 ordinary shares issued with a paid amount of A\$1.00 per share. Perpetual Corporate Trust Limited is a wholly owned subsidiary of Perpetual Limited, a publicly listed company on the Australian Securities Exchange.

The principal activities of Perpetual Corporate Trust Limited are the provision of trustee and other commercial services. Perpetual Corporate Trust Limited is authorised representative (No. 266799) under Australian Financial Services Licence under Part 7.6 of the Corporations Act (Australian Financial Services Licence No. 236643). Perpetual Corporate Trust Limited and its related companies provide a range of services including custodial and administrative arrangements to the funds management, superannuation, property, infrastructure and capital markets. Perpetual Corporate Trust Limited and its related companies are leading trustee companies in Australia with in excess of A\$100 billion under administration.

The name and function of each of the Directors of Perpetual Corporate Trust Limited are listed below. Unless otherwise stated, the business address of each Director is Level 12, 123 Pitt Street Sydney NSW 2000 Australia.

- Roger Burrows, Director;
- Christopher Green, Director; and
- Joanne Hawkins, Director.

As at the date of this Prospectus, there are no existing or potential conflicts of interest between any duties owed to Perpetual Corporate Trust Limited by its Directors and the private interests or external duties of those Directors.

### **Covered Bond Guarantor's Liability**

The Covered Bond Guarantor enters into the Programme Documents only in its capacity as trustee of the Trust and in no other capacity. A liability arising under or in connection with the Programme Documents is limited to and can be enforced against the Covered Bond Guarantor only to the extent to which it can be satisfied out of assets of the Trust out of which the Covered Bond Guarantor is actually indemnified for the liability. Subject to the paragraphs below, this limitation of the Covered Bond Guarantor's liability applies despite any other provision of the Programme Documents and extends to all liabilities and obligations of the Covered Bond Guarantor in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to a Programme Document.

In relation to the Trust, no party to the Programme Documents other than the Covered Bond Guarantor may sue the Covered Bond Guarantor in any capacity other than as trustee of the Trust, including seeking the appointment of a receiver (except in relation to the assets of the Trust), or a liquidator, an administrator or any similar person to the Covered Bond Guarantor or prove in any liquidation, administration or arrangements of or affecting the Covered Bond Guarantor (except in relation to the assets of the Trust).

The above will not apply to any obligation or liability of the Covered Bond Guarantor to the extent that it is not satisfied because under the Programme Documents or by operation of law there is a reduction in the extent of the Covered Bond Guarantor's indemnification out of the assets of the Trust, as a result of the Covered Bond Guarantor's fraud, negligence or wilful default.

It is acknowledged that the Transaction Parties are each responsible under the Programme Documents for performing a variety of obligations relating to the Trust. No act or omission of the Covered Bond Guarantor

(including any related failure to satisfy its obligations or breach of representation or warranty under any Programme Document) will be considered fraud, negligence or wilful default of the Covered Bond Guarantor to the extent to which the act or omission was caused or contributed to by any failure by any Transaction Party (other than the Covered Bond Guarantor) or any other person to fulfil its obligations relating to the Trust or by any other act or omission of any Transaction Party (other than the Covered Bond Guarantor) or any other person.

No attorney, agent, receiver or receiver and manager appointed in accordance with the Programme Documents has authority to act on behalf of the Covered Bond Guarantor in a way which exposes the Covered Bond Guarantor to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Covered Bond Guarantor.

The Covered Bond Guarantor is not obliged to do or refrain from doing anything under the Programme Documents (including incur any liability) unless the Covered Bond Guarantor's liability is limited in the same manner as set out in this section.

### **Security Trustee's Liability**

Notwithstanding any other provision of the Programme Documents, the Security Trustee enters into the Programme Documents only in its capacity as trustee of the Security Trust and in no other capacity and the Security Trustee has no liability under or in connection with the Programme Documents (whether to the Secured Creditors, the Covered Bond Guarantor or any other person) other than to the extent to which the liability is able to be satisfied out of the property of the Security Trust from which the Security Trustee is actually indemnified for the liability. This limitation will not apply to a liability of the Security Trustee to the extent that it is not satisfied because, under the Programme Documents or by operation of law, there is a reduction in the extent of the Security Trustee's indemnification out of the Security Trust as a result of the Security Trustee's fraud, negligence or wilful default.

### **Fraud, Negligence and Wilful Default of the Covered Bond Guarantor or the Security Trustee**

A reference to the "fraud", "negligence" or "wilful default" of the Covered Bond Guarantor or the Security Trustee means the fraud, negligence or wilful default of the Covered Bond Guarantor or the Security Trustee as the case may be, and of its officers, employees, agents and any other person where the Covered Bond Guarantor or the Security Trustee is liable for the acts or omissions of such other person under the terms of the relevant Programme Document.

A reference to "wilful default" in relation to the Covered Bond Guarantor or the Security Trustee means any intentional failure to comply, or intentional breach, by the defaulting party of any of its obligations under the Programme Documents, other than a failure or breach which:

- is in accordance with a lawful court order or direction or otherwise required by law; or
- is in accordance with a proper instruction or direction from any person (other than the defaulting party) permitted to give such instruction or direction to the defaulting party under the Programme Documents; or
- arose as a result of a breach by any person (other than the defaulting party) of any of its obligations under the Programme Documents and performance of the action (or non performance of which gave rise to such breach) is a precondition to the defaulting party performing its obligations under the Programme Documents.

## NATIONAL AUSTRALIA BANK LIMITED RESIDENTIAL MORTGAGE LOAN ORIGINATION

### Origination of the Mortgage Loans

The Seller originates Australian residential Mortgage Loans in two ways:

- (i) via its retail network (**Retail Channel**); and
- (ii) via approved mortgage brokers and financial planners (**Third Party Channel**).

The Seller began originating and servicing residential mortgage loans in the 1960's and is currently Australia's 3rd largest home lender by share of outstanding principal. As at September 30, 2012, the Seller and its subsidiaries acted as the primary servicer on approximately 587,000 residential mortgage loans having an aggregate principal balance of approximately A\$219 billion.

The following discussion summarises the underwriting standards applicable to the Mortgage Loans and describes certain key features and characteristics of the Mortgage Loans. These standards, features and characteristics are under regular review and may change from time to time as a result of business, legislative or regulatory changes.

Where circumstances warrant, giving overall consideration of the strength of the application, a Mortgage Loan may be made with high level approval where certain elements are outside the seller's normal underwriting criteria.

### Underwriting Process

#### *Mortgage Loans Originated Through nab's Retail Channel*

Mortgage Loans produced through nab's Retail Channel are considered for origination on the basis of a rate internally calculated by nab designed to determine an applicant's capacity to repay a Mortgage Loan. The rate is set at a value that best estimates an average interest rate applicable to Mortgage Loans in the foreseeable future. Such rate, however, bears no relationship to the actual interest rate charged on the Mortgage Loan. Regardless of the determined rate, applicants must demonstrate the capacity to repay the Mortgage Loan and satisfy all other commitments including general living expenses. Scheduled payments are calculated on the basis of the current interest rate. Applicants must meet minimum risk-adjusted loan serviceability thresholds, using reliable and regular income sources. Risk-adjusted thresholds are subject to change from time to time based on applicant income and risk levels.

Mortgage Loan proceeds may only be applied for owner occupied, investment or personal purposes (including consolidation of personal debts), and for the purchase, construction or renovation of a residential or investment property. Construction loans are not Qualifying Mortgage Loans until construction is completed. Providing a sound history (minimum six (6) months) is held with another financial institution, nab's Retail Channel will consider refinancing debts. The minimum loan amount available is twenty thousand dollars (A\$20,000). There is no maximum amount (subject to security and capacity to repay).

For Mortgage Loans, nab's Retail Channel lends to a maximum of 95% of the market value of the property (this was reduced from 100% on 6 January 2009). Lender's mortgage insurance is mandatory for all Mortgage Loans where the loan-to-value ratio is 80% or more with respect to any owner occupied or investment property, and 70% or more, with respect to certain inner city investment properties. The insurance provides 100% coverage against loss on the entire Mortgage Loan. The minimum term for a Mortgage Loan is one (1) year. The maximum term for a Mortgage Loan is thirty (30) years.

nab's Retail Channel takes a first registered mortgage or second registered mortgage only over suitable residential property as security for a Mortgage Loan. In certain circumstances, usually when a customer is selling one property and buying another and simultaneous property settlements do not occur, a Mortgage Loan can be secured for a short period of time by a cash deposit held by nab. The relevant customer must agree in writing to grant nab a right of set-off against the deposit to secure repayment of the Mortgage Loan during this period.

nab's Retail Channel determines the market value of the property provided as security by reference to the current realisable value of the property on a normal sale basis (where both the buyer and seller would be willing and legitimate participants).

An acceptable valuation type is determined considering the property type and risk.

There are two main types of property valuations:

- **Automated Valuation Models (AVM)** – these are statistical tools used to estimate values for specific residential properties based on property characteristic data and sales data. These values are usually returned as a range and with an indication of the suppliers' confidence in their accuracy expressed as a score and/or as a forecast standard deviation. NAB currently uses this for properties up to \$850,000 in value, for low risk transactions and for around 15% of overall valuation requests.
- **Physical Valuation** – which includes:
  - external/kerbside valuation (from a NAB approved panel valuer or NAB's own internal valuation team.)
  - short and long form professional valuation (from a NAB approved panel valuer).

For Construction loans, a final internal inspection is mandatory.

Approximately 41% of home loans are originated through nab's Retail Channel.

### ***Mortgage Loans Originated Through nab's Third Party Channel***

nab also originates Mortgage Loans through approved mortgage brokers through nab's Third Party Channel. In underwriting the Mortgage Loans, nab's Third Party Channel utilises an internally calculated rate in the same manner as nab's Retail Channel described above. Again, the rate is set at a value that best estimates an average interest rate applicable to Mortgage Loans in the foreseeable future and bears no relationship to the actual interest rate charged on the Mortgage Loan. Regardless of the determined rate, applicants must demonstrate the capacity to repay the Mortgage Loan and satisfy all other commitments including general living expenses. Scheduled payments are calculated on the basis of the current interest rate. Applicants must meet minimum risk-adjusted loan serviceability thresholds, using reliable and regular income sources. Risk-adjusted thresholds are subject to change from time to time based on applicant income and risk levels. Reliance is not placed on irregular income (such as overtime or higher duties) to meet fixed commitments.

Mortgage Loan proceeds may only be applied for owner occupied, investment or personal purposes (including consolidation of personal debts). A Mortgage Loan may be approved for the purchase, construction or renovation of a residential or investment property. Construction (i.e. Building in the Course of Erection) loans are not Qualifying Mortgage Loans until construction is completed. Providing a sound history (minimum six (6) months) is held with another financial institution, nab's Third Party Channel is willing to look at refinancing debts. Any Redraw provided in respect of such a Mortgage Loan may, however, be used for business or other purposes.



For Mortgage Loans, nab's Third Party Channel lends to a maximum of 95% of the market value of the property. Lender's mortgage insurance is mandatory for all Mortgage Loans where the loan-to-value ratio is 80% or more, with respect to any owner occupied or investment property and 70% or more, with respect to certain inner city investment properties. The insurance provides 100% coverage against loss on the entire loan. The minimum term for a Mortgage Loan is one (1) year. The maximum term for a Mortgage Loan is thirty (30) years.

nab's Third Party Channel takes a first registered mortgage or second registered mortgage only over suitable residential property as security for a Mortgage Loan. In certain circumstances, usually when a customer is selling one property and buying another and simultaneous property settlements do not occur, a Mortgage Loan can be secured for a short period of time by a cash deposit held by nab. The relevant customer must agree in writing to grant nab a right of set-off against the deposit to secure repayment of the Mortgage Loan during this period.

nab's Third Party Channel determines the market value of property provided as security by reference to the current realisable value of the property on a normal sale basis (where both the buyer and seller would be willing and legitimate participants).

Valuations are Physical Valuations being either a short or long form professional valuation (from a NAB approved panel valuer). For Construction loans, a final internal inspection is mandatory.

Approximately 23% of home loans are originated through nab's Third Party Channel.

The remaining home loans (approximately 36%) are originated through nab's Business Bank, Private Institutional Wealth and Corporate Banking & Specialised Business channels.

### **Credit and Lending Procedures**

The following is a summary description of the credit and lending procedures adopted by nab.

A bank officer is the intermediary for nab's Retail Channel home loan customer at all times until the Mortgage Loan is underwritten. The bank officer initially reviews with the customer his or her borrowing needs and credit situation and recommends a product which is not unsuitable for the customer. The customer completes an application form and the information is input into "Siebel electronic Consumer Lending" (eCL), a customer management tool used by bankers to manage customer information. eCL links to nab's decision tool system, "New Business Strategy Manager" (NBSM). nab's Third Party Channel utilises the same credit and lending processes adopted by nab's Retail Channel. The system "eDecision" is used as the customer management tool for those Mortgage Loans originated through the brokers. "eDecision" links to "NBSM".

The decision tool "NBSM" controls the application process by retrieving existing nab customers' data and account performance from relevant source systems, and makes calls to external systems to capture further information on the customer. nabCalc, an internal nab system is called to calculate the customer's repayments and indicates how much the customer can borrow. Data is also retrieved from multiple credit bureaus to understand the performance and activity of loans held and applied for at other financial institutions.

NBSM contains application risk scorecards and strategies to assess the risk of an application. Different scorecards and strategies are in place for different segments within the portfolio. Application risk scorecards are made up of individual characteristics with score values assigned. The combination of characteristics are added up for the overall application risk score which is a statistical measure that predicts the probability of the customer defaulting in the following 12 months. A minimum score threshold is required.

NBSM returns one of three results: "accept", "decline" or "refer" along with reasons for the decision. If a decision of "refer" is obtained bankers may exercise their own "Delegated Commitment Authority" (DCA) to override the refer decision. If a "decline" result is obtained, these applications may be referred to a credit manager who is afforded sufficient review authority to review and, where appropriate, override the "decline" decision.

All nab home loan applications are subject to underwriting criteria guidelines that are used in assessing Mortgage Loans. The criteria are intended as a guide and are used in determining the suitability of loan applicants. Criteria guidelines include:

- (a) applicant be a minimum of 18 years of age;
- (b) legal capacity of the applicant of entering into the loan contract;
- (c) employment/eligible income sources;
- (d) satisfactory credit checks;
- (e) satisfactory savings history/loan repayment history;
- (f) sound asset/liability position; and
- (g) capacity to repay the Mortgage Loan.

It is a requirement that an applicant's income is evidenced and verified.

All bank officers involved in assessing/approving Mortgage Loans have ready, on-line access to nab's lending manuals. Any significant change or review of underwriting policy is updated immediately and communicated to such officers via a credit bulletin. Other changes or amendments are forwarded on a periodic basis.

If lender's mortgage insurance (LMI) is required, the bank officer makes all arrangements.

If the Mortgage Loan is declined, the bank officer has the opportunity to have the application reviewed a second time by a credit manager. Credit managers are experienced lending officers who have been given authority to review and approve applications that may be outside bank policy. If the Mortgage Loan is still declined, nab formally advises the customer in writing.

If a Mortgage Loan in nab's Retail Channel is approved (by either eCL or the credit managers), the application is then transferred for further processing to one of nab's centralised lending services centres. The lending services centre is responsible for preparing the appropriate documentation, checking that the security is in order, administering settlement, and drawing down the Mortgage Loan. Once an application is received at the lending services centre, a title search is ordered and valuation requested if necessary.

Documentation is then prepared and a copy is forwarded to the customer and a copy to the appropriate bank officers. The contracts are prepared using a system called "Docwiz" which allows the customer's personal and loan details to be entered but prohibits the bank officer from further modifying the contract from terms previously approved by the lending services centre.

Customers are encouraged to seek independent legal advice in relation to documentation prior to closing. Once all documentation is signed, it is returned to the lending services centre for preparation of the file for settlement.

For Mortgage Loans in nab's Third Party Channel, a regionalised production team is responsible for preparing the appropriate documents which allows the customer's personal and loan details to be entered but prohibits the production officer from further modifying the contract, checking that the security is in order, drawing down of the Mortgage Loan, continued loan maintenance and account control. A valuation is requested if necessary. The loan "letter of offer" is then prepared and is forwarded to the customer for signing.

Once the documentation is signed and returned, the regionalised production team instructs nab's Third Party Channel's external law firm to conduct a title search and to prepare the mortgage documentation.

After settlement has been effected the Mortgage Loan is drawn down and fees charged. All the documentation is then filed in a central file room and the title is sent away for stamping and registration. Once returned from the titles office, it too is filed centrally. Mortgage Loans may be approved above 95% of the market value of the property (loan-to-value ratio), however, the purpose is restricted to property purchase, available products are limited and Lender's mortgage insurance (**LMI**) is mandatory. LMI is mandatory for Mortgage Loans where the loan-to-value ratio is above 80% with respect to any owner occupied or investment property, above 70% with respect to certain inner city investment properties, and above 60% for low doc loans.

nab utilises 2 insurers for LMI: QBE Lender's Mortgage Insurance Limited for Mortgage Loans originated through nab's Retail Channel and Genworth Financial Mortgage Insurance Pty Ltd for Mortgage Loans originated through nab's Third Party Channel. A delegated underwriting authority (**DUA**) policy has been negotiated with nab's preferred insurers, which provides nab with the ability to write lenders mortgage insurance without prior approval. The DUA agreement is subject to the following conditions:

- the home loan must be approved by nab's credit scoring system;
- the loan-to-value ratio must be within thresholds set;
- a valuation has been completed;
- the security must be a registered mortgage held over a suitable residential property (less than ten hectares), or vacant land (less than 2.2 hectares).

Applications with loan-to-value ratios outside the threshold are forwarded for approval on a case-by-case basis.

### **Features and Options; Loan Types**

Depending on the loan type, scheduled payments can consist of either principal and interest or interest only. Interest on the Mortgage Loans is calculated on a daily "simple" interest basis, and is payable in advance or in arrears. Scheduled payments on the Mortgage Loans are made in arrears on a weekly, fortnightly or monthly basis. Interest may be paid up to annually in advance on fixed rate interest only Mortgage Loans.

For variable rate Mortgage Loans, prepayments may be made at any time without any prepayment penalty.

For fixed rate Mortgage Loans, a prepayment penalty is generally charged to the customer where the full amount of the fixed rate Mortgage Loan is prepaid but may be charged to the customer in other circumstances.

Scheduled repayments are based on the loan amount, the prevailing interest rate and time to expiry of the loan and unlike other Australian mortgage loans, scheduled repayment are only automatically increased (if applicable) as a part of the annual loan review. Similarly, scheduled payments are not automatically reduced; however this can occur by application. Whilst interest on each Mortgage Loan is calculated daily at the

prevailing interest rate, the actual scheduled payments do not change with increases or decreases in the applicable interest rate.

With respect to certain Mortgage Loans, the security pledged to secure the Mortgage Loan may be changed at the customer's request (without the need to write a new Mortgage Loan or contract). In all cases, the replacement security must be an approved residential home or, in the limited circumstances described in this Prospectus, a cash deposit. Any change in security is at the discretion of nab.

Certain Mortgage Loans originated by nab provide the customer with the right to convert the variable rate at which interest accrues to a fixed rate, and vice versa. Certain interest only Mortgage Loans provide the customer with the right to convert the Mortgage Loan to an amortising Mortgage Loan.

In certain cases, exercise of such rights are conditional on the payment of a fee and in other cases, the right is subject to nab's approval.

"Loan Trimmer" and "100% Offset" are product features that enable deposit accounts to be linked to certain nab Mortgage Loan accounts. Loan Trimmer provides customers with the means to offset interest normally earned on deposits against the interest payable on certain Mortgage Loans. No interest is earned on the deposits. Instead, the interest rate that would have otherwise applied to the deposit account is used to reduce the interest rate charged on the Mortgage Loan. 100% Offset provides customers with the means to offset the balance of deposit accounts against the balance of certain Mortgage Loans for interest calculation purposes. Interest is only charged on the amount by which the outstanding principal balance exceeds the balance of the linked deposit account.

### **Redraw Mortgage Loans**

Certain variable rate Mortgage Loans provide the customer with the ability to draw additional amounts under the Mortgage Loan provided certain criteria are met. These are referred to as Cash Redraws. Certain variable rate Mortgage Loans provide the Seller with the discretion to allow the customer to make redraws in certain circumstances. In the case of Mortgage Loans originated through nab's Third Party Channel and certain Mortgage Loans originated through nab's Retail Channel, the aggregate amount that may be advanced at any time is limited to the difference between the current outstanding principal balance and the scheduled balance at that time (which, in general terms, will be equal to the amount of principal prepayments previously made by the customer less the next scheduled repayment). With respect to other Mortgage Loans originated through nab's Retail Channel, the aggregate amount that may be advanced as a Redraw at any time is limited to the amount by which a "notional balance" specified for such date exceeds the outstanding principal balance.

The Seller has reserved the discretion to cancel its obligation to provide Cash Redraws in respect of such Mortgage Loans. If the right is cancelled, the customer is still entitled to request a Cash Redraw, but the seller is not obliged to approve the request.

### **Selected Statistical Information**

The following tables summarise, in respect of the Seller's overall mortgage portfolio, the Seller's experience in administering mortgage loans that are in arrears and originated by the Seller. Columns stating percentage amounts may not add up to 100 per cent. due to rounding. In these tables, a mortgage loan will be in arrears when the actual outstanding principal balance of a particular mortgage loan is greater than the scheduled amortising balance of that mortgage loan calculated in accordance with the terms of that mortgage loan. The tables express the number of mortgage loans in arrears at the relevant period end as a percentage of the total number of loans serviced:

**Arrears – Principal and Interest**

|                           | Sep-07             |                  |                    |                     | Sep-08             |                  |                 |                  |
|---------------------------|--------------------|------------------|--------------------|---------------------|--------------------|------------------|-----------------|------------------|
|                           | By No. Of<br>Loans | Dollar<br>Amount | Percent            | Percent             | By No. of<br>Loans | Dollar<br>Amount | Percent by      | Percent by       |
|                           |                    |                  | by No.<br>of Loans | by Dollar<br>Amount |                    |                  | No. of<br>Loans | Dollar<br>Amount |
| <b>Period of Arrears:</b> |                    |                  |                    |                     |                    |                  |                 |                  |
| 31-60                     | 1,774              | \$407.8m         | 0.39%              | 0.53%               | 1,234              | \$309.9m         | 0.27%           | 0.39%            |
| 61-90                     | 638                | \$155.4m         | 0.14%              | 0.20%               | 412                | \$111.0m         | 0.09%           | 0.14%            |
| 91-120                    | 371                | \$91.6m          | 0.08%              | 0.12%               | 255                | \$61.6m          | 0.06%           | 0.08%            |
| 121-150                   | 222                | \$59.7m          | 0.05%              | 0.08%               | 140                | \$35.5m          | 0.03%           | 0.04%            |
| 151-180                   | 190                | \$47.3m          | 0.04%              | 0.06%               | 116                | \$31.9m          | 0.03%           | 0.04%            |
| >180                      | 827                | \$212.5m         | 0.18%              | 0.28%               | 800                | \$223.3m         | 0.18%           | 0.28%            |
| Total >30 days            | 4,022              | \$974.2m         | 0.88%              | 1.27%               | 2,957              | \$773.2m         | 0.65%           | 0.97%            |
| Non Accrual               | 808                | \$213.4m         | 0.18%              | 0.28%               | 914                | \$232.0m         | 0.20%           | 0.29%            |
| Total in Arrears          | 4,830              | \$1,187.7m       | 1.06%              | 1.55%               | 3,871              | \$1,005.2m       | 0.86%           | 1.26%            |
| Total Portfolio           | 454,824            | \$76,807.2m      |                    |                     | 452,142            | \$79,686.9m      |                 |                  |

**Arrears – Principal and Interest**

|                           | Sep-09             |                  |                    |                     | Sep-10             |                  |                    |                  |
|---------------------------|--------------------|------------------|--------------------|---------------------|--------------------|------------------|--------------------|------------------|
|                           | By No. Of<br>Loans | Dollar<br>Amount | Percent            | Percent             | By No. of<br>Loans | Dollar<br>Amount | Percent            | Percent by       |
|                           |                    |                  | by No. of<br>Loans | by Dollar<br>Amount |                    |                  | by No. of<br>Loans | Dollar<br>Amount |
| <b>Period of Arrears:</b> |                    |                  |                    |                     |                    |                  |                    |                  |
| 31-60                     | 1,440              | \$361.5m         | 0.31%              | 0.44%               | 1,136              | \$301.5m         | 0.24%              | 0.33%            |
| 61-90                     | 586                | \$155.5m         | 0.13%              | 0.19%               | 401                | \$111.8m         | 0.09%              | 0.12%            |
| 91-120                    | 309                | \$85.2m          | 0.07%              | 0.10%               | 257                | \$81.8m          | 0.06%              | 0.09%            |
| 121-150                   | 201                | \$66.2m          | 0.04%              | 0.08%               | 137                | \$35.6m          | 0.03%              | 0.04%            |
| 151-180                   | 149                | \$46.1m          | 0.03%              | 0.06%               | 114                | \$38.3m          | 0.02%              | 0.04%            |
| >180                      | 687                | \$216.7m         | 0.15%              | 0.26%               | 799                | \$226.7m         | 0.17%              | 0.25%            |
| Total >30 days            | 3,372              | \$931.2m         | 0.73%              | 1.12%               | 2,844              | \$795.8m         | 0.61%              | 0.87%            |
| Non Accrual               | 1,033              | \$284.6m         | 0.22%              | 0.34%               | 807                | \$222.2m         | 0.17%              | 0.24%            |
| Total in Arrears          | 4,405              | \$1,215.8m       | 0.96%              | 1.46%               | 3,651              | \$1,018.0m       | 0.78%              | 1.11%            |
| Total Portfolio           | 459,639            | \$83,041.3m      |                    |                     | 466,744            | \$91,964.4m      |                    |                  |

**Arrears – Principal and Interest**

|                           | Sep-11             |                  |                       |                     | Sep-12             |                  |                    |                  |
|---------------------------|--------------------|------------------|-----------------------|---------------------|--------------------|------------------|--------------------|------------------|
|                           | By No. Of<br>Loans | Dollar<br>Amount | Percent               | Percent             | By No. of<br>Loans | Dollar<br>Amount | Percent            | Percent by       |
|                           |                    |                  | by No. of<br>of Loans | by Dollar<br>Amount |                    |                  | by No. of<br>Loans | Dollar<br>Amount |
| <b>Period of Arrears:</b> |                    |                  |                       |                     |                    |                  |                    |                  |
| 31-60                     | 1,130              | \$309.5m         | 0.23%                 | 0.30%               | 1,050              | \$300.6m         | 0.21%              | 0.28%            |
| 61-90                     | 455                | \$140.7m         | 0.09%                 | 0.14%               | 451                | \$135.8m         | 0.09%              | 0.12%            |
| 91-120                    | 223                | \$66.3m          | 0.05%                 | 0.06%               | 302                | \$80.2m          | 0.06%              | 0.07%            |
| 121-150                   | 175                | \$57.4m          | 0.04%                 | 0.06%               | 200                | \$63.3m          | 0.04%              | 0.06%            |
| 151-180                   | 115                | \$35.6m          | 0.02%                 | 0.03%               | 165                | \$53.1m          | 0.03%              | 0.05%            |
| >180                      | 677                | \$213.7m         | 0.14%                 | 0.21%               | 797                | \$253.7m         | 0.16%              | 0.23%            |
| Total >30 days            | 2,775              | \$823.2m         | 0.57%                 | 0.80%               | 2,965              | \$886.5m         | 0.60%              | 0.81%            |
| Non Accrual               | 794                | \$237.1m         | 0.16%                 | 0.23%               | 809                | \$313.4m         | 0.16%              | 0.29%            |
| Total in Arrears          | 3,569              | \$1,060.3m       | 0.74%                 | 1.03%               | 3,774              | \$1,199.8m       | 0.77%              | 1.10%            |
| Total Portfolio           | 485,349            | \$102,477.9m     |                       |                     | 492,493            | \$109,101.4m     |                    |                  |

**Arrears – Interest Only**

|                               | Sep-07             |                  |                               |                                | Sep-08             |                  |                               |                                |
|-------------------------------|--------------------|------------------|-------------------------------|--------------------------------|--------------------|------------------|-------------------------------|--------------------------------|
|                               | By No. Of<br>Loans | Dollar<br>Amount | Percent<br>by No. of<br>Loans | Percent<br>by Dollar<br>Amount | By No. of<br>Loans | Dollar<br>Amount | Percent<br>by No. of<br>Loans | Percent by<br>Dollar<br>Amount |
| <b>Period of Delinquency:</b> |                    |                  |                               |                                |                    |                  |                               |                                |
| 31-60                         | 122                | \$32.6m          | 0.11%                         | 0.10%                          | 253                | \$83.6m          | 0.21%                         | 0.22%                          |
| 61-90                         | 99                 | \$31.5m          | 0.09%                         | 0.09%                          | 235                | \$77.7m          | 0.19%                         | 0.20%                          |
| 91-120                        | 57                 | \$17.8m          | 0.05%                         | 0.05%                          | 217                | \$72.1m          | 0.18%                         | 0.19%                          |
| 121-150                       | 33                 | \$11.2m          | 0.03%                         | 0.03%                          | 32                 | \$10.2m          | 0.03%                         | 0.03%                          |
| 151-180                       | 23                 | \$08.5m          | 0.02%                         | 0.03%                          | 105                | \$38.5m          | 0.09%                         | 0.10%                          |
| >180                          | 155                | \$67.9m          | 0.14%                         | 0.20%                          | 331                | \$129.8m         | 0.27%                         | 0.34%                          |
| Total >30 days                | 489                | \$169.5m         | 0.45%                         | 0.50%                          | 1,173              | \$411.9m         | 0.97%                         | 1.08%                          |
| Non Accrual                   | 221                | \$95.3m          | 0.20%                         | 0.28%                          | 293                | \$137.0m         | 0.24%                         | 0.36%                          |
| Total in Delinquency          | 710                | \$264.8m         | 0.65%                         | 0.78%                          | 1,466              | \$548.9m         | 1.22%                         | 1.43%                          |
| Total Portfolio               | 109,469            | \$33,905.9m      |                               |                                | 120,526            | \$38,270.8m      |                               |                                |

**Arrears – Interest Only**

|                               | Sep-09             |                  |                               |                                | Sep-10             |                  |                               |                                |
|-------------------------------|--------------------|------------------|-------------------------------|--------------------------------|--------------------|------------------|-------------------------------|--------------------------------|
|                               | By No. Of<br>Loans | Dollar<br>Amount | Percent<br>by No. of<br>Loans | Percent<br>by Dollar<br>Amount | By No. of<br>Loans | Dollar<br>Amount | Percent<br>by No. of<br>Loans | Percent by<br>Dollar<br>Amount |
| <b>Period of Delinquency:</b> |                    |                  |                               |                                |                    |                  |                               |                                |
| 31-60                         | 164                | \$56.9m          | 0.13%                         | 0.14%                          | 174                | \$63.8m          | 0.13%                         | 0.14%                          |
| 61-90                         | 95                 | \$29.7m          | 0.08%                         | 0.07%                          | 59                 | \$18.5m          | 0.04%                         | 0.04%                          |
| 91-120                        | 55                 | \$20.1m          | 0.04%                         | 0.05%                          | 145                | \$56.0m          | 0.10%                         | 0.12%                          |
| 121-150                       | 45                 | \$16.3m          | 0.04%                         | 0.04%                          | 108                | \$44.9m          | 0.08%                         | 0.10%                          |
| 151-180                       | 25                 | \$08.4m          | 0.02%                         | 0.02%                          | 40                 | \$15.8m          | 0.03%                         | 0.03%                          |
| >180                          | 279                | \$108.5m         | 0.22%                         | 0.27%                          | 240                | \$102.9m         | 0.17%                         | 0.22%                          |
| Total >30 days                | 663                | \$239.8m         | 0.53%                         | 0.60%                          | 766                | \$302.0m         | 0.55%                         | 0.65%                          |
| Non Accrual                   | 407                | \$178.4m         | 0.33%                         | 0.44%                          | 290                | \$118.8m         | 0.21%                         | 0.26%                          |
| Total in Delinquency          | 1,070              | \$418.2m         | 0.86%                         | 1.04%                          | 1,056              | \$420.8m         | 0.76%                         | 0.91%                          |
| Total Portfolio               | 125,066            | \$40,222.4m      |                               |                                | 138,954            | \$46,402.5m      |                               |                                |

**Arrears – Interest Only**

|                               | Sep-11             |                  |                               |                                | Sep-12             |                  |                               |                                |
|-------------------------------|--------------------|------------------|-------------------------------|--------------------------------|--------------------|------------------|-------------------------------|--------------------------------|
|                               | By No. Of<br>Loans | Dollar<br>Amount | Percent<br>by No. of<br>Loans | Percent<br>by Dollar<br>Amount | By No. of<br>Loans | Dollar<br>Amount | Percent<br>by No. of<br>Loans | Percent by<br>Dollar<br>Amount |
| <b>Period of Delinquency:</b> |                    |                  |                               |                                |                    |                  |                               |                                |
| 31-60                         | 170                | \$65.2m          | 0.11%                         | 0.12%                          | 123                | \$52.1m          | 0.07%                         | 0.09%                          |
| 61-90                         | 131                | \$49.1m          | 0.08%                         | 0.09%                          | 116                | \$52.0m          | 0.07%                         | 0.09%                          |
| 91-120                        | 85                 | \$33.4m          | 0.05%                         | 0.06%                          | 59                 | \$24.4m          | 0.03%                         | 0.04%                          |
| 121-150                       | 24                 | \$10.5m          | 0.01%                         | 0.02%                          | 61                 | \$19.6m          | 0.04%                         | 0.03%                          |
| 151-180                       | 62                 | \$25.6m          | 0.04%                         | 0.05%                          | 50                 | \$19.3m          | 0.03%                         | 0.03%                          |
| >180                          | 289                | \$114.1m         | 0.18%                         | 0.20%                          | 215                | \$82.9m          | 0.13%                         | 0.14%                          |

|                      |         |             |       |       |         |             |       |       |
|----------------------|---------|-------------|-------|-------|---------|-------------|-------|-------|
| Total >30 days       | 761     | \$297.9m    | 0.47% | 0.53% | 624     | \$250.2m    | 0.37% | 0.42% |
| Non Accrual          | 294     | \$130.2m    | 0.18% | 0.23% | 260     | \$126.4m    | 0.15% | 0.21% |
| Total in Delinquency | 1,055   | \$428.1m    | 0.65% | 0.77% | 884     | \$376.6m    | 0.52% | 0.63% |
| Total Portfolio      | 161,357 | \$55,774.3m |       |       | 168,955 | \$60,129.3m |       |       |

It should be noted that the arrears figures above do not include (i) "watch loans" (other loans of a customer where that customer has a loan that is greater than 30 days in arrears) unless those other loans are also greater than 30 days in arrears and (ii) "hardship loans" where a customer has received approval from the Seller to reduce the amount of repayments or postpone repayments for a time (or both) on the basis of hardship.

The statistics shown in the following table represent the foreclosure experience in respect of the Seller's overall mortgage portfolio for each of the years presented.

| <b>Write-Offs – Principal and Interest</b> |                             |  |                             |  |                       |  |
|--|-----------------------------|--|-----------------------------|--|-----------------------|--|
|  | <b>Total Write-Offs A\$</b> | <b>Write-Offs as a Percentage of Total Outstanding Portfolio Balance</b> | <b>Total Recoveries A\$</b> | <b>Recoveries as a Percentage of Total Outstanding Portfolio Balance A\$</b> | <b>Net Write Offs</b> | <b>Total Outstanding Portfolio Balance</b> |
| <b>At Fiscal year ended:</b>               |                             |  |                             |  |                       |  |
| September-07                               | \$19.9m                     | 0.026%   | \$ 1,191,691                | 0.002%   | \$18.7m               | \$76.8b                                    |
| September-08                               | \$24.0m                     | 0.030%   | \$ 1,129,715                | 0.001%   | \$22.9m               | \$79.7b                                    |
| September-09                               | \$86.9m                     | 0.105%   | \$ 194,195                  | 0.000%   | \$86.7m               | \$83.0b                                    |
| September-10                               | \$55.6m                     | 0.060%   | \$ 1.4m                     | 0.002%   | \$54.2m               | \$92.0b                                    |
| September-11                               | \$50.7m                     | 0.049%   | \$ 1,686,629                | 0.002%   | \$49.0m               | \$102.5b                                   |
| September-12                               | \$54.3m                     | 0.050%   | \$ 3,307,895                | 0.003%   | \$51.0m               | \$109.1b                                   |

| <b>Write-Offs – Interest only</b> |                             |  |                             |  |                       |  |
|-----------------------------------|-----------------------------|--|-----------------------------|--|-----------------------|--|
|                                   | <b>Total Write-Offs A\$</b> | <b>Write-Offs as a Percentage of Total Outstanding Portfolio Balance</b> | <b>Total Recoveries A\$</b> | <b>Recoveries as a Percentage of Total Outstanding Portfolio Balance A\$</b> | <b>Net Write Offs</b> | <b>Total Outstanding Portfolio Balance</b> |
| <b>At Fiscal year ended:</b>      |                             |  |                             |  |                       |  |
| September-07                      | \$4.4m                      | 0.013%   | \$ 54,129                   | 0.000%   | \$4.3m                | \$33.9b                                    |
| September-08                      | \$10.7m                     | 0.028%   | \$ 863,954                  | 0.002%   | \$9.9m                | \$38.3b                                    |
| September-09                      | \$37.6m                     | 0.094%   | \$ 299,852                  | -0.001%  | \$37.9m               | \$40.2b                                    |
| September-10                      | \$29.3m                     | 0.063%   | \$ 284,912                  | 0.001%   | \$29.0m               | \$46.4b                                    |
| September-11                      | \$30.1m                     | 0.054%   | \$ 360,267                  | 0.001%   | \$29.8m               | \$55.8b                                    |
| September-12                      | \$30.1m                     | 0.050%   | \$ 759,325                  | 0.001%   | \$29.3m               | \$60.5b                                    |

## SUMMARY OF THE PRINCIPAL DOCUMENTS

### **Bond Trust Deed**

The Bond Trust Deed entered into between the Issuer, the Trust Manager, the Covered Bond Guarantor and the Bond Trustee on or about the Programme Date, is the principal agreement governing the Covered Bonds. The Bond Trust Deed contains provisions relating to:

- (a) the constitution of the Covered Bonds and the terms and conditions of the Covered Bonds (as more fully set out under "*Conditions of the Covered Bonds*" below);
- (b) the covenants of the Issuer and the Covered Bond Guarantor;
- (c) the terms of the Covered Bond Guarantee (as described below);
- (d) the enforcement procedures relating to the Covered Bonds and the Covered Bond Guarantee; and
- (e) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed.

### ***The Covered Bond Guarantee***

The Covered Bond Guarantor has guaranteed to the Bond Trustee, for the benefit of Covered Bondholders, the prompt performance by the Issuer of its obligations to pay Guaranteed Amounts.

Following the occurrence of an Issuer Event of Default and the service by the Bond Trustee of an Issuer Acceleration Notice on the Issuer (copied to the Covered Bond Guarantor) and a Notice to Pay on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee), the Covered Bond Guarantor must, as principal obligor, pay or procure to be paid on each Scheduled Payment Date (or on such later date provided for in the Bond Trust Deed) irrevocably and unconditionally to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders), an amount equal to those Guaranteed Amounts which have become Due for Payment in accordance with the terms of the Bond Trust Deed (or which would have become Due for Payment but for any variation, release or discharge of the Guaranteed Amounts), but which have not been paid by the Issuer to the relevant Covered Bondholder and/or Couponholders on the relevant date for payment provided that no Notice to Pay will be so served on the Covered Bond Guarantor until an Issuer Acceleration Notice has been served by the Bond Trustee on the Issuer.

Following the occurrence of a Covered Bond Guarantor Event of Default and the service by the Bond Trustee of a Covered Bond Guarantee Acceleration Notice on the Issuer and the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee), in respect of the Covered Bonds of each Series which have become immediately due and repayable (or which would have become Due for Payment but for any variation, release or discharge of the Guaranteed Amounts), the Covered Bond Guarantor must, as principal obligor, pay or procure to be paid to or to the order of the Bond Trustee (for the benefit of itself and the Covered Bondholders), in the manner described in the Bond Trust Deed, the Guaranteed Amounts.

Notwithstanding any provision of any Programme Document (including without limitation the Bond Trust Deed) to the contrary, the Covered Bond Guarantor will only be required to make a payment, or procure a payment to be made, under the Covered Bond Guarantee to the extent that the Covered Bond Guarantor is required to make such payment in accordance with the Guarantee Priority of Payments.

Subject to the grace periods specified in Condition 9(b) of the Programme Conditions and/or, in the case of an N Covered Bond, the periods specified in the relevant Condition of the relevant N Covered Bond



Conditions (if applicable), failure by the Covered Bond Guarantor to pay the Guaranteed Amounts when Due for Payment will constitute a Covered Bond Guarantor Event of Default.

*Covered Bond Guarantor not obliged to pay additional amounts*

All payments of Guaranteed Amounts by or on behalf of the Covered Bond Guarantor must be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment or governmental charges of whatever nature imposed or levied by or on behalf of Australia or any political subdivision thereof or by any authority therein or thereof having power to tax, unless such withholding or deduction is required by law or regulation or administrative practice of any jurisdiction. If any such withholding or deduction is required, the Covered Bond Guarantor will pay the Guaranteed Amounts net of such withholding or deduction and will account to the appropriate Tax Authority for the amount required to be withheld or deducted. The Covered Bond Guarantor will not be obliged to pay any additional amount to the Bond Trustee or any holder of Covered Bonds and/or Coupons in respect of the amount of such withholding or deduction.

See further "*Taxation*".

*Covered Bond Guarantor as principal debtor and not merely as surety*

The Covered Bond Guarantor has agreed that its obligations under the Bond Trust Deed (including in respect of the Covered Bond Guarantee) will be as if it were principal debtor and not merely as surety or guarantor and will be direct, absolute and (to the extent that such obligations extend to the Covered Bond Guarantee, following service of an Issuer Acceleration Notice and Notice to Pay or a Covered Bond Guarantee Acceleration Notice) unconditional obligations of the Covered Bond Guarantor, secured as provided in the Security Deed and limited in recourse against the Covered Bond Guarantor, irrespective of, and unaffected by, any invalidity, irregularity, illegality or unenforceability of, or defect in, any provisions of the Bond Trust Deed or any other Programme Document, or the absence of any action to enforce the same or the waiver, modification or consent by the Bond Trustee, any of the Covered Bondholders or Couponholders in respect of any provisions of the same or the obtaining of any judgment or decree against the Issuer or any action to enforce the same or any other circumstances which might otherwise constitute a legal or equitable discharge or defence of a guarantor.

*Excess Proceeds*

Following the occurrence of an Issuer Event of Default and the delivery of an Issuer Acceleration Notice and Notice to Pay, any Excess Proceeds will be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor, as soon as practicable, and will be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds will thereafter form part of the Charged Property and will be used by the Covered Bond Guarantor in the same manner as all other moneys from time to time standing to the credit of the GIC Account pursuant to the Security Deed and the Establishment Deed. Any Excess Proceeds received by the Bond Trustee and held by it or under its control will discharge *pro tanto* the obligations of the Issuer in respect of the Covered Bonds and Coupons (as applicable and to the extent of the amount so received and subject to restitution of the same if such Excess Proceeds will be required to be repaid by the Covered Bond Guarantor) (but will be deemed not to have so discharged the Issuer's obligations for the purposes of subrogation rights of the Covered Bond Guarantor contemplated by the Bond Trust Deed). However, the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following service of an Issuer Acceleration Notice and Notice to Pay or if earlier, service of a Covered Bond Guarantee Acceleration Notice) unconditional and irrevocable and the receipt by, or on behalf of, the Bond Trustee of any Excess Proceeds will not reduce or discharge any such obligations.

By subscribing for Covered Bonds, each Covered Bondholder will be deemed to have irrevocably directed the Bond Trustee to pay the Excess Proceeds to the Covered Bond Guarantor in the manner as described above.

For the avoidance of doubt, any payments by the Covered Bond Guarantor to the Covered Bondholders out of the Excess Proceeds, will reduce the Guaranteed Amounts *pro tanto*.

The Bond Trust Deed (other than certain provisions of the Bond Trust Deed under which the Issuer covenants to the Bond Trustee to repay principal and to pay interest in respect of the Covered Bonds (but only in respect of such provisions, to the extent that they relate to any A\$ Registered Covered Bonds), certain provisions of the Bond Trust Deed constituting the A\$ Covered Bonds and certain provisions of the Bond Trust Deed limiting recourse to the Covered Bond Guarantor and the Security Trustee) and any non-contractual obligations arising out of or in connection with it are governed by, and are construed in accordance with, English law. Those provisions of the Bond Trust Deed noted above which are not governed by English law, are governed by, and are construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Intercompany Note Subscription Agreement**

Under the Intercompany Note Subscription Agreement, the Intercompany Note Subscriber has agreed to subscribe for intercompany notes to be issued by the Covered Bond Guarantor (each an **Intercompany Note**) in an aggregate amount equal to the Total Intercompany Note Commitment, when requested to do so by the Covered Bond Guarantor. Each Intercompany Note may be issued either in the relevant Specified Currency of the related Series or Tranche of Covered Bonds and in an amount equal to the Principal Amount Outstanding as at the Issue Date of that Series or Tranche of Covered Bonds or in Australian Dollars in an amount equal to the Australian Dollar Equivalent of the Principal Amount Outstanding of the related Series or Tranche of Covered Bonds as at the Issue Date.

The proceeds of the issue of an Intercompany Note may only be used by the Covered Bond Guarantor (if not denominated in Australian Dollars, upon exchange into Australian Dollars under the applicable Covered Bond Swap):

- (a) in relation to the issue of a Series or Tranche of Covered Bonds, to fund (in whole or part) the Purchase Price of a New Mortgage Loan Portfolio to be purchased from the Seller in accordance with the terms of the Mortgage Sale Agreement;
- (b) if a New Mortgage Loan Portfolio is purchased from the Seller in advance of an issue of a Series or Tranche of Covered Bonds using the proceeds from an issue or Increase of the Demand Note, to repay the Demand Note in an amount equal to the Series or Tranche of Covered Bonds issued which relate to the Intercompany Notes; and/or
- (c) to invest in Substitution Assets (in an amount not exceeding the prescribed limit) to the extent required to meet the Asset Coverage Test,

and thereafter the Covered Bond Guarantor may use such proceeds (if not denominated in Australian Dollars, upon exchange into Australian Dollars under the applicable Covered Bond Swap) (subject to complying with the Asset Coverage Test):

- (i) if an existing Series or Tranche or part of an existing Series or Tranche of Covered Bonds is being refinanced by the issue of a further Series or Tranche of Covered Bonds to which the Intercompany Note being issued relates, to repay the Intercompany Note(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Intercompany Note(s) being repaid, if necessary);

- (ii) to make a repayment of the Demand Note in respect of the Senior Demand Note Component, provided that the Trust Manager has determined the principal amount outstanding of the Demand Note by calculating the Asset Coverage Test as at the Intercompany Note Issue Date having taken into account such repayment and the Trust Manager has confirmed that the Asset Coverage Test will continue to be met after giving effect to such repayment; and/or
- (iii) to make a deposit of all or part of the proceeds into the GIC Account (including to fund the Reserve Fund up to an amount which ensures that the balance of the Reserve Fund does not exceed the Reserve Fund Required Amount).

The Issuer will not be relying on repayment of Intercompany Notes in order to meet its repayment obligations under the corresponding Covered Bonds. The Trust Manager must direct the Covered Bond Guarantor, and upon receiving such instructions, the Covered Bond Guarantor will pay amounts due in respect of each Intercompany Note in accordance with the Intercompany Note Subscription Agreement and the applicable Priority of Payments. Prior to the service of a Notice to Pay on the Covered Bond Guarantor, amounts due in respect of an Intercompany Note will be paid by the Covered Bond Guarantor (acting on the directions of the Trust Manager) to, or as directed by, the Intercompany Noteholder, on each Intercompany Note Interest Payment Date, subject to paying all higher ranking amounts in the Pre-Acceleration Revenue Priority of Payments or, as applicable, the Pre-Acceleration Principal Priority of Payments. Any failure by the Covered Bond Guarantor (acting on the directions of the Trust Manager) to pay any amounts due on an Intercompany Note will not affect the liability of the Issuer to pay the amount due on the corresponding Covered Bonds.

Any amounts owing by the Intercompany Note Subscriber (as issuer of a particular Series or Tranche of Covered Bonds (as the case may be)) to the Covered Bond Guarantor in respect of amounts paid by the Covered Bond Guarantor under the Covered Bond Guarantee in relation to the particular Series or Tranche of Covered Bonds or the purchase of the particular Series or Tranche of Covered Bonds by the Covered Bond Guarantor, as applicable, will be set-off automatically (and without any action being required by the Covered Bond Guarantor, the Trust Manager, the Intercompany Note Subscriber or the Security Trustee) against the principal amount outstanding of the Intercompany Note corresponding to the particular Series or Tranche of Covered Bonds together with any accrued but unpaid interest in relation to the Intercompany Note. The amount set-off will be the amount of the relevant payment made by the Covered Bond Guarantor under the Covered Bond Guarantee in relation to the relevant Covered Bonds or the Principal Amount Outstanding of any Covered Bonds purchased or otherwise acquired and cancelled in accordance with Condition 6(h) or Condition 6(i) of the Programme Conditions and/or, in the case of an N Covered Bond, in accordance with the relevant Condition of the relevant N Covered Bond Conditions (if applicable), as applicable, which amount will be applied to reduce the principal amount outstanding of the Intercompany Note corresponding to the Relevant Covered Bonds, any accrued but unpaid interest in relation to the Intercompany Note (in each case converted into Australian Dollars at the applicable Covered Bond Swap Rate where the Intercompany Note is not denominated in Australian Dollars) and any amounts due and payable in relation to the Demand Note, in the following order of priority:

- (a) *first*, to reduce and discharge interest (including accrued interest) due and unpaid on the principal amount outstanding in relation to such Intercompany Note;
- (b) *second*, to reduce and discharge the principal amount outstanding in relation to such Intercompany Note;
- (c) *third*, to reduce and discharge any other amounts due and payable by the Covered Bond Guarantor to the Intercompany Note Subscriber under the Intercompany Note Subscription Agreement; and
- (d) *fourth*, to reduce and discharge amounts due and payable by the Covered Bond Guarantor to the Demand Note Subscriber under the Demand Note Subscription Agreement.

This set-off will apply notwithstanding the Priorities of Payment.

The Intercompany Note Subscription Agreement is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Demand Note Subscription Agreement**

Under the Demand Note Subscription Agreement, the Demand Note Subscriber has agreed to subscribe for a demand note to be issued by the Covered Bond Guarantor (the **Demand Note**) and thereafter to subscribe for increases in the principal amount outstanding of the Demand Note previously issued (each an **Increase**) in an aggregate amount up to the Total Demand Note Commitment when requested to do so by the Covered Bond Guarantor. The Demand Note will be denominated in Australian Dollars. Interest on the Demand Note accrues from day to day and is to be calculated on actual days elapsed and a 365-day year. Such interest is payable in arrears on each Trust Payment Date and accrues at a rate to be determined by the Demand Note Subscriber and the Trust Manager.

The balance of the Demand Note will fluctuate over time, as described below.

The proceeds of the issue of the Demand Note or an Increase in relation to the Demand Note may only be used by, or on behalf of, the Covered Bond Guarantor:

- (a) as whole or partial consideration for the acquisition of Mortgage Loans and Related Security from the Seller on a Transfer Date;
- (b) to prevent or rectify a failure to meet the Asset Coverage Test;
- (c) to rectify a breach of the Pre-Maturity Test;
- (d) to rectify an Interest Rate Shortfall;
- (e) to fund (in whole or in part) the repayment by the Covered Bond Guarantor of any outstanding Intercompany Notes issued by the Covered Bond Guarantor; or
- (f) for any other purpose whatsoever as may be agreed from time to time between the Covered Bond Guarantor (acting at the direction of the Trust Manager) and the Demand Note Subscriber.

Unless otherwise agreed by the Demand Note Subscriber, the Demand Note Subscriber will not subscribe for the issue of, or an Increase in, the Demand Note following an Issuer Event of Default.

### *Senior Demand Note Component and Junior Demand Note Component*

The Demand Note notionally comprises of two separate tranches, a Senior Demand Note Component and a Junior Demand Note Component (each as defined below).

If the Issuer has determined that a Regulatory Event has occurred or is likely to occur and the Issuer has so notified the Covered Bond Guarantor and the Trust Manager, then:

- (a) The **Senior Demand Note Component** will be the amount by which the then principal amount outstanding of the Demand Note is greater than the principal amount outstanding of the Demand Note which is required to satisfy the Asset Coverage Test. If there is no such excess then the Senior Demand Note Component is equal to zero. In effect, the Senior Demand Note Component represents the voluntary over-collateralisation in the Trust over and above the over-collateralisation that is required to satisfy the Asset Coverage Test.

- (b) The **Junior Demand Note Component** will be equal to the principal amount outstanding of the Demand Note less the Senior Demand Note Component. In effect, the Junior Demand Note Component represents the over-collateralisation that the Trust is required to hold to satisfy the Asset Coverage Test.

There is no Senior Demand Note Component unless the Issuer has made the determination described above and notified the Covered Bond Guarantor and Trust Manager accordingly.

#### *Repayment of the Demand Note*

The Covered Bond Guarantor must repay or otherwise satisfy the principal amount of the Demand Note in accordance with the applicable Priority of Payments and the terms of the Demand Note Subscription Agreement and the Establishment Deed.

Amounts due and payable by the Covered Bond Guarantor in respect of the Demand Note will be repaid or otherwise satisfied:

- if, and only if, the Issuer has determined and notified the Covered Bond Guarantor and the Trust Manager of the occurrence or likely occurrence of a Regulatory Event, in respect of the Senior Demand Note Component, only either:
  - by way of set-off by application of the proceeds of the issue of Intercompany Notes as described in "*–Intercompany Note Subscription Agreement – The proceeds of the issue of Intercompany Notes*" above which will be set-off as described below; or
  - by an *in specie* distribution of Mortgage Loans and the Related Security to the Demand Noteholder except if there is an In Specie Failure in which case a payment pursuant to the applicable Priority of Payments is permissible; and
- otherwise, if the Issuer has not determined and notified the Covered Bond Guarantor and the Trust Manager of the occurrence or likely occurrence of a Regulatory Event or, if it has, in respect of the Junior Demand Note Component, by application of such amounts as are available under the Priorities of Payments. In addition, in respect of the Junior Demand Note Component, the Trust Manager may (at its discretion) direct the Covered Bond Guarantor to distribute any Mortgage Loans and the Related Security of the Trust in full in specie to satisfy any outstanding payment obligations to the Demand Noteholder.

Any *in specie* distribution will be without recourse to the Covered Bond Guarantor and the Trust Manager and without representation or warranty by the Covered Bond Guarantor. For the purposes of an *in specie* distribution the value of the relevant Mortgage Loans to be distributed by the Covered Bond Guarantor will be determined by the Trust Manager by reference to the Current Principal Balance plus Accrued Interest and Arrears of Interest in respect of the corresponding Mortgage Loans calculated as at the date of the *in specie* distribution and the Mortgage Loans and Related Security must be selected by the Trust Manager on a basis that is representative of the Mortgage Loans then forming part of the Asset Pool.

The principal amount outstanding of the Demand Note (or relevant part of it) will be repaid or otherwise satisfied by the Covered Bond Guarantor on an AU Business Day no later than the date which falls on the second Trust Payment Date falling after a demand is made by the Demand Noteholder to the Covered Bond Guarantor unless on such day: (i) the Asset Coverage Test as calculated by the Trust Manager will not be satisfied after giving effect to such repayment and any other amounts to be paid pursuant to the applicable Priority of Payments on the next Trust Payment Date, in which case, only that portion of the amount of the Demand Note which could be repaid whilst remaining in compliance with the Asset Coverage Test will be due and payable on such day; or (ii) an Asset Coverage Test Breach Notice has been given on or prior to such day and has not been revoked.

If a Covered Bond Guarantee Acceleration Notice has been served, the principal amount of the Demand Note will be due and payable by the Covered Bond Guarantor in accordance with and subject to the Post-Enforcement Priority of Payments.

If the Covered Bonds of each Series and Tranche have been repaid in full and the Issuer has confirmed that no additional Covered Bonds will be issued under the Programme Documents, the principal amount of the Demand Note will be due and payable by the Covered Bond Guarantor in accordance with and subject to the applicable Priority of Payments.

The principal amount of the Demand Note relating to an Interest Rate Shortfall Demand Note Funding will be due and payable by the Covered Bond Guarantor in accordance with and subject to the applicable Priority of Payments.

Repayment of amounts due and payable by the Covered Bond Guarantor in respect of the Demand Note will:

- if, and only if, the Issuer has determined and notified the Covered Bond Guarantor and the Trust Manager of the occurrence or likely occurrence of a Regulatory Event, in respect of the Senior Demand Note Component, rank senior to the amounts due and payable by the Covered Bond Guarantor to the Covered Bondholders and Couponholders under the Covered Bond Guarantee and to the Intercompany Noteholder under the Intercompany Notes, as applicable, under the Pre-Acceleration Priority of Payment, the Guarantee Priority of Payment and the Post-Enforcement Priority of Payment unless there is an In Specie Failure, in which case such amounts will be subordinated; and
- otherwise, if the Issuer has not determined and notified the Covered Bond Guarantor and the Trust Manager of the occurrence or like occurrence of a Regulatory Event or, if it has, in respect of the Junior Demand Note Component only, be subordinated to the amounts due and payable by the Covered Bond Guarantor to the Covered Bondholders and Couponholders under the Covered Bond Guarantee and to the Intercompany Noteholder under the Intercompany Notes, as applicable, under the Pre-Acceleration Priority of Payment, the Guarantee Priority of Payment and the Post-Enforcement Priority of Payment.

Any amounts owing by the Intercompany Note Subscriber (as Issuer of a particular Series or Tranche of Covered Bonds (as the case may be)) to the Covered Bond Guarantor in respect of amounts paid by the Covered Bond Guarantor under the Covered Bond Guarantee in relation the particular Series or Tranche of Covered Bonds or the purchase of the particular Series or Tranche of Covered Bonds by the Covered Bond Guarantor, as applicable, which are not set-off in accordance with the order of priority contained in the Intercompany Note Subscription Agreement (set out in "*Intercompany Note Subscription Agreement*" above) will be set-off automatically (and without any action being required by the Covered Bond Guarantor, the Trust Manager, the Intercompany Note Subscriber, the Demand Note Subscriber or the Security Trustee) against any amounts payable by the Covered Bond Guarantor in respect of the Demand Note or under the Demand Note Subscription Agreement in the following order of priority:

- (a) *first*, to reduce and discharge interest (including accrued interest) due and unpaid on the principal amount outstanding of the Demand Note;
- (b) *second*, to reduce and discharge the principal amount outstanding of the Demand Note;
- (c) *third*, to reduce and discharge any other amounts due and payable by the Covered Bond Guarantor to the Demand Note Subscriber under the Demand Note Subscription Agreement.

This set-off will apply notwithstanding the Priorities of Payment.

The Demand Note Subscription Agreement is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

## **Mortgage Sale Agreement**

### ***The Seller***

Mortgage Loans and the Related Security will be sold to the Covered Bond Guarantor from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on 11 November 2011 between nab (in its capacities as Seller, Trust Manager, Issuer, Servicer, Interest Rate Swap Provider and beneficiary of the Seller Trust), the Covered Bond Guarantor (including as Seller Trustee) and the Security Trustee.

### ***Sale by the Seller of Mortgage Loans and Related Security***

The Mortgage Loan Portfolio will consist of Mortgage Loans and the Related Security sold from time to time by the Seller to the Covered Bond Guarantor in accordance with the terms of the Mortgage Sale Agreement. The types of Mortgage Loans forming part of the Mortgage Loan Portfolio will vary over time provided that, at the time the relevant Mortgage Loans are sold to the Covered Bond Guarantor, the Mortgage Loans are Qualifying Mortgage Loans (as described below) on the relevant Transfer Date. Accordingly, Mortgage Loans sold by the Seller to the Covered Bond Guarantor on a Transfer Date may have characteristics that differ from Mortgage Loans already in the Mortgage Loan Portfolio as at that date.

Prior to the occurrence of an Issuer Event of Default or a Covered Bond Guarantor Event of Default, the Covered Bond Guarantor will acquire New Mortgage Loan Portfolios from the Seller in the four circumstances described below:

- (a) prior to the issue of any Covered Bonds in accordance with the Programme, the Covered Bond Guarantor may issue the Demand Note or request an increase in the principal amount of the Demand Note from the Demand Note Subscriber, the proceeds of which may be applied by the Covered Bond Guarantor to acquire New Mortgage Loan Portfolios from the Seller on the relevant Transfer Date;
- (b) in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the Intercompany Note Subscriber will subscribe for an Intercompany Note issued by the Covered Bond Guarantor, the proceeds of which, together with (if applicable) any proceeds from the issue of or an increase in the principal amount of the Demand Note and any Available Principal Receipts available for that purpose, may be applied in whole or in part by the Covered Bond Guarantor to acquire New Mortgage Loan Portfolios from the Seller on the relevant Issue Date;
- (c) pursuant to the Mortgage Sale Agreement, if at any time prior to the service of an Asset Coverage Test Breach Notice (which is not deemed to have been revoked) both:
  - (i) the amount of Available Principal Receipts available for distribution on the immediately following Trust Payment Date exceeds the amount required to be applied under paragraphs (a) to (f) inclusive of the Pre-Acceleration Principal Priority of Payments; and
  - (ii) the Trust Manager considers (having regard to the composition of the Mortgage Loan Portfolio, and the amount of Substitution Assets and Authorised Investments held by the Covered Bond Guarantor, at that time) that all or part of the Available Principal Receipts remaining after application under paragraphs (a) to (f) inclusive of the Pre-Acceleration Principal Priority of Payments should be utilised to acquire one or more New Mortgage Loan Portfolios,

then the Covered Bond Guarantor must (at the direction of the Trust Manager) notify the Seller requesting that the Seller sell to the Covered Bond Guarantor such New Mortgage Loan Portfolios as are specified by the Trust Manager;

- (d) the Trust Manager is required to ensure that the Adjusted Aggregate Mortgage Loan Amount is maintained at all relevant times in compliance with the Asset Coverage Test (as determined by the Trust Manager on each Calculation Date). If the Trust Manager notifies the Covered Bond Guarantor that on any Calculation Date the Asset Coverage Test is not satisfied, the Trust Manager must use all reasonable endeavours to arrange for the Covered Bond Guarantor to acquire one or more New Mortgage Loan Portfolios from the Seller in accordance with the Mortgage Sale Agreement as may be required to ensure that the Asset Coverage Test is satisfied on or before the immediately following Calculation Date; and
- (e) if the Trust Manager notifies the Servicer and the Seller that having regard to the obligations of the Covered Bond Guarantor and the amount of the Interest Rate Shortfall further Mortgage Loans and Related Security should be sold to the Covered Bond Guarantor to rectify the Interest Rate Shortfall the Seller will use all reasonable efforts to offer to sell to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement such New Mortgage Loan Portfolios comprising Mortgage Loans which have a standard variable rate and/or other discretionary rates or margins sufficient to avoid the Interest Rate Shortfall on the next succeeding Calculation Date.

The Seller will not be obliged to sell Mortgage Loans and the Related Security as described above in paragraphs (a), (b), (c) and (d) if, in the reasonable opinion of the Seller, the sale would materially adversely affect the business or financial condition of the Seller.

In exchange for the sale of the Mortgage Loans and the Related Security to the Covered Bond Guarantor, the Seller will receive a cash payment of the purchase price equal to the Current Principal Balance of those Mortgage Loans sold by it as at the Transfer Date.

The Seller and the Covered Bond Guarantor may agree that all or part of the purchase price for each New Mortgage Loan Portfolio will be set-off against any amount payable on the Transfer Date by nab as Intercompany Note Subscriber and/or Demand Note Subscriber in accordance with the Intercompany Note Subscription Agreement and/or Demand Note Subscription Agreement.

The purchase price for a New Mortgage Loan Portfolio will be paid as described above on the applicable Transfer Date.

### ***Qualifying Mortgage Loans***

The sale of Mortgage Loans and the Related Security to the Covered Bond Guarantor will be subject to various conditions being satisfied on the relevant Transfer Date, including that each Mortgage Loan is a Qualifying Mortgage Loan. A **Qualifying Mortgage Loan** is a Mortgage Loan that satisfies the following conditions:

- (a) it is due from a Qualifying Borrower;
- (b) it is repayable in Australian Dollars;
- (c) the term of the Mortgage Loan does not exceed 30 years;
- (d) it is freely capable of being dealt with by the Seller as contemplated by the Mortgage Sale Agreement and any New Mortgage Loan Portfolio Notice;



- (e) it is secured by a Mortgage over Property in Australia which is either:
  - (i) a first ranking mortgage; or
  - (ii) a second ranking mortgage where:
    - (A) there are two mortgages over the Property securing the Mortgage Loan and the Seller is the registered first mortgagee; and
    - (B) the registered first ranking mortgage is also being or has been acquired by the Covered Bond Guarantor;
- (f) the Property subject to a Mortgage has erected on it a residential dwelling which is not under construction (excluding renovations permitted by the terms of the Mortgage Loan); and
- (g) its Current Principal Balance then outstanding does not exceed A\$2,500,000.

On each Transfer Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Mortgage Loans and the Related Security sold by the Seller to the Covered Bond Guarantor on that Transfer Date.

***Transfer of Title to the Mortgage Loans to the Covered Bond Guarantor***

Mortgage Loans and Related Securities will be sold by the Seller to the Covered Bond Guarantor by way of equitable assignment. Notice of the sale will not be initially provided to the Borrowers.

Any steps to perfect legal title in the Mortgage Loan Portfolio, including execution and lodgement of Mortgage Transfers with the land titles offices of the appropriate jurisdiction to achieve registration of the Related Security in the name of the Covered Bond Guarantor and the notification to the relevant Borrowers of the sale of Mortgage Loans in the Mortgage Loan Portfolio and the Related Security to the Covered Bond Guarantor, may only be completed by the Covered Bond Guarantor (acting on the directions of the Trust Manager), after the earliest to occur of the following events (**Title Perfection Events**):

- (a) in respect of all Mortgage Loans and the Related Security in the Mortgage Loan Portfolio (other than any Selected Mortgage Loans and the Related Security specified in a Selected Mortgage Loan Extinguishment Notice which has been accepted by the Seller within the prescribed time), an Issuer Event of Default and the service on the Issuer of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor of a Notice to Pay;
- (b) in respect of the relevant Selected Mortgage Loans and the Related Security only, notice being delivered by the Covered Bond Guarantor (at the direction of the Trust Manager) of a Title Perfection Event, following the acceptance of an offer to sell any Selected Mortgage Loans and the Related Security (in accordance with the Programme Documents) to a Purchaser who is not the Seller;
- (c) in respect of the affected Selected Mortgage Loans and the Related Security only, the Seller and/or the Covered Bond Guarantor being required to perfect legal title to any Mortgage Loans and the Related Security in the Mortgage Loan Portfolio by law or by an order of a court of competent jurisdiction;
- (d) in respect of the affected Selected Mortgage Loans and the Related Security only, the Seller requesting that the Covered Bond Guarantor perfect its right, title and interest in, to and under, any Mortgage Loans and the Related Security in the Mortgage Loan Portfolio by giving notice in writing to that effect to the Covered Bond Guarantor and the Security Trustee;

- (e) in respect of all Mortgage Loans and the Related Security in the Mortgage Loan Portfolio, the Security Trustee declaring that a Title Perfection Event occurs if, in the opinion of the Security Trustee (acting on the directions of the Bond Trustee (for so long as there are Covered Bonds outstanding) or (where no Covered Bonds are outstanding) the Majority Secured Creditors), the Security under the Security Deed or any material part of the Security is in jeopardy and the Security Trustee is directed by the Bond Trustee or the Majority Secured Creditors, as applicable, to declare that a Title Perfection Event has occurred, to reduce that jeopardy;
- (f) in respect of all Mortgage Loans and the Related Security in the Mortgage Loan Portfolio, the termination or resignation of nab as Servicer under the Servicing Agreement unless:
  - (i) at the relevant date of termination or resignation any Substitute Servicer is a Related Entity of nab; or
  - (ii) the Issuer has issued a Rating Affirmation Notice to the Covered Bond Guarantor, copied to the Security Trustee, in respect of the termination or resignation of nab as Servicer;
- (g) in respect of all Mortgage Loans and the Related Security in the Mortgage Loan Portfolio, the occurrence of an Insolvency Event in relation to the Seller; or
- (h) in respect of all Mortgage Loans and the Related Security in the Mortgage Loan Portfolio, the Seller's unsecured, unsubordinated, long-term senior debt obligations have been downgraded below Baa3 by Moody's or BBB- by Fitch (or, if Fitch has placed the Seller on ratings watch negative at the relevant time, BBB by Fitch).

On or before the first Transfer Date, the Seller will deliver irrevocable powers of attorney in registrable form in each applicable Australian jurisdiction appointing the Covered Bond Guarantor as its attorney to, amongst other things: (i) execute, deliver, lodge and register any Mortgage Transfer relating to any Mortgage Loans and any other documents referred to in a Mortgage Transfer which are ancillary to them or contemplated by them with any land titles office in any relevant Australian jurisdiction; (ii) give effect to the transactions contemplated by any Mortgage Transfer; and (iii) exercise any rights of the Seller to vary by notice to the Borrower the rate or amount of any interest or fees payable by the Borrower under the Mortgage Loan (the **Seller Powers of Attorney**) and/or do anything incidental to or conducive to the effective and expeditious exercise of its rights under the Seller Powers of Attorney. The Seller Powers of Attorney will not be exercisable by the Covered Bond Guarantor until the occurrence of a Title Perfection Event in relation to the relevant Mortgage Loan. Upon the occurrence of a Title Perfection Event, the Servicer must deliver to (or at the written direction of) the Covered Bond Guarantor all Mortgage Loan Files, and the Covered Bond Guarantor must (acting on the directions of the Trust Manager) as soon as practicable take all necessary steps to perfect and protect the Covered Bond Guarantor's interest in, and title to, the Mortgage Loans and the Related Security, including: (i) the execution (where necessary under the Seller Powers of Attorney) and lodging of the Mortgage Transfers with the land titles offices of each appropriate jurisdiction to achieve registration of the Related Security in the name of the Covered Bond Guarantor; and (ii) initiating legal proceedings to take possession of the Mortgage Loan Files that have not been delivered by the Servicer; and (iii) the completion (where necessary, executed under the Seller Powers of Attorney) and giving of notice of the sale of the Mortgage Loans in the Mortgage Loan Portfolio and Related Security to the Covered Bond Guarantor to the relevant Borrowers, insurers and other interested persons; and (iv) requiring each relevant Borrower to make all payments in respect of the relevant Mortgage Loans directly to the Covered Bond Guarantor.

Under the terms of the Mortgage Sale Agreement, the Seller indemnifies the Covered Bond Guarantor against all Liability arising from or incurred as a result of (i) a failure by the Seller to perform any obligation under the Mortgage Sale Agreement (including any Title Penalty Payments which the Covered Bond Guarantor is required to pay personally or in its capacity as trustee of the Trust as a result of a failure by the Seller to comply with sections 11A and 11B of the Land Titles Act); (ii) all Penalty Payments which the

Covered Bond Guarantor is required to pay personally or in its capacity as trustee of the Trust as a result of a breach by the Seller of any of its representations and warranties under the Mortgage Sale Agreement or a Mortgage Loan or Related Security being in breach of the Consumer Credit Code or the National Consumer Credit Protection Laws or any other breach of the Consumer Credit Code or the National Consumer Credit Protection Laws as at the relevant Transfer Date; (iii) the occurrence of a Title Perfection Event; and (iv) any Borrower in respect of a Mortgage Loan in the Mortgage Loan Portfolio exercising a right of set-off against the Covered Bond Guarantor (provided that the amount of such indemnity in relation to such Mortgage Loan may not exceed the sum of the Current Principal Balance of that Mortgage Loan together with Accrued Interest and Arrears of interest as at the date that the Borrower exercises the right of set-off). In this paragraph a **right of set-off** means any right of set-off arising from a deposit of money made by the Borrower with the Seller, or if the Seller fails to advance an agreed Further Advance or a Cash Redraw, or from any transaction between the Borrower and the Seller other than one relating to the Mortgage Loan, but it does not include any agreement to reduce the Borrower's liability to pay interest contained in an Offset Mortgage Loan.

### ***Representations and Warranties***

The Seller makes the following representations and warranties (the **Representations and Warranties**) to the Covered Bond Guarantor, the Trust Manager and the Security Trustee in relation to a Mortgage Loan sold or to be sold to the Covered Bond Guarantor on the Transfer Date relating to that Mortgage Loan:

- (a) at the time the Seller entered into the Mortgage Loan the Mortgage Loan, the related Mortgage and each other Related Security comply in all material respects with all applicable laws (including the Consumer Credit Code and the National Consumer Credit Protection Laws where applicable);
- (b) the related Mortgage and each other Related Security has been or will be duly stamped;
- (c) the terms of the Mortgage Loan, related Mortgage and each other Related Security, have not been impaired, waived, altered or modified in any respect, except by a written instrument forming part of the related Title Documents;
- (d) the Mortgage Loan, related Mortgage and any other Related Security are enforceable in accordance with their terms against the relevant Borrower (subject to laws relating to insolvency and creditors' rights generally);
- (e) the Mortgage Loan is a Qualifying Mortgage Loan as at the relevant Transfer Date;
- (f) the Seller has not received any notice of the insolvency or bankruptcy of the Borrower or that the Borrower did not have the legal capacity to enter into the Mortgage Loan or Related Security;
- (g) the Seller is the sole legal and beneficial owner of the Mortgage Loan and immediately prior to the assignment of the Mortgage Loan and Related Security under the Mortgage Sale Agreement, no Security Interest exists in relation to its right, title and interests in the Mortgage Loan;
- (h) it holds all documents necessary to enforce the provisions of, and the security created by, the related Mortgage and each other Related Security;
- (i) it has not received notice from any person that claims to have a Security Interest ranking in priority to or equal with the related Mortgage or any other Related Security;
- (j) except if the Mortgage Loan is subject to a fixed rate of interest at any time and except as may be provided by applicable laws or any binding provision, the interest payable on the Mortgage Loan is not subject to any limitation and no consent, additional memoranda or other writing is required from the Borrower to give effect to a change in the interest rate payable on the Mortgage Loan and any

change will be effective on notice being given to the Borrower in accordance with the terms of the Mortgage Loan;

- (k) it is entitled to assign the Mortgage Loan upon the terms and conditions of the Mortgage Sale Agreement and no consent to the sale and assignment of the Mortgage Loan or notice of that sale and assignment is required to be given by or to any person including any Borrower (or to the extent that any consent is required, such consent will have been obtained immediately prior to the assignment of the relevant Mortgage Loan);
- (l) upon assignment in accordance with the Mortgage Sale Agreement, beneficial ownership of the Mortgage Loan will vest in the Covered Bond Guarantor free and clear of all Security Interests (other than any Security Interests arising by operation of law); and
- (m) the sale of the Mortgage Loan will not be held by a court to constitute a transaction at an undervalue, a fraudulent conveyance or a voidable preference under any insolvency law.

### ***Seller Trust***

The Mortgage in respect of a Mortgage Loan in the Mortgage Loan Portfolio may constitute an "all moneys mortgage" in that such Mortgage purports to secure the repayment of indebtedness which a Borrower owes, or may owe, to the Seller, as applicable, other than in respect of the relevant Mortgage Loan (such as business loans) (the **Associated Debt**) (each such mortgage an **All Moneys Mortgage**). Associated Debt secured by an All Moneys Mortgage which is part of a New Mortgage Loan Portfolio assigned to the Covered Bond Guarantor will also form part of that New Mortgage Loan Portfolio. Pursuant to a trust to be established upon entry into the Mortgage Sale Agreement (the **Seller Trust**), the Covered Bond Guarantor (as the **Seller Trustee**) will hold:

- (a) all of its right, title and interest in any such Associated Debt (including the proceeds of enforcement of such Associated Debt); and
- (b) the balance (if any) of the All Moneys Mortgage securing that Associated Debt (after taking into account the Trust's interest in that All Moneys Mortgage),

on trust for the benefit of the Seller (such property being the **Seller Trust Assets**). Accordingly, the Seller Trust Assets do not constitute part of the Asset Pool or, for the purposes of the Australian Banking Act, the Cover Pool.

Where:

- (a) a Mortgage Loan forms part of the Mortgage Loan Portfolio;
- (b) an Associated Debt forms part of the Seller Trust Assets; and
- (c) there is an All Moneys Mortgage in respect of that Mortgage Loan and Associated Debt,

then all moneys received by the Seller Trustee, the Seller, the Servicer, the Trust Manager or the Covered Bond Guarantor or any receiver, receiver and manager or attorney under or in relation to that Mortgage Loan or that Associated Debt as a result of the enforcement of the All Moneys Mortgage will be applied in accordance with the directions of the Trust Manager and in the following order of priority:

- (i) *first*, to meet all costs, charges and expenses of the Covered Bond Guarantor or the relevant mortgagee or any receiver, receiver and manager or attorney incurred in the enforcement of the Mortgage Loan;

- (ii) *second*, in satisfaction of amounts which are payable, are owing but not currently payable, are contingently owing or remain unpaid under the Mortgage Loan; and
- (iii) *third*, in satisfaction of the Associated Debt.

The Covered Bond Guarantor must not (and the Trust Manager must not direct it to) sell, transfer or (other than as contemplated by the Programme Documents) grant any Security Interest over any All Moneys Mortgage which is held by it partly as trustee for the Trust and partly as trustee for the Seller Trust without notifying the relevant transferee or holder of the Security Interest of the existence of the interest of the Seller as beneficiary of the Seller Trust in that All Moneys Mortgage. The Seller (as beneficiary of the Seller Trust) has the power to lodge a caveat over any All Moneys Mortgage where the Covered Bond Guarantor has, in breach of the above sold, transferred or granted any Security Interest, or the Seller reasonably believes that the Covered Bond Guarantor will sell, transfer or grant any Security Interest, in an All Moneys Mortgage.

### ***Extinguishment and transfer***

If a Mortgage Loan and Related Security becomes the subject of a Mortgage Loan Extinguishment Notice (which occurs in the circumstances described below under "*Breach of Representations and Warranties*", "*Product Switches, Further Advances and Cash Redraws*", "*Seller's Right of pre-emption in respect of Selected Mortgage Loans*" and "*Seller's right of extinguishment*"), and such notice is served on the Covered Bond Guarantor and the Trust Manager by the Seller (and in the case of an exercise by the Seller of its right of pre-emption, such notice is countersigned by the Covered Bond Guarantor) in accordance with the Mortgage Sale Agreement, upon payment by the Seller to the Covered Bond Guarantor of the relevant Extinguishment Amount, without any further act or thing required, and without any other instrument being brought into existence, the Covered Bond Guarantor's entire right, title and interest in, to and under the relevant Mortgage Loan, the Related Security and any other rights relating to the Mortgage Loan forming part of the Mortgage Loan Portfolio (the **Extinguished Mortgage Loan Rights**) will be extinguished in favour of the Seller. The Covered Bond Guarantor will thereafter cease to have any interest in the relevant Mortgage Loan, the Related Security and any such other rights.

If the Covered Bond Guarantor has perfected its title to a Mortgage Loan and Related Security which becomes subject to a Mortgage Loan Extinguishment Notice, upon payment of the Extinguishment Amount by the Seller to the Covered Bond Guarantor, the Covered Bond Guarantor must take all action reasonably requested by the Seller which is required to transfer the Mortgage Loan and any Related Security to the Seller on such date.

The **Extinguishment Amount** in respect of a Mortgage Loan the subject of a Mortgage Loan Extinguishment Notice will be an amount equal to: (a) the Current Principal Balance of such Mortgage Loan plus all Accrued Interest and Arrears of Interest under the Mortgage Conditions relating to that Mortgage Loan as at the Extinguishment Date, provided that in relation to a Mortgage Loan the subject of a Mortgage Loan Extinguishment Notice as a result of a Product Switch of such Mortgage Loan enabling the Borrower to "offset" mortgage payments against other amounts on deposit with the Seller, all Accrued Interest and Arrears of Interest of such Mortgage Loan must be calculated on the basis that no offset occurred for so long as the Mortgage Loan was in the Mortgage Loan Portfolio; or (b) in the case of a Mortgage Loan that is a Selected Mortgage Loan, an amount not less than the amount required in connection with the sale of such Mortgage Loan as described below under "*Establishment Deed - Method of Sale of Selected Mortgage Loans*".

### ***Breach of Representations and Warranties***

In the event of a material breach of any of the Representations and Warranties or if any Representation or Warranty proves to be materially untrue (in each case in respect of any Mortgage Loan in the Mortgage Loan Portfolio and/or the Related Security) as at the date such Representation and Warranty is given and (i) the

Covered Bond Guarantor (acting at the direction of the Trust Manager and with the consent of the Security Trustee) or the Security Trustee has given the Seller written notice of such breach or untruth; and (ii) such breach or untruth is incapable of remedy or has not been remedied to the satisfaction of, or waived by, the Covered Bond Guarantor (acting at the direction of the Trust Manager and with the consent of the Security Trustee) or the Security Trustee within 30 AU Business Days from the date of the notice in (i) being served on the Seller (or such longer period has the Covered Bond Guarantor, acting on the directions of the Trust Manager and with the consent of the Security Trustee, may direct or agree with the Security Trustee), then the Seller must serve upon the Covered Bond Guarantor a Mortgage Loan Extinguishment Notice in relation to any such Mortgage Loan and the Related Security, unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio and pay the relevant Extinguishment Amount to the Covered Bond Guarantor within 30 AU Business Days of the date the Seller is given notice of the breach or untruth.

### ***Product Switches, Further Advances and Cash Redraws***

A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Product Switch when the Seller agrees to a variation in the Mortgage Conditions applicable to a Borrower's Mortgage Loan and/or to move a Borrower to an alternative mortgage product which, in either case, means that the Mortgage Loan would no longer be a Qualifying Mortgage Loan.

If the Seller agrees to make a Product Switch in relation to a Mortgage Loan in the Mortgage Loan Portfolio, during a Calculation Period, the Seller may serve a Mortgage Loan Extinguishment Notice on the Covered Bond Guarantor and pay the relevant Extinguishment Amount on the next Calculation Date or such other date as specified by the Seller in the Mortgage Loan Extinguishment Notice.

A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Further Advance if an existing Borrower requests further moneys to be advanced to him or her under the relevant Mortgage Loan in circumstances which do not amount to a Cash Redraw and such request is granted. A Mortgage Loan in the Mortgage Loan Portfolio will be subject to a Cash Redraw when the Seller agrees to a re-advance by the Seller of some or all of the Overpayments that the Borrower has made under the Mortgage Loan.

If the Seller agrees to make a Further Advance or a Cash Redraw in relation to a Mortgage Loan in the Mortgage Loan Portfolio the Seller may request the Covered Bond Guarantor (such request to be copied to the Trust Manager) to reimburse the Seller for funding the Further Advance or Cash Redraw. The Covered Bond Guarantor is under no obligation whatsoever to reimburse the Seller for funding a Further Advance or Cash Redraw, and any such decision will be made at the Trust Manager's absolute discretion, provided that in no circumstances will the Trust Manager agree to reimburse the Seller for funding a Further Advance or Cash Redraw if: (i) the Trust Manager determines that a Mortgage Loan would not be a Qualifying Mortgage Loan immediately after the Further Advance or Cash Redraw is made; or (ii) on the next Trust Payment Date to occur following the Seller's request to be reimbursed, there are insufficient Available Principal Receipts that are able to be applied for that purpose in accordance with the Pre-Acceleration Principal Priority of Payments. The Trust Manager must notify the Seller on or before the Calculation Date immediately preceding the relevant Trust Payment Date as to whether it has directed the Covered Bond Guarantor to reimburse the Seller for funding the related Further Advance or Cash Redraw. Reimbursement by the Covered Bond Guarantor of a Further Advance or Cash Redraw will only be made if the Trust Manager so directs the Covered Bond Guarantor and will be made in accordance with the applicable Priority of Payments and the terms of the Establishment Deed and the Security Deed.

If the Trust Manager notifies the Seller that it has directed the Covered Bond Guarantor to decline a request from the Seller to reimburse the Seller for funding a Further Advance or Cash Redraw or the Seller does not (in its discretion) make any such request then the Seller may serve a Mortgage Loan Extinguishment Notice on the Covered Bond Guarantor and pay the relevant Extinguishment Amount on the next Calculation Date to occur following the notification by the Trust Manager or such other date as specified by the Seller in the Mortgage Loan Extinguishment Notice or, where the Seller has not made a request, following the funding of the Further Advance or Cash Redraw.

### ***Defaulted Mortgage Loans***

If a Mortgage Loan becomes a Defaulted Mortgage Loan, then that Defaulted Mortgage Loan will be attributed a zero value in the calculation of the Asset Coverage Test and the Amortisation Test on the relevant Calculation Date.

### ***Seller's right of extinguishment***

The Seller may, at any time prior to the occurrence of an Issuer Event of Default, serve a Mortgage Loan Extinguishment Notice on the Covered Bond Guarantor (and copied to the Trust Manager) thereby offering to extinguish the Covered Bond Guarantor's interest in a Mortgage Loan and its Related Security (unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio that is not subject to the offer contained in the Mortgage Loan Extinguishment Notice) by paying the relevant Extinguishment Amount on the date specified in the Mortgage Loan Extinguishment Notice, which must be no earlier than five AU Business Days after the date of that Mortgage Loan Extinguishment Notice. The Covered Bond Guarantor will be under no obligation whatsoever to accept such an offer. The Covered Bond Guarantor must only accept any such offer if directed to do so by the Trust Manager and the Trust Manager must only direct the Covered Bond Guarantor to accept such offer if the Trust Manager has first confirmed that if the Mortgage Loan and Related Security ceased to form part of the Mortgage Loan Portfolio (following an extinguishment of the Covered Bond Guarantor's interest), the Asset Coverage Test will be met.

The Covered Bond Guarantor (at the direction of the Trust Manager) may accept an offer by the Seller in a Mortgage Loan Extinguishment Notice served in accordance with the process set out above by countersigning and returning to the Seller the Mortgage Loan Extinguishment Notice, whereupon the Seller must pay the relevant Extinguishment Amount on the date specified in the Mortgage Loan Extinguishment Notice.

### ***Seller's right of pre-emption in respect of Selected Mortgage Loans***

Under the terms of the Mortgage Sale Agreement, the Seller will have a right of pre-emption in respect of any sale, in whole or in part, of Selected Mortgage Loans and the Related Security. The Covered Bond Guarantor (at the direction of the Trust Manager) may be required to sell selected Mortgage Loans and Related Security in the circumstances described in "*Establishment Deed - Sale of Selected Mortgage Loans and Related Security if the Pre-Maturity Test is breached*", "*Establishment Deed - Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice*" and "*Establishment Deed - Sale of Selected Mortgage Loans and Related Security following service of a Notice to Pay*" below.

In connection with the sale of Mortgage Loans and Related Security, prior to the Trust Manager directing the Covered Bond Guarantor to make an offer to sell those Selected Mortgage Loans and the Related Security to Purchasers other than the Seller, the Trust Manager must immediately direct the Covered Bond Guarantor to serve on the Seller a Selected Mortgage Loan Extinguishment Notice in respect of those Selected Mortgage Loans and the Related Security. Following receipt of such notice the Seller may (A) serve a Mortgage Loan Extinguishment Notice on the Covered Bond Guarantor and the Trust Manager in respect of the relevant Selected Mortgage Loans and the Related Security (unless the Related Security also secures another Mortgage Loan in the Mortgage Loan Portfolio that is not also a relevant Selected Mortgage Loan) and pay the relevant Extinguishment Amount on the next Trust Payment Date or such later date as the Trust Manager may direct, such date not to be later than the earlier of 30 days after the Mortgage Loan Extinguishment Notice is served and the Final Maturity Date of the Earliest Maturing Covered Bonds; or (B) by notice in writing require the Trust Manager to direct the Covered Bond Guarantor to make an offer to sell the relevant Selected Mortgage Loans and the Related Security to a Purchaser nominated by the Seller for an offer price not less than the relevant Extinguishment Amount (which amount will be payable by such Purchaser no later than the earlier to occur of 30 days after the Mortgage Loan Extinguishment Notice is served and the Final Maturity Date of the Earliest Maturing Covered Bonds).

If the Seller does not exercise these rights in relation to the Selected Mortgage Loans, the Covered Bond Guarantor will offer to sell the Selected Mortgage Loans and the Related Security to other Purchasers (as described under "*Establishment Deed – Method of Sale of Selected Mortgage Loans*", below).

### ***Further drawings under the Mortgage Loans***

The Seller will be solely responsible for funding all further drawings, if any, in respect of Mortgage Loans in the Mortgage Loan Portfolio (including, but not limited to, Further Advances and Cash Redraws).

### ***Offset Mortgage Loans***

If a Mortgage Loan in the Mortgage Loan Portfolio is an Offset Mortgage Loan the Seller must, on each Calculation Date, credit to the Revenue Ledger and deposit in the GIC Account an amount equal to the unpaid interest that was not paid during the Calculation Period ending immediately prior to that Calculation Date in respect of the Mortgage Loan.

The Mortgage Sale Agreement is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Servicing Agreement**

Pursuant to the terms of the Servicing Agreement entered into on 11 November 2011 between the Covered Bond Guarantor, nab (in its separate capacities as Trust Manager, Servicer and as Seller) and the Security Trustee, the Servicer has been appointed by the Covered Bond Guarantor to administer and service the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security and to provide certain other administrative and management services for the benefit of the Covered Bond Guarantor.

The Servicer will be required to administer and service the Mortgage Loans in the Mortgage Portfolio and the Related Security in accordance with:

- (a) the Servicing Procedures. The **Servicing Procedures** are the guidelines relating to the servicing and collection procedures (including enforcement) as agreed by the Trust Manager, the Seller and the Servicer from time to time in accordance with certain procedures set out in the Servicing Agreement; and
- (b) the terms and provisions of the Servicing Agreement.

### ***Duties of Servicer***

The Servicing Agreement requires the Servicer to (among other things):

- (a) service the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security in accordance with the Servicing Procedures;
- (b) make all reasonable efforts to collect all payments (including Mortgage Loan Scheduled Payments) in respect of the Mortgage Loans in the Mortgage Loan Portfolio and credit all such Mortgage Loan Scheduled Payments made by a Borrower to the GIC Account;
- (c) take all reasonable action to protect or enforce the terms of the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security;
- (d) to make claims on behalf of the Covered Bond Guarantor to the extent it is able to make a claim under any Insurance Policy relating to a Mortgage Loan in the Mortgage Loan Portfolio; and
- (e) comply with its obligations under the Programme Documents to which it is a party.



### ***Undertakings of the Servicer***

Pursuant to the terms of the Servicing Agreement, the Servicer has undertaken to the Covered Bond Guarantor, the Trust Manager, the Seller and the Security Trustee, among other things, to:

- (a) provide the Services in such manner and with the same degree of diligence and care expected of an appropriately qualified and prudent servicer of receivables similar to those receivables which constitute the Mortgage Loans in the Mortgage Loan Portfolio following such collection procedures as it follows with respect to comparable mortgage loans beneficially owned and serviced by it;
- (b) comply with any directions, orders and instructions which the Covered Bond Guarantor, the Trust Manager or the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement as to the manner in which the Services are to be performed;
- (c) maintain in full force and effect the authorisations and licences necessary for it to enter into the Programme Documents to which it is a party and the transactions contemplated by them and to comply with its obligation under them;
- (d) comply in all material respects with all applicable laws and any codes of practice binding on it in exercising its rights and carrying out its obligations under the Programme Documents to which it is a party (including the National Consumer Credit Protection Laws); and
- (e) make all payments required to be made by it pursuant to the Programme Documents to which it is a party on the due date for payment thereof in Australian Dollars (or as otherwise required under the Programme Documents) in immediately available funds for value on such day without set-off (including, without limitation, any fees owed to it) or counterclaim, but subject to any deductions required by law.

### ***Interest Rate Shortfall Test***

The Servicer must determine on each Calculation Date, having regard to:

- (a) the standard variable rate and any other discretionary rate or margin in respect of the Mortgage Loans in the Mortgage Loan Portfolio which the Servicer proposes to set under the Servicing Agreement for the next succeeding Trust Payment Period (**relevant Trust Payment Period**); and
- (b) the other resources available to the Covered Bond Guarantor including amounts payable to the Covered Bond Guarantor under the Covered Bond Swap Agreements and the Reserve Fund (as advised by the Trust Manager),

whether the Covered Bond Guarantor would receive an amount of income during the relevant Trust Payment Period which, when aggregated with the funds otherwise available to the Covered Bond Guarantor, is less than the amount which is the aggregate of:

- (i) the amount of interest which would be payable (or provisioned to be paid) by or on behalf of the Covered Bond Guarantor under the Intercompany Notes (or, if a Notice to Pay has been served on the Covered Bond Guarantor, the Covered Bond Guarantee), and the Demand Note on the Trust Payment Date falling at the end of the relevant Trust Payment Period and the relevant amounts payable (or provisioned to be paid) to the relevant Swap Providers under the applicable Covered Bond Swap Agreements in respect of all Covered Bonds on the Trust Payment Date falling at the end of the relevant Trust Payment Period; and
- (ii) the other expenses payable (or provisioned to be paid) by the Covered Bond Guarantor on the Trust Payment Date falling at the end of the relevant Trust Payment Period ranking equally or in priority

thereto in accordance with the relevant Priority of Payments applicable prior to a Covered Bond Guarantor Event of Default,

(the **Interest Rate Shortfall Test**). Any interest rate shortfall will be referred to as the **Interest Rate Shortfall**.

If the Servicer determines that the Interest Rate Shortfall Test will not be met, it will give written notice to the Covered Bond Guarantor and the Seller (copied to the Trust Manager and the Security Trustee), within five AU Business Days of the relevant Calculation Date, of the amount of the Interest Rate Shortfall following which:

- (i) the Servicer must subject as provided below set the standard variable rate and/or other discretionary rates or margins applicable to Mortgage Loans in the Mortgage Loan Portfolio at such levels as may be required in order for the Interest Rate Shortfall to be rectified on the next succeeding Calculation Date; and/or
- (ii) provided that a Notice to Pay has not been served on the Covered Bond Guarantor and/or a Covered Bond Guarantor Event of Default has not occurred, the Trust Manager may notify the Servicer and the Seller that, having regard to the obligations of the Covered Bond Guarantor and the amount of the Interest Rate Shortfall, either:
  - (A) further Mortgage Loans and the Related Security should be sold by the Seller to the Covered Bond Guarantor pursuant to the Mortgage Sale Agreement to rectify the Interest Rate Shortfall, in which case, the Seller will use all reasonable efforts to offer to sell in accordance with the Mortgage Sale Agreement sufficient New Mortgage Loans and the Related Security to the Covered Bond Guarantor on or before the next succeeding Calculation Date to rectify the Interest Rate Shortfall on that next succeeding Calculation Date; or
  - (B) the Trust Manager may request the Demand Note Subscriber to fund an Increase in the Demand Note under the Demand Note Facility in a principal amount (as determined by the Trust Manager) required to rectify the Interest Rate Shortfall on the next Calculation Date.

The Seller will not be obliged to sell to the Covered Bond Guarantor, and the Covered Bond Guarantor will not be obliged to acquire, Mortgage Loans and the Related Security as described above if, in the reasonable opinion of the Seller, the sale to the Covered Bond Guarantor of such Mortgage Loans and the Related Security would materially adversely affect the business or financial condition of the Seller.

### ***Yield Shortfall Test***

In addition, the Servicer must determine on each Calculation Date following an Issuer Event of Default, and for so long as that Issuer Event of Default continues unremedied, having regard to the aggregate of:

- (a) the standard variable rate and any other discretionary rate or margin, in respect of the Mortgage Loans in the Mortgage Loan Portfolio which the Servicer proposes to set under the Servicing Agreement for the relevant Trust Payment Period; and
- (b) the resources available to the Covered Bond Guarantor under the Swap Agreements,

whether the Covered Bond Guarantor would receive an aggregate amount of interest from the Mortgage Loans in the Mortgage Loan Portfolio and amounts under the Swap Agreements during the relevant Trust Payment Period which would give a weighted average annual yield on the Mortgage Loans in the Mortgage Loan Portfolio of an amount that is sufficient to enable the Covered Bond Guarantor to make the payments and provisions under paragraphs (a) to (k) (inclusive) of the Pre-Acceleration Revenue Priority of Payments

in full on the next Trust Payment Date to occur following the end of the Calculation Period in which such Calculation Date falls (the **Yield Shortfall Test**). Any yield shortfall will be referred to as the **Yield Shortfall**.

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the Trust Manager, the Covered Bond Guarantor and the Security Trustee, within one AU Business Day of the relevant Calculation Date, of the amount of the Yield Shortfall and the standard variable rate and the other discretionary rates or margins in respect of the Mortgage Loans in the Mortgage Loan Portfolio which would, in the Servicer's opinion, need to be set in order for no Yield Shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) on which the change to the standard variable rate and the other discretionary rates or margins would take effect and at all times acting in accordance with the Servicing Procedures. If the Trust Manager notifies the Servicer that, having regard to the obligations of the Covered Bond Guarantor, the standard variable rate and/or the other discretionary rates or margins should be increased, the Servicer will take all steps which are necessary to increase the standard variable rate and/or any other discretionary rates or margins including giving any notice which is required to be given to Borrowers in accordance with the Mortgage Conditions and the Servicing Procedures.

### ***Remuneration***

The Servicer is entitled to a fee for the provision of the Services in such amount as may be agreed in writing between the Covered Bond Guarantor (acting at the direction of the Trust Manager) and the Servicer. Any such fee will be paid by the Covered Bond Guarantor on each Trust Payment Date in accordance with the applicable Priority of Payments.

In addition, the Covered Bond Guarantor will on each Trust Payment Date, also pay or reimburse the Servicer for all Liabilities incurred by the Servicer in connection with the enforcement and recovery of defaulted Mortgage Loans in the Mortgage Loan Portfolio including liabilities relating to any court proceedings, arbitration or other dispute (except to the extent such amounts are due to Servicer fraud, negligence or wilful default).

### ***Collections***

The Servicer will hold on trust for the Covered Bond Guarantor any amounts received by it in respect of the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security prior to crediting those amounts to the GIC Account pursuant to the Servicing Agreement. All such amounts described above received by the Servicer must be credited to the GIC Account either on the Calculation Date immediately after the end of each Calculation Period (for so long as the Servicer has short term credit ratings of no lower than P-1 from Moody's and F1 from Fitch and a long term credit rating of no lower than A from Fitch or, if Fitch has placed the Servicer on ratings watch negative at the relevant time, F1+ and A+ from Fitch) or in any other case within two AU Business Days of receipt.

The Servicer must, if it credits money received during a Collection Period to the GIC Account in accordance with the Servicing Agreement, on the Trust Payment Date ending immediately following the end of that Trust Payment Period, credit an additional amount to the GIC Account calculated as interest on the amount of money held by the Servicer during that Collection Period. Any such interest is to be calculated as at the last day of the Collection Period by the Servicer in its absolute discretion on the daily balance of the amount of money held by the Servicer and the rate as determined by the Servicer in its sole discretion. This requirement does not apply if on the Trust Payment Date any amount is to be paid to the Residual Income Unitholder in accordance with paragraph (m) of the Pre-Acceleration Revenue Priority of Payments.

### ***Servicing Procedures***

The Trust Manager and the Servicer may amend the Servicing Procedures from time to time. The Trust Manager and the Servicer must not amend the Servicing Procedures in a manner which would materially

change the rights or obligations of the Covered Bond Guarantor, without the prior approval of the Covered Bond Guarantor and the Security Trustee or breach the National Consumer Credit Protection Laws, any other applicable laws or any code of practice binding on the Servicer.

### ***Delegation***

The Servicer may employ agents and attorneys and may delegate in relation to some or all of its obligations under the Servicing Agreement and the other Programme Documents to which it is a party with notice to the Covered Bond Guarantor, the Trust Manager, the Seller and the Security Trustee of the delegation. The Servicer agrees to exercise reasonable care in selecting delegates and to supervise their actions. The Servicer is responsible, and remains liable, for any loss arising due to any acts or omissions of any person appointed by it and for the payment of any fees of that person. The Servicer remains responsible for all of its obligations under the Programme Documents notwithstanding any delegation by it.

### ***Removal or resignation of the Servicer***

The Trust Manager may direct the Covered Bond Guarantor to, and upon receiving such direction the Covered Bond Guarantor must, or the Security Trustee (acting on the directions of, for so long as there are any Covered Bonds outstanding, the Bond Trustee or, where no Covered Bonds are outstanding, the Majority Secured Creditors) must, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement immediately at any time after any of the following events (each a **Servicer Termination Event**) occurs and is continuing:

- (a) the Servicer does not pay any amount payable by it in under any Programme Document on time and in the manner required under the relevant Programme Document unless, in the case of a failure to pay on time, the Servicer pays the amount within ten AU Business Days of notice from any of the Covered Bond Guarantor, the Trust Manager or the Security Trustee, except where that amount is subject to a good faith dispute between the Servicer and the Covered Bond Guarantor, the Trust Manager or the Security Trustee;
- (b) the Servicer does not comply with any other obligation under any of the Programme Documents, which the Security Trustee considers, acting on the directions of:
  - (i) for so long as there are any Covered Bonds outstanding, the Bond Trustee, is materially prejudicial to the Covered Bondholders; or
  - (ii) where no Covered Bonds are outstanding, the Majority Secured Creditors, is materially prejudicial to the Secured Creditors,

and such failure is not remedied or waived within a period of 20 AU Business Days after the Servicer becomes aware of such failure; and if the non-compliance can be remedied, does not remedy the non-compliance within 30 AU Business Days of the Servicer receiving a notice from the Covered Bond Guarantor, the Trust Manager or the Security Trustee requiring its remedy (or such longer period as may be agreed between the Servicer and the Covered Bond Guarantor or the Security Trustee);

- (c) any representation or warranty made by the Servicer in connection with any Programme Document is incorrect or misleading when made and the Security Trustee considers, acting on the directions of:
  - (i) for so long as there are any Covered Bonds outstanding, the Bond Trustee, that such failure is likely to be materially prejudicial to the Covered Bondholders; or
  - (ii) where no Covered Bonds are outstanding, the Majority Secured Creditors, that such failure is likely to be materially prejudicial to the Secured Creditors,

and such failure is not remedied to the satisfaction of the Covered Bond Guarantor within 90 days of the Servicer receiving a notice from the Covered Bond Guarantor requesting the Servicer to remedy the failure;

- (d) it becomes unlawful for the Servicer to administer and service the Mortgage Loans in the Mortgage Loan Portfolio;
- (e) an Insolvency Event occurs in relation to the Servicer; or
- (f) the Servicer's unsecured, unsubordinated, long-term senior debt obligations have been downgraded below Baa3 by Moody's or BBB- by Fitch (or, if Fitch has placed the Servicer on ratings watch negative at the relevant time, BBB by Fitch).

Any termination of the appointment of the Servicer, waiver of any Servicer Termination Event by the Covered Bond Guarantor or appointment of a Substitute Servicer (as described below) is conditional upon the Issuer having delivered a Rating Affirmation Notice to the Covered Bond Guarantor, the Trust Manager, the Servicer, the Substitute Servicer and the Rating Agencies in respect thereof.

In addition, subject to the fulfilment of a number of conditions, including, without limitation, that a Substitute Servicer has been appointed, the Servicer may voluntarily resign by giving not less than 12 months' notice (or three months' notice where the Substitute Servicer to be appointed is a Related Entity of nab) to the Covered Bond Guarantor, the Trust Manager and the Security Trustee.

If the Servicer retires as Servicer, the Servicer agrees to use its best endeavours to ensure a Substitute Servicer is appointed as soon as possible. If a Substitute Servicer is not appointed within three months of the delivery of a notice of termination to the Servicer or the delivery by the Servicer of a notice of resignation, the Covered Bond Guarantor may appoint a Substitute Servicer. If a Substitute Servicer is not appointed following delivery of a notice of termination to the Servicer or delivery by the Servicer of a notice of resignation, the Covered Bond Guarantor must, subject to limited conditions, act as servicer with effect from the effective date of the termination or resignation as applicable.

If the appointment of the Servicer is terminated or the Servicer retires, the Servicer must promptly deliver all original documents in its possession relating to the Mortgage Loans in the Mortgage Loan Portfolio and the Related Security to the Substitute Servicer (or as the Covered Bond Guarantor or the Trust Manager may direct).

Neither the Bond Trustee nor the Security Trustee is obliged to act as Servicer in any circumstances.

The Servicing Agreement is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Cover Pool Monitor Agreement**

Under the terms of the Cover Pool Monitor Agreement entered into on or about the Programme Date between the Cover Pool Monitor, the Covered Bond Guarantor, nab (in its capacities as Issuer, Seller and Trust Manager), the Bond Trustee and the Security Trustee, the Cover Pool Monitor has agreed, subject to the receipt of certain information to be provided by the Trust Manager to the Cover Pool Monitor, to report on the arithmetic accuracy of certain calculations performed by the Trust Manager on the Calculation Date immediately preceding each half-yearly and yearly anniversary of the Programme Date, for the purposes of determining compliance or non-compliance by the Covered Bond Guarantor with the Legislated Collateralisation Test and the Asset Coverage Test or the Amortisation Test, as applicable, on that Calculation Date. In the case of the Asset Coverage Test and the Amortisation Test, the relevant test to be conducted by the Cover Pool Monitor depends on whether the Calculation Date falls prior to or after a Notice to Pay is served on the Covered Bond Guarantor. The Cover Pool Monitor is only required to test the

Legislated Collateralisation Test, the Asset Coverage Test and the Amortisation Test if, on the relevant Calculation Date, there are any Covered Bonds outstanding.

The Cover Pool Monitor has also agreed, subject to due receipt of the information to be provided by the Trust Manager to the Cover Pool Monitor, as soon as reasonably practicable following each Calculation Date immediately preceding each half-yearly and yearly anniversary of the Programme Date (each, a **Reporting Date**) to examine the records of the assets of the Trust kept by the Trust Manager in accordance with the terms of the Establishment Deed to:

- (a) assess whether the Trust Manager is keeping an accurate register of the assets of the Trust; and
- (b) determine whether:
  - (i) the assets of the Trust comprising the Asset Pool are assets of a kind specified in section 31(1) of the Australian Banking Act;
  - (ii) the assets of the Trust comprising the Asset Pool are not assets prescribed by regulation for the purposes of section 31(3) of the Australian Banking Act; and
  - (iii) the aggregate amount of Substitution Assets or any particular class of Substitution Assets does not exceed the limits set out in the Establishment Deed.

The Cover Pool Monitor must carry out the tests and examinations above with a view to providing a report in accordance with the Cover Pool Monitor Agreement and may use sampling in accordance with the auditing standards under the Corporations Act in carrying out such testing and examination.

If the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Trust Manager (or if the Trust Manager is not so rated, if the long-term unsecured, unguaranteed and unsubordinated debt obligation ratings of the Trust Manager's holding company) fall below Baa3 by Moody's or BBB- by Fitch (or, if Fitch has placed the Issuer on ratings watch negative at the relevant time, BBB by Fitch) (and for as long as they remain below such ratings), the Cover Pool Monitor will, subject to receipt of the relevant information from the Trust Manager, be required to perform such tests on the arithmetic accuracy of the relevant tests referred to above (other than the Legislated Collateralisation Test) as soon as reasonably practicable (and in any event not later than ten AU Business Days following receipt of the relevant information from the Trust Manager) following every Calculation Date after any such downgrade.

If any test conducted by the Cover Pool Monitor as described above reveals arithmetic errors in the relevant calculations performed by the Trust Manager such that:

- (a) the Asset Coverage Test or the Amortisation Test was not satisfied on the relevant Calculation Date (where the Trust Manager had recorded it as being satisfied); or
- (b) the reported Adjusted Aggregate Mortgage Loan Amount or the reported Amortisation Test Aggregate Mortgage Loan Amount, as applicable, was misstated by the Trust Manager by an amount exceeding 1% of the actual Adjusted Aggregate Mortgage Loan Amount or the actual Amortisation Test Aggregate Mortgage Loan Amount, as applicable, (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test),

the Cover Pool Monitor will be required to conduct such tests in respect of every Calculation Date occurring during the period ending six months after the date of the Asset Coverage Test and/or the Amortisation Test which included the relevant arithmetic errors.

The Cover Pool Monitor will be entitled, in the absence of manifest error, to assume that all information provided to it by the Trust Manager for the purpose of reporting on the arithmetic accuracy is true and

correct and is complete and not misleading, and is not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of any such information. The Cover Pool Monitor Report, together with the reports prepared in respect of the records of the assets of the Trust kept by the Trust Manager, will be delivered to the Issuer, Seller, Trust Manager, the Covered Bond Guarantor, nab, the Bond Trustee and the Security Trustee.

The Covered Bond Guarantor will pay to the Cover Pool Monitor for the performance of its obligations a fee as agreed with the Issuer.

Pursuant to the Cover Pool Monitor Agreement, the Cover Pool Monitor has undertaken to:

- (a) exercise reasonable skill and care in the performance of its obligations under the Cover Pool Monitor Agreement;
- (b) to the extent permitted by law, comply with all material legal and regulatory requirements applicable to the conduct of its business so that it can lawfully attend to the performance of its obligations under the Cover Pool Monitor Agreement; and
- (c) at all times:
  - (i) be registered as an auditor under part 9.2 of the Corporations Act; or
  - (ii) hold an Australian financial services licence (as defined in the Corporations Act) which licence extends to the provision of financial services as Cover Pool Monitor; or
  - (iii) be exempt from holding an Australian financial services licence (as defined in the Corporations Act) which exemption extends to the provision of financial services as Cover Pool Monitor.

The Trust Manager may:

- (a) at any time, but only with the prior written consent of the Security Trustee, direct the Covered Bond Guarantor to terminate the appointment of the Cover Pool Monitor by giving at least 60 days' prior written notice to the Cover Pool Monitor; or
- (b) at any time direct the Covered Bond Guarantor to terminate the appointment of the Cover Pool Monitor, if the Cover Pool Monitor is unable to comply with the requirements set out in sections 30(2) and 30(3) of the Australian Banking Act,

provided that such termination will (for the purposes of (a) above) and may, at the discretion of the Trust Manager (for the purposes of (b) above), not be effective unless and until a replacement has been found by the Trust Manager.

The Cover Pool Monitor may, at any time, resign by giving at least 60 days' prior written notice to the Issuer, the Covered Bond Guarantor, the Trust Manager, the Bond Trustee, and the Security Trustee.

Upon giving notice of termination or receiving notice of resignation, the Trust Manager will use its best endeavours to arrange for the Covered Bond Guarantor to promptly appoint a substitute cover pool monitor pursuant to an agreement on substantially the same terms as the terms of the Cover Pool Monitor Agreement, to provide the services set out in the Cover Pool Monitor Agreement. If a substitute cover pool monitor is not appointed by the date which is 30 days prior to a date when tests are to be carried out in accordance with the terms of the Cover Pool Monitor Agreement, then the Trust Manager will use all reasonable endeavours to arrange for the Covered Bond Guarantor to appoint an accountancy firm or trustee company of national standing in Australia or a firm recognised as having expertise in managing assets on behalf of investors to

carry out the relevant tests on a one-off basis. The Trust Manager will promptly notify the Rating Agencies of the appointment of any substitute cover pool monitor, or any accountancy or other firm or trustee company to carry out the relevant tests.

The Cover Pool Monitor will not be liable in respect of any loss, liability, claim, expense or damage suffered or incurred by the Covered Bond Guarantor, the Security Trustee and/or any other person as a result of a breach by any of the other parties to the Cover Pool Monitor Agreement of any provision of the Cover Pool Monitor Agreement, save to the extent that such loss, liability, claim, expense or damage is suffered or incurred as a result of any negligence, fraud, or wilful default of the Cover Pool Monitor or as a result of a breach by the Cover Pool Monitor of the terms and provisions of the Cover Pool Monitor Agreement or any other Programme Document to which the Cover Pool Monitor is a party (in its capacity as such). The liability of the Cover Pool Monitor is limited by a scheme approved under professional standards, except where the Cover Pool Monitor is a financial services licensee. If the Cover Pool Monitor's liability is not limited pursuant to the scheme, the liability of the Cover Pool Monitor for any loss, liability, claim, expense or damage suffered or incurred by any of the other parties caused by breach of any provision of the Cover Pool Monitor Agreement, tort (including negligence), breach of fiduciary duty or other actionable wrong of any kind will be limited to ten times the fees paid for the report the subject of the loss, liability, claim, expense or damage.

None of the Covered Bond Guarantor, the Bond Trustee nor the Security Trustee are obliged to act as Cover Pool Monitor or to monitor or supervise the performance of the Cover Pool Monitor in any circumstances.

The Cover Pool Monitor Agreement is, and is construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Establishment Deed**

The Establishment Deed, made between the Covered Bond Guarantor and nab as the Issuer, the Seller, the Trust Manager and the Servicer establishes the nab Covered Bond Trust and provides that the Covered Bond Guarantor will be the trustee of the Trust. Pursuant to the Establishment Deed, the Trust is established for purposes relating only to Covered Bonds including (without limitation) the acquisition, management and sale of, amongst other things, Mortgage Loans and the Related Security; the borrowing of moneys to fund the acquisition of such assets; the hedging of risks associated with such assets and such funding; the acquisition, management and sale of Substitution Assets and Authorised Investments; the giving of guarantees; the granting of security; and any purpose which is ancillary or incidental to any of those purposes listed above.

### ***Unitholders***

The beneficial interest in the assets of the Trust is vested in the Residual Income Unitholder as holder of one Residual Income Unit and the Residual Capital Unitholder as holder of ten Residual Capital Units. Pursuant to the Establishment Deed, the Residual Income Unitholder is entitled to distributions of the net income, if any, of the Trust for each fiscal year. The Residual Capital Unitholder's interest in the Trust comprises an interest in its proportion of any assets of the Trust remaining after payment of any amount of net income due to the Residual Income Unitholder in satisfaction of the Residential Income Unitholder's entitlement to the net income of the Trust.

The right of any Unitholder to recover any amounts in respect of its interests described above is limited to the assets of the Trust available for distribution after payments or distributions have been made to all other parties under the Priorities of Payment.

### ***Asset Coverage Test***

Under the terms of the Establishment Deed, the Trust Manager must ensure that for so long as Covered Bonds remain outstanding on each Calculation Date prior to the service of a Notice to Pay on the Covered



Bond Guarantor and/or a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, the Adjusted Aggregate Mortgage Loan Amount is at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date (the **Asset Coverage Test**). The Trust Manager will perform all calculations required on each Calculation Date, and any other date on which the Asset Coverage Test is required to be calculated, to determine whether the Mortgage Loan Portfolio is in compliance with the Asset Coverage Test.

If on any Calculation Date prior to the service of a Notice to Pay on the Covered Bond Guarantor and/or a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer the Asset Coverage Test as calculated on that Calculation Date is not satisfied, then the Trust Manager must immediately notify the Covered Bond Guarantor, the Bond Trustee and the Security Trustee in writing and the Trust Manager will undertake to use all reasonable endeavours to arrange for the Covered Bond Guarantor to acquire sufficient additional Mortgage Loans and Related Security from the Seller in accordance with the Mortgage Sale Agreement (see "*Summary of the Principal Documents – Mortgage Sale Agreement – Sale by the Seller of Mortgage Loans and Related Security*"), and must direct the Covered Bond Guarantor to purchase Substitution Assets or request subscriptions from the Demand Note Subscriber for an increase in the principal amount of the Demand Note to ensure that the Asset Coverage Test is satisfied on any date on or before the immediately following Calculation Date (by reference to the Adjusted Aggregate Mortgage Loan Amount and the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds, in each case as calculated on such date). If the Asset Coverage Test remains unsatisfied for a second consecutive Calculation Date, the Trust Manager must immediately notify the Covered Bond Guarantor, the Bond Trustee and the Security Trustee in writing and the Bond Trustee must serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the non-satisfaction of the Asset Coverage Test). The Bond Trustee will be deemed to have revoked an Asset Coverage Test Breach Notice if, on any Calculation Date falling on or prior to the third consecutive Calculation Date, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Bond Trustee is deemed to have revoked an Asset Coverage Test Breach Notice, the Trust Manager must immediately notify (in writing) the Bond Trustee of such revocation.

Following service of an Asset Coverage Test Breach Notice (which has not been revoked):

- (a) the Covered Bond Guarantor may be required to sell Selected Mortgage Loans and the Related Security (as further described under "*Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice*" below);
- (b) prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice, the Pre-Acceleration Priority of Payments will be modified as described in "*Cashflows - Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and
- (c) the Issuer will not be permitted to issue any further Covered Bonds.

If an Asset Coverage Test Breach Notice has not been revoked as described above, then the Asset Coverage Test will be breached and an Issuer Event of Default will occur on the next following Calculation Date after the service of such Asset Coverage Test Breach Notice and the Trust Manager must immediately give written notice of that occurrence to the Covered Bond Guarantor, the Bond Trustee and the Security Trustee.

For the purposes hereof:

**Adjusted Aggregate Mortgage Loan Amount** means the amount calculated on each Calculation Date as follows:

$$A + B + C + D + E - Z,$$

where:

**A** = the lower of:

- (a) the aggregate of the LVR Adjusted Mortgage Loan Balance Amounts of the Mortgage Loans in the Mortgage Loan Portfolio as at such Calculation Date; and
- (b) the aggregate of the Asset Percentage Adjusted Mortgage Loan Balance Amounts of the Mortgage Loans in the Mortgage Loan Portfolio as at such Calculation Date,

(in each case, for the avoidance of doubt, excluding any Mortgage Loans being repurchased by the Seller on such Calculation Date but including any Mortgage Loans being purchased by the Covered Bond Guarantor on such Calculation Date).

The **LVR Adjusted Mortgage Loan Balance Amount** will be calculated for a Mortgage Loan, on the relevant Calculation Date, as:

- (i) for each Mortgage Loan in the Mortgage Loan Portfolio that is not then a Defaulted Mortgage Loan, the lesser of:
  - (A) the outstanding Current Principal Balance of the Mortgage Loan as at the relevant Calculation Date; and
  - (B) the product of M and L where:
    - (I) M is 80%; and
    - (II) L is the Indexed Valuation for the Property which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); and
- (ii) for each Mortgage Loan in the Mortgage Loan Portfolio that is a Defaulted Mortgage Loan, zero;

less:

- (iii) where a Mortgage Loan in the Mortgage Loan Portfolio or the Related Security in respect of which the Seller was, in the immediately preceding Calculation Period, known by the Covered Bond Guarantor or the Trust Manager to be in breach of the Representations and Warranties contained in the Mortgage Sale Agreement as at the date of its sale to the Covered Bond Guarantor or where a Mortgage Loan in the Mortgage Loan Portfolio or the Related Security was the subject of a Product Switch and, in either case, the Seller has not repurchased the Mortgage Loan and the Related Security to the extent required by the terms of the Mortgage Sale Agreement, an amount equal to the LVR Adjusted Mortgage Loan Balance Amount (as calculated pursuant to paragraphs (i) and (ii) above) for each Mortgage Loan to which this paragraph (iii) applies; and

- (iv) where the Seller, in any preceding Calculation Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in material breach of a term of the Servicing Agreement, an amount equal to the resulting financial loss incurred by the Covered Bond Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Trust Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the Covered Bond Guarantor by the Seller or by the Servicer (as applicable) to indemnify the Covered Bond Guarantor for such financial loss);

The **Asset Percentage Adjusted Mortgage Loan Balance Amount** will be calculated for a Mortgage Loan, on the relevant Calculation Date, as the Asset Percentage multiplied by:

- (i) for each Mortgage Loan in the Mortgage Loan Portfolio that is not then a Defaulted Mortgage Loan, the lesser of:
  - (A) the outstanding Current Principal Balance of the Mortgage Loan as at the relevant Calculation Date; and
  - (B) the product of M and L, where:
    - (I) M is 100%; and
    - (II) L is the Latest Valuation for the Property which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); and
- (ii) for each Mortgage Loan in the Mortgage Loan Portfolio that is a Defaulted Mortgage Loan, zero;

less:

- (iii) where a Mortgage Loan in the Mortgage Loan Portfolio or the Related Security in respect of which the Seller was, in the immediately preceding Calculation Period, known by the Covered Bond Guarantor or the Trust Manager to be in breach of the Representations and Warranties contained in the Mortgage Sale Agreement as at the date of its sale to the Covered Bond Guarantor or where a Mortgage Loan in the Mortgage Loan Portfolio or the Related Security was the subject of a Product Switch and, in either case, the Seller has not repurchased the Mortgage Loan and the Related Security to the extent required by the terms of the Mortgage Sale Agreement, an amount equal to the Asset Percentage Adjusted Mortgage Loan Balance Amount (as calculated pursuant to paragraphs (i) and (ii) on the relevant Calculation Date) for each Mortgage Loan to which this paragraph (iii) applies; and
- (iv) where the Seller, in any preceding Calculation Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Calculation Period, in material breach of a term of the Servicing Agreement, an amount equal to the resulting financial loss incurred by the Covered Bond Guarantor in the immediately preceding Calculation Period (such financial loss to be calculated by the Trust Manager without double counting and to be reduced by any amount paid (in cash or in kind) to the Covered Bond Guarantor by the Seller or by the Servicer (as applicable) to indemnify the Covered Bond Guarantor for such financial loss);

**B** = the aggregate amount of any proceeds of each issue of any Intercompany Notes and/or any increase in the principal amount of the Demand Note which have not been applied as contemplated in the Programme Documents as at the relevant Calculation Date;

**C** = the aggregate principal balance of any Substitution Assets and Authorised Investments as at the relevant Calculation Date;

**D** = the aggregate amount of Mortgage Loan Principal Receipts standing to the credit of the GIC Account as at the relevant Calculation Date (without double counting any amounts already covered in B above) but excluding any amounts due to be applied on or before the next Trust Payment Date in accordance with the applicable Priority of Payments;

**E** = the amount of any Sale Proceeds standing to the credit of the Pre-Maturity Ledger as at the relevant Calculation Date (without double counting any amounts already covered in D above); and

**Z** = the product of:

- (i) the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding calculated by the Trust Manager as at the relevant Calculation Date (provided that if such amount is less than one, it will be deemed for the purposes of this calculation, to be one);
  - (ii) the Australian Dollar Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds; and
  - (iii) the then Negative Carry Factor, where the **Negative Carry Factor** is:
    - (A) zero, for so long as the Interest Rate Swaps are in effect in accordance with their terms; or
    - (B) if the Interest Rate Swaps are not in effect in accordance with their terms, then either:
      - (I) 0.50% if the then Weighted Average Spread is less than or equal to 0.10% per annum; or
      - (II) 0.40%, plus the Weighted Average Spread, if such Weighted Average Spread is greater than 0.10%, per annum,
- where:
- (III) the **Spread** is (I) in the case of a Series of floating rate Covered Bonds the Specified Currency of which is Australian Dollars and in respect of which there is no Covered Bond Swap in place, the margin for the Series specified in the Applicable Final Terms; and (II) in any other case the spread used to calculate the floating amounts denominated in Australian Dollars payable by the Covered Bond Guarantor in accordance with the applicable Covered Bond Swap; and
  - (IV) the **Weighted Average Spread** is the weighted average Spread (as determined under (III) above) then payable on each Series of Covered Bonds (determined by reference to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the applicable Series).

There is no obligation on the Covered Bond Guarantor or the Issuer to ensure that a AAA rating is maintained by Fitch or an Aaa rating is maintained by Moody's in respect of the Covered Bonds and the Trust Manager is under no obligation to change the percentage figure determined by it and notified to Fitch or Moody's, as

applicable, and Covered Bond Guarantor and the Security Trustee in line with the level of credit enhancement required to ensure a AAA rating by Fitch or an Aaa rating by Moody's.

Notwithstanding any other provision of the Programme Documents, if Zero Coupon Covered Bonds are issued by the Issuer, then the level of collateralisation required in respect of those Zero Coupon Covered Bonds under the Asset Coverage Test will be determined by the Issuer and the Trust Manager and, subject to it delivering a Rating Affirmation Notice to the Covered Bond Guarantor in respect of that determination, the Asset Coverage Test will be modified to reflect that required level of collateralisation under the Asset Coverage Test. Provided that a Rating Affirmation Notice is received, the consent of the Secured Creditors will not be obtained in relation to that modification and the Bond Trustee and the Security Trustee shall agree to the proposed modification.

### ***Amortisation Test***

The Trust Manager must ensure that, for so long as Covered Bonds are outstanding, on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer) the Amortisation Test Aggregate Mortgage Loan Amount will be in an amount at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date (the **Amortisation Test**).

If on any Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), the Amortisation Test Aggregate Mortgage Loan Amount is less than the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date, then the Amortisation Test will be breached and a Covered Bond Guarantor Event of Default will occur. The Trust Manager must immediately notify the Covered Bond Guarantor, the Security Trustee and (for so long as Covered Bonds are outstanding) the Bond Trustee of any breach of the Amortisation Test.

The **Amortisation Test Aggregate Mortgage Loan Amount** will be calculated by the Trust Manager on each relevant Calculation Date as follows:

$$A + B + C - Z$$

where:

**A** = the aggregate of the **Amortisation Test Current Principal Balance** of each Mortgage Loan, which will be the product of L and M, where:

- (a) L is the lesser of:
  - (i) the outstanding Current Principal Balance of the Mortgage Loan as calculated on the relevant Calculation Date; and
  - (ii) 80% of the Indexed Valuation for the Property charged by a Mortgage which secures the Mortgage Loan as at the relevant Calculation Date (but without double counting across Mortgage Loans); and

- (b) M is:
- (i) for each Mortgage Loan that is not then a Defaulted Mortgage Loan  $M = 1.0$ ; or
  - (ii) for each Mortgage Loan that is then a Defaulted Mortgage Loan,  $M = \text{zero}$ ;

**B** = the sum of the amount of any cash standing to the credit of the GIC Account and the principal amount of any Authorised Investments (excluding any Mortgage Loan Revenue Receipts received in the immediately preceding Calculation Period and any principal amounts due to be applied on or before the next Trust Payment Date in accordance with the applicable Priority of Payments);

**C** = the aggregate principal balance of any Substitution Assets not taken into account elsewhere in this calculation;

**Z** = the product of:

- (a) the weighted average remaining maturity of all Covered Bonds then outstanding (expressed in years) (but if less than 1, then deemed to be 1);
- (b) the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds; and
- (c) the Negative Carry Factor.

Notwithstanding any other provision of the Programme Documents, if Zero Coupon Covered Bonds are issued by the Issuer, then the level of collateralisation required in respect of those Zero Coupon Covered Bonds under the Amortisation Test shall be determined by the Issuer and the Trust Manager and, subject to it delivering a Rating Affirmation Notice to the Covered Bond Guarantor in respect of that determination, the Amortisation Test will be modified to reflect that required level of collateralisation under the Amortisation Test. Provided that a Rating Affirmation Notice is received, the consent of the Secured Creditors will not be obtained in relation to that modification and the Bond Trustee and the Security Trustee shall agree to the proposed modification.

#### ***Sale of Selected Mortgage Loans and Related Security if the Pre-Maturity Test is breached***

The Establishment Deed will provide for the sale of Selected Mortgage Loans and the Related Security in circumstances where the Pre-Maturity Test has been breached in relation to a Series of Hard Bullet Covered Bonds. The Pre-Maturity Test will be breached in relation to a Series of Hard Bullet Covered Bonds if the ratings of the Issuer fall below a specified level and such Series of Hard Bullet Covered Bonds is due for repayment within a specified period of time thereafter. The Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor must, sell Selected Mortgage Loans in the Mortgage Loan Portfolio and the Related Security, subject to the rights of pre-emption enjoyed by the Seller pursuant to the terms of the Mortgage Sale Agreement (as described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Seller's right of pre-emption in respect of Selected Mortgage Loans*") and subject to any Pre-Maturity Demand Note Funding having been provided by the Demand Note Subscriber from time to time. The proceeds from any such sale which constitute Available Principal Receipts will be credited to the Pre-Maturity Ledger and deposited into the GIC Account. If the Issuer fully repays a Series of Hard Bullet Covered Bonds on their Final Maturity Date, any amount standing to the credit of the Pre-Maturity Ledger in the GIC Account following such repayment in full will be applied by the Covered Bond Guarantor (acting at the direction of the Trust Manager) in accordance with the applicable Priority of Payments unless the Issuer is failing the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case the Trust Manager must ensure that sufficient cash is retained on the Pre-Maturity Ledger in order to provide liquidity for that other Series of Hard Bullet Covered Bonds. Otherwise, the proceeds will be applied as set out in "*Cashflows*" below.

For a description of the Pre-Maturity Test, see "*Credit Structure - Pre-Maturity Test*" below.

### ***Sale of Selected Mortgage Loans and Related Security following service of an Asset Coverage Test Breach Notice***

After service of an Asset Coverage Test Breach Notice (which has not been revoked) but prior to the service of a Notice to Pay, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction the Covered Bond Guarantor must sell Selected Mortgage Loans in the Mortgage Loan Portfolio and the Related Security in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement (as described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Seller's right of pre-emption in respect of Selected Mortgage Loans*") and subject to any Pre-Maturity Demand Note Funding having been provided by the Demand Note Subscriber from time to time. The proceeds from any such sale will be credited to the GIC Account and applied as set out in "*Cashflows – Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*".

### ***Sale of Selected Mortgage Loans and Related Security following service of a Notice to Pay***

After a Notice to Pay has been served on the Covered Bond Guarantor following the occurrence of an Issuer Event of Default, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor must, sell Selected Mortgage Loans in the Mortgage Loan Portfolio and the Related Security in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller pursuant to the Mortgage Sale Agreement (as described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Seller's right of pre-emption in respect of Selected Mortgage Loans*"). The proceeds from any such sale will be credited to the GIC Account and applied as set out in the Guarantee Priority of Payments.

### ***Method of Sale of Selected Mortgage Loans***

If the Covered Bond Guarantor is required to sell Selected Mortgage Loans in the Mortgage Loan Portfolio and the Related Security to Purchasers following the service of an Asset Coverage Test Breach Notice, a breach of the Pre-Maturity Test or the service of a Notice to Pay on the Covered Bond Guarantor, the Trust Manager must ensure that before offering Selected Mortgage Loans in the Mortgage Loan Portfolio and the Related Security for sale:

- (a) the Selected Mortgage Loans are selected on a basis that is representative of the Mortgage Loans in the Mortgage Loan Portfolio as a whole and that if a Mortgage Loan is selected, its Related Security is also selected unless the Related Security also secures a Mortgage Loan in the Mortgage Loan Portfolio that is not also a Selected Mortgage Loan; and
- (b) the Selected Mortgage Loans have an aggregate Current Principal Balance in an amount (the **Required Current Principal Balance Amount**) which is as close as possible to the amount calculated as follows:
  - (i) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay on the Covered Bond Guarantor), such amount that would ensure that, if the Selected Mortgage Loans were sold at their Current Principal Balance plus the Arrears of Interest and Accrued Interest thereon, the Asset Coverage Test would be satisfied on the next Calculation Date taking into account the payment obligations of the Covered Bond Guarantor on the Trust Payment Date following that Calculation Date; or
  - (ii) following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor:

$$N \times \left[ \frac{\text{aggregate Current Principal Balance for all Mortgage Loans in the Mortgage Loan Portfolio}}{\text{Australian Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}} \right]$$

where **N** is an amount equal to the Australian Dollar Equivalent of:

- (x) in respect of Selected Mortgage Loans and the Related Security being sold following a breach of the Pre-Maturity Test, the Required Redemption Amount of the relevant Series of Hard Bullet Covered Bonds less amounts standing to the credit of the Pre-Maturity Ledger that are not otherwise required to provide liquidity for any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant series of Hard Bullet Covered Bonds; or
- (y) in respect of Selected Mortgage Loans and the Related Security being sold following the service of a Notice to Pay on the Covered Bond Guarantor, the Required Redemption Amount of the Earliest Maturing Covered Bonds less amounts standing to the credit of the GIC Account and the principal amount of any Substitution Assets or Authorised Investments (excluding all amounts to be applied on the next following Trust Payment Date to repay higher ranking amounts in the Guarantee Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds).

The Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will, offer the Selected Mortgage Loans and the Related Security for sale to Purchasers for the best price reasonably available but in any event:

- (a) following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay on the Covered Bond Guarantor), for an amount not less than the Current Principal Balance of the Selected Mortgage Loans plus the Arrears of Interest and Accrued Interest thereon; and
- (b) following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor, for an amount not less than the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds.

Following breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor if the Selected Mortgage Loans and the Related Security have not been sold (in whole or in part) in an amount equal to the Adjusted Required Redemption Amount by the date which is six months prior to:

- (a) in respect of a sale in connection with the service of a Notice to Pay on the Covered Bond Guarantor:
  - (i) where the relevant Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Final Maturity Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto); and
  - (ii) where the relevant Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds (after taking into account all payments, provisions and credits to be made in priority thereto); or



- (b) in respect of a sale in connection with a breach of the Pre-Maturity Test, the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds,

then the Covered Bond Guarantor (acting at the direction of the Trust Manager) will offer the Selected Mortgage Loans for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount. Following the service of a Notice to Pay on the Covered Bond Guarantor but prior to the occurrence of a Covered Bond Guarantor Event of Default, in addition to offering Selected Mortgage Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the Trust Manager may direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor (subject to the right of pre-emption in favour of the Seller in the Mortgage Sale Agreement) will offer for sale a portfolio of Selected Mortgage Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The Covered Bond Guarantor (acting at the direction of the Trust Manager) is also permitted to offer for sale to Purchasers a part of any portfolio of Selected Mortgage Loans (a **Partial Portfolio**). Except in circumstances where the portfolio of Selected Mortgage Loans is being sold within six months of, as applicable, the Final Maturity Date or, if the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee, the Extended Due for Payment Date in respect of the Series of Covered Bonds to be repaid from such proceeds of the sale of the Partial Portfolio, the sale price of the Partial Portfolio will (as a proportion of the Adjusted Required Redemption Amount) be at least equal to the proportion that the aggregate Current Principal Balance of the Mortgage Loans in the Partial Portfolio bears to the aggregate Current Principal Balance of the Mortgage Loans in the relevant portfolio of Selected Mortgage Loans.

The Covered Bond Guarantor (acting at the direction of the Trust Manager) will through a tender process appoint a portfolio manager of recognised standing on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Mortgage Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Mortgage Loans to Purchasers (except where the Seller is exercising its rights of pre-emption in respect of the Selected Mortgage Loans under the Mortgage Sale Agreement, as described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Seller's right of pre-emption in respect of Selected Mortgage Loans*"). The terms of the agreement giving effect to the appointment in accordance with such tender must be approved by the Security Trustee.

In respect of any sale of Selected Mortgage Loans and the Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay on the Covered Bond Guarantor, the Trust Manager will instruct such portfolio manager to use all reasonable endeavours to procure that Selected Mortgage Loans are sold as quickly as reasonably practicable (in accordance with the recommendations of the portfolio manager), taking into account the market conditions at that time and the scheduled repayment dates of the Covered Bonds and the terms of the Establishment Deed.

The terms of any sale and purchase agreement with respect to the sale of Selected Mortgage Loans (which will give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee (unless the Seller has exercised its rights of pre-emption under the Mortgage Sale Agreement, as described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Seller's right of pre-emption in respect of Selected Mortgage Loans*"). The Security Trustee will not be required to release the Selected Mortgage Loans from the Security unless the conditions relating to the release of the Security (as described under "*Summary of Principal Documents - Security Deed – Release of Security*" below) are satisfied.

The Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor must, subject to the paragraph above, enter into a sale and purchase agreement with the related Purchasers (except where the Seller has exercised its rights of pre-emption under the Mortgage Sale Agreement, as described in "*Summary of the Principal Documents – Mortgage Sale Agreement –*

*Seller's right of pre-emption in respect of Selected Mortgage Loans*"), which will require, amongst other things, a cash payment from the relevant Purchasers. Any such sale will not include any representations or warranties from the Covered Bond Guarantor or the Seller in respect of the Selected Mortgage Loans and the Related Security unless expressly agreed by the Security Trustee and otherwise agreed with the Seller.

#### ***Limit on Investing in Substitution Assets and Authorised Investments***

Provided no Asset Coverage Test Breach Notice is outstanding and prior to the service of a Notice to Pay on the Covered Bond Guarantor, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor must, invest Available Revenue Receipts, Available Principal Receipts and the proceeds of the issue of Intercompany Notes and the Demand Note (or the proceeds of any increase in the principal amount of the Demand Note) standing to the credit of the GIC Account in Substitution Assets, provided that:

- (a) the aggregate amount so invested in:
  - (i) any assets which fall within paragraph (a) of the definition of Substitution Assets does not exceed 15% of the total assets of the Trust at any one time (or such other percentage required to ensure compliance with any limits in the Australian Banking Act on substitution assets that may collateralise covered bonds); and
  - (ii) any particular class of Substitution Assets does not exceed any limits in the Australian Banking Act on substitution assets of that class that may collateralise covered bonds; and
- (b) such investments are made in accordance with the terms of the Management Agreement and the Establishment Deed.

Depositing any amounts in any Trust Account will not constitute an investment in Substitution Assets for these purposes.

Following the service of a Notice to Pay on the Covered Bond Guarantor or a breach of the Pre-Maturity Test, all Substitution Assets must be sold by the Covered Bond Guarantor (acting at the direction of the Trust Manager) as quickly as reasonably practicable, and the proceeds credited to the GIC Account after which the Covered Bond Guarantor, (acting at the direction of the Trust Manager) will be permitted to invest all available moneys in Authorised Investments, provided that such sales or investments are made in accordance with the terms of the Management Agreement and the Establishment Deed.

#### ***Negative Covenants***

Except as provided in or permitted by the Programme Documents, the Trust Manager must not direct the Covered Bond Guarantor to:

- (a) create or permit to subsist any Security Interest over the whole or any part of the assets of the Trust;
- (b) transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of the assets of the Trust or any interest, estate, right, title or benefit in or to such assets or agree or attempt or purport to do so;
- (c) have an interest in any bank account;
- (d) incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any such indebtedness;

- (e) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (f) have any employees or premises or subsidiaries;
- (g) acquire any assets;
- (h) invest in assets of a kind prescribed by the regulations issued for the purposes of section 31(3) of the Australian Banking Act;
- (i) enter into any contracts, agreements or other undertakings;
- (j) compromise, compound or release any debt due to it; and
- (k) commence, defend, settle or compromise any litigation or other claims relating to it or any of its assets.

The Covered Bond Guarantor will:

- (a) remain Tax Resident in Australia throughout the period for which it is acting as trustee of the Trust; and
- (b) not perform any of its duties, or exercise any rights in relation to the Trust outside of Australia.

### ***Other Provisions***

The allocation and distribution of Available Revenue Receipts, Available Principal Receipts and all other amounts received by the Covered Bond Guarantor is described under "*Cashflows*" below.

### ***Retirement and Removal of the Covered Bonds Guarantor***

#### ***Mandatory Retirement***

The Covered Bond Guarantor must retire as trustee of the Trust if:

- (a) the Covered Bond Guarantor ceases to carry on business in all respects or as a professional trustee;
- (b) the Covered Bond Guarantor merges or consolidates with another entity, unless:
  - (i) that entity assumes the obligations of the Covered Bond Guarantor under the Programme Documents; and
  - (ii) each Rating Agency has been notified of, and the Issuer has delivered a Rating Affirmation Notice to the Covered Bond Guarantor in respect of, the proposed retirement;
- (c) an Insolvency Event occurs in respect of the Covered Bond Guarantor in its personal capacity;
- (d) an Extraordinary Resolution requiring removal of the Covered Bond Guarantor as trustee of the Trust is passed at a meeting of Covered Bondholders of all Series taken together as a single Series with the nominal amount of Covered Bonds not denominated in Australian Dollars converted into Australian Dollars at the relevant Covered Bond Swap Rate and such retirement is approved in writing by each Secured Creditor (such approval not to be unreasonably withheld or delayed); or

- (e) the Covered Bond Guarantor does not comply with a material obligation under the Programme Documents and does not remedy the non-compliance within 30 days of being requested to do so by the Trust Manager.

Where the Covered Bond Guarantor does not retire within 30 days of the occurrence of any of the events described above, the Trust Manager may by written notice remove the Covered Bond Guarantor as trustee of the Trust. The Trust Manager must appoint another trustee to be the trustee of the Trust as soon as practicable after notification of the Covered Bond Guarantor's retirement or removal.

#### *Voluntary Retirement*

The Covered Bond Guarantor may voluntarily retire as trustee of the Trust if the Covered Bond Guarantor gives the Trust Manager not less than three months' (or such other period as the Trust Manager may agree) written notice of its intention to do so, subject to the Covered Bond Guarantor's procurement of, at least 30 days before the date on which that removal becomes effective, another person to assume all of its obligations under the Programme Documents to which it is a party and to execute such documents as the Trust Manager requires for that person to become bound by those Programme Documents and such appointment of the successor Covered Bond Guarantor is approved by the Trust Manager.

Any mandatory or voluntary retirement or removal of the Covered Bond Guarantor is conditional upon the Issuer having delivered a Rating Affirmation Notice to the Covered Bond Guarantor (copied to the Trust Manager, the Bond Trustee and the Security Trustee) in respect of such mandatory or voluntary retirement, removal and appointment by the Trust Manager.

The Establishment Deed is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

#### **Management Agreement**

The Trust Manager will act as trust manager of the Trust and in doing so will provide certain Trust Management Services and Calculation Management Services to the Covered Bond Guarantor and the Security Trustee pursuant to the terms of the Management Agreement entered into on 11 November 2011 between the Covered Bond Guarantor, nab (in its capacities as Trust Manager, Issuer, Seller, Servicer and Account Bank) and the Security Trustee.

The **Trust Management Services** will include but will not be limited to:

- (a) maintaining the Ledgers on behalf of the Covered Bond Guarantor;
- (b) determining the amount of Mortgage Loan Revenue Receipts and the Mortgage Loan Principal Receipts received and Available Revenue Receipts and Available Principal Receipts to be distributed in accordance with the Priorities of Payments described under "*Cashflows*", below;
- (c) determining the amount of Losses incurred on the Mortgage Loans in the Mortgage Loan Portfolio during each Calculation Period and the amounts payable by the Covered Bond Guarantor on the immediately following Trust Payment Date under the applicable Priority of Payments described under "*Cashflows*", below;
- (d) distributing the Available Revenue Receipts and the Available Principal Receipts in accordance with the Priorities of Payment described under "*Cashflows*", below;
- (e) maintaining records of all Authorised Investments and Substitution Assets, as applicable.

The **Calculation Management Services** will include but will not be limited to:

- (a) determining whether the Asset Coverage Test is satisfied on each Calculation Date prior to an Issuer Event of Default and service of a Notice to Pay and/or a Covered Bond Guarantee Acceleration Notice in accordance with the Establishment Deed, as more fully described under "*Credit Structure - Asset Coverage Test*" below;
- (b) determining whether the Amortisation Test is satisfied on each Calculation Date following an Issuer Event of Default and service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer) in accordance with the Establishment Deed, as more fully described under "*Credit Structure – Amortisation Test*", below; and
- (c) on each AU Business Day during the Pre-Maturity Test Period prior to the occurrence of an Issuer Event of Default and/or the occurrence of a Covered Bond Guarantor Event of Default, determining whether the Pre-Maturity Test for each Series of Hard Bullet Covered Bonds is satisfied, as more fully described under "*Credit Structure – Pre Maturity Test*" below.

The Covered Bond Guarantor may remove the Trust Manager as manager of the Trust by giving the Trust Manager 90 AU Business Days' notice where, in certain circumstances, the Trust Manager does not comply with an obligation under the Programme Documents and the non-compliance would be considered by the Security Trustee acting on the directions of (for so long as there are any Covered Bonds outstanding) the Bond Trustee or (where no Covered Bonds are outstanding) the Majority Secured Creditors to be materially prejudicial to the interests of the Covered Bondholders or (where no Covered Bonds are outstanding) the Majority Secured Creditors and the Trust Manager does not remedy such non-compliance within 30 AU Business Days after becoming aware of it. The Trust Manager may also voluntarily retire as manager of the Trust by given the Covered Bond Guarantor at least 90 AU Business Days' notice of its intention to resign. If the Trust Manager retires or is removed as manager of the Trust, the outgoing Trust Manager must use its reasonable endeavours to ensure that a substitute trust manager is appointed as soon as possible, and if no such substitute is appointed within 90 AU Business Days after the Covered Bond Guarantor receives the notice of the resignation or termination, the Covered Bond Guarantor may appoint a substitute trust manager. Any appointment of a substitute trust manager will be conditional upon the outgoing Trust Manager notifying each Rating Agency and the Account Bank that a substitute trust manager is to be appointed, and on the substitute trust manager becoming bound by the Programme Documents.

The Management Agreement is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Swap Agreements**

In order to hedge certain interest rate, currency or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and from certain other assets in the Asset Pool, amounts payable by the Covered Bond Guarantor under the Intercompany Note Subscription Agreement to nab and/or amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee to Covered Bondholders in respect of the Covered Bonds on issue, the Covered Bond Guarantor will enter into certain swap transactions with swap providers as described below.

Each such swap transaction (including, without limitation, the Interest Rate Swaps and each Covered Bond Swap) (together, the **Swaps**) will be evidenced by a confirmation that supplements, forms part of and is subject to, an ISDA 2002 Master Agreement as published by the International Swaps & Derivatives Association, Inc. (ISDA) and schedule and credit support document thereto (such credit support document to be in the form of the ISDA 1995 Credit Support Annex (Bilateral Form - Transfer) published by ISDA), between a swap provider (a **Swap Provider**), the Covered Bond Guarantor, the Trust Manager and the Security Trustee (together, a **Swap Agreement**).

## Interest Rate Swap Agreement

Some of the Mortgage Loans in the Mortgage Loan Portfolio from time to time pay a variable amount of interest. Other Mortgage Loans pay a fixed rate of interest for a period of time. However, the Australian Dollar payments to be made by the Covered Bond Guarantor under the Covered Bond Swaps and the Intercompany Notes and the Demand Note will be based on the Bank Bill Rate for one month Australian Dollar deposits. To provide a hedge against the variance between:

- (a) the rates of interest payable on the Mortgage Loans in the Mortgage Loan Portfolio and certain other assets in the Asset Pool; and
- (b) the Bank Bill Rate for one month Australian Dollar deposits,

the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the Interest Rate Swap Provider will enter into Interest Rate Swaps under the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement is governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

## Covered Bond Swap Agreements

Where Covered Bonds are issued in a currency and/or on an interest rate basis different to the payments due from the Interest Rate Swap Provider under the Interest Rate Swaps, the Covered Bond Guarantor will enter into one or more Covered Bond Swaps, each under a Covered Bond Swap Agreement with a Covered Bond Swap Provider. Each Covered Bond Swap may be either a **Forward Starting Covered Bond Swap** or a **Non-Forward Starting Covered Bond Swap**. Where the Covered Bond Guarantor enters into a Forward Starting Covered Bond Swap, the payments made under the Intercompany Notes will be made in Australian Dollars, regardless of the currency of the relevant Series or Tranche, as applicable, of Covered Bonds.

Each Forward Starting Covered Bond Swap will provide a hedge (after service of a Notice to Pay on the Covered Bond Guarantor) against certain interest rate, currency and/or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and the Interest Rate Swaps and amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee in respect of the Covered Bonds.

Each Non-Forward Starting Covered Bond Swap will provide a hedge against certain interest rate, currency and/or other risks in respect of amounts received by the Covered Bond Guarantor under the Mortgage Loans and the Interest Rate Swaps and amounts payable by the Covered Bond Guarantor under the Intercompany Note Subscription Agreement (prior to service of a Notice to Pay on the Covered Bond Guarantor) and under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay on the Covered Bond Guarantor).

Where required to hedge such risks, there will be one (or more) Covered Bond Swap Agreement(s) and Covered Bond Swap(s) in relation to each Series or Tranche, as applicable, of Covered Bonds.

Under the Forward Starting Covered Bond Swaps, the Covered Bond Swap Provider will pay to the Covered Bond Guarantor on each Interest Payment Date (or, if a Notice to Pay is served on an Interest Payment Date, on the second Business Day following such Interest Payment Date) after service of a Notice to Pay on the Covered Bond Guarantor, an amount equal to the relevant amounts that are then payable by the Covered Bond Guarantor under the Covered Bond Guarantee in respect of interest payable under the relevant Series or Tranche of Covered Bonds. In return, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider on each Trust Payment Date after service of a Notice to Pay on the Covered Bond Guarantor an amount in Australian Dollars calculated by reference to the Bank Bill Rate for one month Australian Dollar deposits (or the rate for such other period as may be specified in the relevant Confirmation) plus a spread.

Unless the Covered Bond Swap terminates earlier, on the first to occur of (i) the date on which the Early Redemption Amount is payable; and (ii) the Final Maturity Date, in each case in relation to the relevant Series or Tranche of Covered Bonds, the Covered Bond Swap Provider will pay to the Covered Bond Guarantor an amount equal to the Early Redemption Amount or the Final Redemption Amount (as the case may be) of the relevant Series or Tranche of Covered Bonds in exchange for payment by the Covered Bond Guarantor of the Australian Dollar Equivalent of that amount.

Under the Non-Forward Starting Covered Bond Swaps:

- (a) if the related Intercompany Note is made in Australian Dollars (where the related Series of Covered Bonds are denominated in Australian Dollars), the Covered Bond Guarantor will pay to the Covered Bond Swap Provider on each Trust Payment Date an amount in Australian Dollars calculated by reference to the Bank Bill Rate for one month Australian Dollar deposits plus a spread. In return the Covered Bond Swap Provider will pay to the Covered Bond Guarantor on each Interest Payment Date an amount in Australian Dollars calculated by reference to the rate of interest payable on the related Series or Tranche of Covered Bonds; and
- (b) if the related Intercompany Note is made in a currency other than in Australian Dollars, on the relevant Issue Date, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider an amount equal to the amount received by the Covered Bond Guarantor under the related Intercompany Note (being the aggregate nominal amount of such Series or Tranche, as applicable, of Covered Bonds) and in return the Covered Bond Swap Provider will pay to the Covered Bond Guarantor the Australian Dollar Equivalent of the first mentioned amount. Thereafter, the Covered Bond Swap Provider will pay to the Covered Bond Guarantor on each Interest Payment Date an amount equal to the relevant amounts that would be payable by the Covered Bond Guarantor under either the related Intercompany Note in accordance with the terms of the Intercompany Note Subscription Agreement or the Covered Bond Guarantee in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider on each Trust Payment Date an amount in Australian Dollars calculated by reference to the Bank Bill Rate for one month Australian Dollar deposits plus a spread and the Australian Dollar Equivalent of the relevant portion of any principal due to be repaid in respect of the related Intercompany Note in accordance with the Intercompany Note Subscription Agreement. Unless the Covered Bond Swap terminates earlier, on the first to occur of (i) the date on which the Early Redemption Amount is payable; and (ii) the Final Maturity Date, in each case in relation to the relevant Series or Tranche of Covered Bonds, the Covered Bond Swap Provider will pay to the Covered Bond Guarantor an amount in the relevant currency equal to the principal then outstanding on the related Intercompany Note in exchange for payment by the Covered Bond Guarantor of the Australian Dollar Equivalent of that amount.

Each Non-Forward Starting Covered Bond Swap and each Forward Starting Covered Bond Swap will terminate on the Final Maturity Date of the relevant Series or Tranche of Covered Bonds or, if the Covered Bond Guarantor notifies the Covered Bond Swap Provider, prior to the Final Maturity Date, of the inability of the Covered Bond Guarantor to pay in full or in part Guaranteed Amounts corresponding to the Final Redemption Amount in respect of such Series or Tranche of Covered Bonds, the final Interest Payment Date on which an amount representing any or all of the Final Redemption Amount is paid (but in any event not later than the Extended Due for Payment Date).

### ***Rating Downgrade Event***

Under the terms of each Swap Agreement, in the event that the rating(s) of the relevant Swap Provider is downgraded by a Rating Agency below the rating(s) specified in such Swap Agreement (in accordance with the requirements of such Rating Agency) for that Swap Provider, that Swap Provider will, in accordance with such Swap Agreement, be required to take certain remedial measures which may include:

- (a) providing collateral for its obligations under such Swap Agreement;
- (b) arranging for its obligations under such Swap Agreement to be transferred to a replacement entity provided that either (i) such entity is an entity with the ratings required by the relevant Rating Agency or (ii) in some cases, the relevant Rating Agency has confirmed that such transfer will not adversely affect the ratings of the then outstanding Series of Covered Bonds in effect immediately prior to the downgrade;
- (c) procuring another entity to become co-obligor or guarantor in respect of its obligations under such Swap Agreement provided that either (i) such entity is an entity with the ratings required by the relevant Rating Agency or (ii) in some cases, the relevant Rating Agency has confirmed that such co-obligor or guarantor will not adversely affect the ratings of the then outstanding Series of Covered Bonds in effect immediately prior to the downgrade; or
- (d) taking such other as it may agree with the relevant Rating Agency.

A failure to take such steps within the time periods specified in the relevant Swap Agreement will allow the Covered Bond Guarantor to terminate one or more of the Swaps under such Swap Agreement.

#### ***Other Termination Events***

One or more Swaps under a Swap Agreement may also be terminated early in certain other circumstances, including:

- (a) at the option of any party to such Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement;
- (b) upon the occurrence of an insolvency event in relation to the relevant Swap Provider, or the Covered Bond Guarantor, or the merger of one of the parties to such Swap Agreement without an assumption of the obligations under such Swap Agreement;
- (c) if there is a change of law or change in application of the relevant law which results in the Covered Bond Guarantor or the relevant Swap Provider (or both) being obliged to make a withholding or deduction on account of a tax on a payment to be made by such party to the other party under such Swap Agreement and the relevant Swap Provider thereby being required under the terms of such Swap Agreement to gross up payments made to the Covered Bond Guarantor, or to receive net payments from the Covered Bond Guarantor (who is not required under the terms of such Swap Agreement to gross up payments made to the relevant Swap Provider);
- (d) if there is a change in law which results in the illegality of the obligations to be performed by either party under such Swap Agreement;
- (e) in relation to a Covered Bond Swap only, if the corresponding Series of Covered Bonds are redeemed or cancelled;
- (f) if a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor;
- (g) upon the making of an amendment (without the consent of the relevant Swap Provider) to the Priorities of Payment which has a material adverse effect on the amounts paid to the relevant Swap Provider under the Priorities of Payment; and
- (h) upon the making of an amendment (without the consent of the relevant Swap Provider) to any Programme Document, which has the effect of requiring the relevant Swap Provider to pay more or



receive less under the such Swap Agreement than would otherwise have been the case or that results in an adverse consequences to the relevant Swap Provider.

Upon the termination of one or more Swaps under a Swap Agreement, the Covered Bond Guarantor or the Swap Provider may be liable to make a termination payment to the other party in accordance with the provisions of such Swap Agreement.

### ***Swap Agreement Credit Support Document***

The Covered Bond Guarantor and each Swap Provider will also enter into a credit support document under the relevant Swap Agreement (such credit support document in the form of the ISDA 1995 Credit Support Annex (Bilateral Form - Transfer) published by ISDA (each, a **Swap Agreement Credit Support Document**). Each Swap Agreement Credit Support Document will provide that, from time to time, if required to do so following its downgrade and subject to the conditions specified in such Swap Agreement Credit Support Document, the relevant Swap Provider will make transfers of collateral to the Covered Bond Guarantor in support of its obligations under the relevant Swap Agreement (the **Swap Collateral**) and the Covered Bond Guarantor will be obliged to return equivalent collateral in accordance with the terms of such Swap Agreement Credit Support Document.

Swap Collateral required to be transferred by the relevant Swap Provider pursuant to the terms of the Swap Agreement Credit Support Document may be delivered in the form of cash or securities. Cash amounts will be paid into an account designated as a **Swap Collateral Cash Account**. References to a Swap Collateral Cash Account and to payments from such accounts are deemed to be a reference to payments from such accounts as and when opened by the Covered Bond Guarantor.

If a Swap Collateral Cash Account is opened, cash (and all income in respect thereof) transferred as collateral will only be available to be applied in returning collateral (and income thereon) or in satisfaction of amounts owing by the relevant Swap Provider in accordance with the terms of the relevant Swap Agreement Credit Support Document.

Any Swap Collateral Excluded Amounts will be paid to the relevant Swap Provider directly and not via the Priorities of Payments.

### ***Limited Recourse***

All obligations of the Covered Bond Guarantor to the relevant Swap Provider under the Swap Agreements are limited in recourse as described in the Establishment Deed.

### ***Governing Law***

Each Swap Agreement (including the Swap Agreement Credit Support Document under such Swap Agreement) will be governed by, and construed in accordance with, the laws applying in the State of New South Wales, Australia.

### ***Account Bank Agreement***

Pursuant to the terms of the Account Bank Agreement entered into on 11 November 2011 between the Covered Bond Guarantor, the Seller Trustee, nab (in its capacities as Account Bank, Trust Manager and beneficiary of the Seller Trust) and the Security Trustee, the Trust Manager will establish the Trust Accounts with the Account Bank, which will be operated by the Account Bank (which must comply with any direction given by the Instructing Party) in accordance with the Account Bank Agreement, the relevant Account Bank Mandate and nab's standard terms and conditions applicable to accounts and electronic banking. At any time, the Covered Bond Guarantor may revoke the Trust Manager's authority as the Instructing Party which

instructs the Account Bank in relation to the Trust Accounts by written notice to the Trust Manager and the Account Bank.

The Covered Bond Guarantor (acting at the direction of the Trust Manager) or the Security Trustee may, upon written notice to the Account Bank, terminate the appointment of the Account Bank if any of the following matters occur:

- (a) if a deduction or withholding for or on account of any Tax is imposed, or it appears likely that such a deduction or withholding will be imposed, in respect of the interest payable on any Trust Account, as applicable; or
- (b) if the Account Bank fails to make payment on the due date of any payment due and payable by it under the Account Bank Agreement and such default is not waived by the Covered Bond Guarantor (acting at the direction of the Trust Manager, with the prior written consent of the Security Trustee) or the Security Trustee, as applicable, and such default continues unremedied for a period of five AU Business Days; or
- (c) if the Account Bank fails to perform any of its other material obligations under the Account Bank Agreement, the Security Deed or any other Programme Document to which it is a party which is, in the opinion of the Security Trustee, materially prejudicial to the holders of Covered Bonds (and such failure is not waived by the Covered Bond Guarantor (acting at the direction of the Trust Manager) with the prior written consent of the Security Trustee and such failure remains unremedied for a period of 10 AU Business Days after the Trust Manager or the Security Trustee has given notice of such failure to the Account Bank,

and the Covered Bond Guarantor (acting at the direction of the Trust Manager) or the Security Trustee must, upon written notice to the Account Bank, terminate the appointment of the Account Bank if any of the following matters occur:

- (i) if the Account Bank ceases to be a Qualified Institution and the Account Bank does not, within 30 AU Business Days of the occurrence of such event, obtain a guarantee of its obligations under the Account Bank Agreement from a Qualified Institution provided that the Rating Agencies have confirmed that the then current ratings of the Covered Bonds would not be reduced, qualified or withdrawn as a result of obtaining such guarantee; or
- (ii) if an Insolvency Event occurs in respect of the Account Bank.

The Account Bank Agreement is governed by, and is construed in accordance with, the laws applying in the State of New South Wales, Australia.

### **Security Deed**

- (a) Pursuant to the terms of the Security Deed entered into on 10 November 2011 by, amongst others, the Covered Bond Guarantor, the Trust Manager and the Security Trustee, as security for payment of the Secured Obligations, the Covered Bond Guarantor charges all of its present and future rights, title and interest in, and all of its present and future rights in relation to the Charged Property (**Charged Property**), in favour of the Security Trustee.

The Security referred to above, is a floating charge. To the extent the Security is a floating charge, it will become a fixed charge automatically and immediately in respect of all Charged Property subject to the floating charge:

- (a) without the need for any notice to or act by the Security Trustee, following the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer; and

- (b) in respect of any such Charged Property specified in any notice which may be given by the Security Trustee to the Covered Bond Guarantor and the Trust Manager at any time if, in the opinion of the Security Trustee, that Charged Property is at risk of being seized, taken or becoming subject to any Security Interest other than any Security Interest expressly permitted under the Programme Documents.

### ***Release of Security***

In the event of any sale or transfer of Mortgage Loans (including Selected Mortgage Loans) and their Related Security (and any other related rights under the same) by or on behalf of the Covered Bond Guarantor (including by way of in specie distributions to the Covered Bond Guarantor), or extinguishment of the Covered Bond Guarantor's interest in Mortgage Loan (including Selected Mortgage Loans) and the Related Security (and any other related rights under the same) pursuant to and in accordance with the Programme Documents, such Mortgage Loans and the Related Security (and any other related rights under the same) will no longer form part of the Mortgage Loan Portfolio and the Security Trustee will, if so directed in writing by the Trust Manager (at the sole cost and expense of the Covered Bond Guarantor) take all reasonable steps necessary to ensure the release or discharge of those Mortgage Loans and the Related Security (and any other related rights under the same) from the Security Interests created by and pursuant to the Security Deed on or prior to the date of such sale, provided that the Trust Manager has provided to the Security Trustee a certificate that such sale of Mortgage Loans and the Related Security has been made in accordance with the terms of the Programme Documents and, in the case of Selected Mortgage Loans only, that the Selected Mortgage Loans have been selected on a basis that is representative of the Mortgage Loans in the Mortgage Loan Portfolio as a whole.

### ***Retirement and removal of Security Trustee***

The Security Trustee may retire as trustee of the Security Trust at any time upon giving three calendar months' prior written notice to the Trust Manager.

The Security Trustee must retire if:

- (a) it ceases to carry on business as a professional security trustee;
- (b) an Insolvency Event occurs in respect of the Security Trustee in its personal capacity (but not in its capacity as trustee of any other trust); or
- (c) the removal of the Security Trustee is approved by an Extraordinary Resolution at (i) a meeting of the Covered Bondholders of all Series taken together as a single Series or (ii) (if there are no Covered Bonds outstanding) a meeting of the Majority Secured Creditors.

If the Security Trustee does not retire within 30 days following any of the events described above the Trust Manager may remove the Security Trustee from office as trustee of the Security Trust and will use its best endeavours to ensure that a successor security trustee is appointed as soon as possible.

The retirement or removal of the Security Trustee takes effect when a successor security trustee is appointed, the successor security trustee obtains title to (or the benefit of) this document and any other Programme Documents to which the Security Trustee is party, and the parties to such documents have the same rights amongst themselves as if they would have had if the successor security trustee had been party to them at the dates of such Programme Documents.

If no successor security trustee is appointed within 90 days of notice of the retirement or removal of the Security Trustee, the Security Trustee may itself appoint a successor security trustee or apply to the court for a successor security trustee to be appointed.

Any mandatory or voluntary retirement or removal of the Security Trustee is conditional upon the Issuer having delivered a Rating Affirmation Notice to the Covered Bond Guarantor (copied to the Trust Manager, the Issuer, the Rating Agencies and the Security Trustee) in respect of such mandatory or voluntary retirement, removal and appointment by the Trust Manager.

### ***Enforcement***

If a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor and the Issuer, the Security Trustee will be entitled to appoint a Receiver, and/or enforce the Security constituted by the Security Deed (including selling the Mortgage Loan Portfolio), and/or take such steps as it will deem necessary, subject in each case to being indemnified and/or prefunded and/or secured to its satisfaction. All proceeds received by the Security Trustee from the enforcement or realisation of the Security will be applied in accordance with the Post-Enforcement Priority of Payments described under "*Cashflows*" below other than any Swap Collateral Excluded Amounts which will be paid to the relevant Swap Provider directly and not via the Post-enforcement Priority of Payments.

The Security Deed is governed by, and will be construed in accordance with, the laws applying in the State of New South Wales, Australia.

## CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured, unsubordinated and unconditional obligations of the Issuer. The Covered Bond Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer of an Issuer Acceleration Notice (copied to the Covered Bond Guarantor) and a Notice to Pay on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee) or, if earlier, following the occurrence of a Covered Bond Guarantor Event of Default and service by the Bond Trustee on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee) and the Issuer of a Covered Bond Guarantee Acceleration Notice. The Issuer will not be relying on any payments by the Covered Bond Guarantor in order to pay interest or repay principal under the Covered Bonds.

There are a number of features of the Programme which enhance the likelihood of timely and, as applicable, ultimate payments to Covered Bondholders, as follows:

- (a) the Covered Bond Guarantee provides credit support to the Issuer;
- (b) the Pre-Maturity Test is intended to ensure that the Covered Bond Guarantor has sufficient liquidity in relation to amounts of principal due on the Final Maturity Date of the Hard Bullet Covered Bonds;
- (c) the Asset Coverage Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds on a monthly basis;
- (d) the Amortisation Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds following the occurrence of an Issuer Event of Default, service on the Issuer (copied to the Covered Bond Guarantor) of an Issuer Acceleration Notice and service of a Notice to Pay on the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee);
- (e) a Reserve Fund will be established in the GIC Account to trap Available Revenue Receipts up to the Reserve Fund Required Amount or the proceeds of the issue of an Intercompany Note if nab's credit ratings fall below the Moody's Specified Rating and/or the Fitch Specified Rating; and
- (f) under the terms of the Account Bank Agreement, the Account Bank has agreed to pay a rate of interest per annum as it determines on all amounts held by the Covered Bond Guarantor in the GIC Account.

Certain of these factors are considered more fully in the remainder of this section.

### **Covered Bond Guarantee**

Pursuant to the terms of the Bond Trust Deed, the Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds issued by the Issuer. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same becomes Due for Payment but which would otherwise be unpaid by the Issuer. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct, absolute, unconditional (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or following a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice) and (subject as provided in Condition 17 of the Programme Conditions and/or, in the case of an N Covered Bond, as provided in the relevant Condition of the relevant N Covered Bond Conditions (if applicable)) obligations of the Covered Bond Guarantor, secured as provided in the Security Deed and limited in recourse against the Covered Bond Guarantor. The Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor following the occurrence of an Issuer Event of Default and the service by the Bond Trustee of an

Issuer Acceleration Notice on the Issuer (whereupon the Covered Bonds will become immediately due and payable as against the Issuer but not at such time as against the Covered Bond Guarantor).

A Covered Bond Guarantee Acceleration Notice may be served by the Bond Trustee on the Issuer and the Covered Bond Guarantor following the occurrence of a Covered Bond Guarantor Event of Default. If a Covered Bond Guarantee Acceleration Notice is served, the Covered Bonds will become immediately due and payable (if they have not already become due and payable) and the obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will be accelerated and the Security Trustee will be entitled to enforce the Security. Payments made by the Covered Bond Guarantor under the Covered Bond Guarantee will be made subject to, and in accordance with, the Guarantee Priority of Payments. Payments made by the Security Trustee will be made subject to, and in accordance with, the Post-Enforcement Priority of Payments.

See further "*Summary of the Principal Documents — Bond Trust Deed*" as regards the terms of the Covered Bond Guarantee.

See further "*Cashflows — Guarantee Priority of Payments*" as regards the payment of amounts payable by the Covered Bond Guarantor to Covered Bondholders and other Secured Creditors following service of a Notice to Pay.

### **Pre-Maturity Test**

Each Series of Hard Bullet Covered Bonds is subject to a Pre-Maturity Test on each AU Business Day during the Pre-Maturity Test Period prior to the occurrence of an Issuer Event of Default and/or a Covered Bond Guarantor Event of Default. The Pre-Maturity Test is intended to ensure that the Covered Bond Guarantor has sufficient liquidity for such Covered Bonds.

The Issuer will fail and be in breach of the Pre-Maturity Test on any Pre-Maturity Test Date in respect of a Series of Hard Bullet Covered Bonds if the Issuer's:

- (a) long-term credit rating from Moody's is lower than A2 and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date; or
- (b) short-term credit rating from Moody's is lower than P-1 or from Fitch is lower than F1+ and the Final Maturity Date of the Series of Hard Bullet Covered Bonds will fall within 12 months from the relevant Pre-Maturity Test Date.

### **Asset Coverage Test**

The Asset Coverage Test is intended to test the asset coverage of the Covered Bond Guarantor's assets in respect of the Covered Bonds on a monthly basis. This is to ensure that the assets of the Covered Bond Guarantor do not fall below a certain threshold and are sufficient for the Covered Bond Guarantor to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* and rateably with amounts due on the Covered Bonds.

The Establishment Deed provides that, prior to the service of a Notice to Pay on the Covered Bond Guarantor and/or a Covered Bond Guarantee Acceleration Notice on the Issuer and the Covered Bond Guarantor, the assets of the Covered Bond Guarantor are subject to the Asset Coverage Test. Accordingly, for so long as the Covered Bonds remain outstanding, the Trust Manager must ensure that on each such Calculation Date, the Adjusted Aggregate Mortgage Loan Amount will be at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. The Asset Coverage Test will be tested by the Trust Manager on each such Calculation Date and:

- (a) on any day, to the extent that the Adjusted Aggregate Mortgage Loan Amount is at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that day, the Asset Coverage Test will be satisfied; and
- (b) on any day, to the extent that the Adjusted Aggregate Mortgage Loan Amount is not at least equal to the Australian Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that day, the Asset Coverage Test will not be satisfied.

If on any Calculation Date prior to the service of a Notice to Pay on the Covered Bond Guarantor and/or a Covered Bond Guarantee Acceleration Notice on the Issuer and the Covered Bond Guarantor, the Asset Coverage Test is not satisfied, then pursuant to the terms of the Establishment Deed, the Trust Manager must:

- (i) use all reasonable endeavours to arrange for the Covered Bond Guarantor to acquire sufficient additional Mortgage Loans and the Related Security from the Seller in accordance with the Mortgage Sale Agreement; and
- (ii) direct the Covered Bond Guarantor to purchase Substitution Assets or request subscriptions from the Demand Note Subscriber for an increase in the principal amount outstanding of the Demand Note,

in order to ensure that the Asset Coverage Test will be satisfied on any date on or before the immediately following Calculation Date. The consideration payable to the Seller for the sale of such Mortgage Loans and Related Security to the Covered Bond Guarantor may be funded by (i) cash available to the Covered Bond Guarantor to pay for such Mortgage Loans and Related Security in accordance with the Pre-Acceleration Principal Priority of Payments; and/or (ii) the proceeds of an increase in the principal amount outstanding of the Demand Note.

If the Trust Manager has not taken sufficient action in accordance with the above paragraph such that the Asset Coverage Test remains unsatisfied for a second consecutive Calculation Date, the Bond Trustee must serve an Asset Coverage Test Breach Notice on the Covered Bond Guarantor (subject to the Bond Trustee having actual knowledge or express notice of the non-satisfaction of the Asset Coverage Test). The Bond Trustee will be deemed to have revoked an Asset Coverage Test Breach Notice if on the Calculation Date falling on or prior to the third consecutive Calculation Date, the Asset Coverage Test is subsequently satisfied and neither a Notice to Pay nor a Covered Bond Guarantee Acceleration Notice has been served. If the Asset Coverage Test Breach Notice has not been revoked in accordance with the foregoing, then an Issuer Event of Default will occur.

See further "*Summary of the Principal Documents – Establishment Deed – Asset Coverage Test*", above.

### **Amortisation Test**

The Amortisation Test is intended to ensure that, following service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), the assets of the Covered Bond Guarantor do not fall below a certain threshold and are sufficient to meet its obligations under the Covered Bond Guarantee and senior expenses which rank in priority or *pari passu* with amounts due on the Covered Bonds.

Pursuant to the Establishment Deed, the Trust Manager must, for so long as any Covered Bonds remain outstanding, ensure that on each Calculation Date following service of a Notice to Pay on the Covered Bond Guarantor (but prior to the service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer), the Amortisation Test Aggregate Mortgage Loan Amount is in an amount at least equal to the Australian Dollar Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds.

See further "*Summary of the Principal Documents — Establishment Deed — Amortisation Test*", above.

### **Legislated Collateralisation Test**

The Programme benefits from the Issuer's obligation to comply with the minimum over-collateralisation requirements set out in the Australian Banking Act. This is described in more detail in the section "*Description of the Covered Bond Provisions of the Australian Banking Act*" in this Prospectus. As the Legislative Collateralisation Test is a minimum requirement, the Issuer expects that its obligation in respect of this legal requirement will be satisfied in all circumstances in which the Asset Coverage Test or the Amortisation Test, as applicable, is satisfied.

### **Reserve Fund**

If the Issuer's credit ratings fall below the Moody's Specified Rating and/or Fitch Specified Rating, the Covered Bond Guarantor is required to establish a reserve fund within the GIC Account and to credit, on the next Trust Payment Date, to the Reserve Fund the proceeds of Available Revenue Receipts (in accordance with the Pre-Acceleration Revenue Priority of Payments) or the remaining subscription proceeds of an issue of Intercompany Notes up to an amount equal to the Reserve Fund Required Amount.



## CASHFLOWS

As described above under Credit Structure, until a Notice to Pay is served on the Covered Bond Guarantor or a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor and the Issuer, the Covered Bonds will be obligations of the Issuer only. The Issuer is liable to make payments when due on the Covered Bonds, whether or not the Issuer has received any corresponding payment from the Covered Bond Guarantor.

This section summarises the Priorities of Payments of the Covered Bond Guarantor, as to the allocation and distribution of amounts standing to the credit of the Trust Accounts and their order of priority:

- (a) prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice;
- (b) following service of a Notice to Pay (but prior to the service of a Covered Bond Guarantee Acceleration Notice); and
- (c) following the service of a Covered Bond Guarantee Acceleration Notice and/or realisation of the Security,

all in accordance with the Establishment Deed and Security Deed, as applicable.

If a Transaction Account is closed in accordance with the terms of the Account Bank Agreement, any payment to be made to or from the relevant Transaction Account will, as applicable, be made to or from the GIC Account, or no payment will be made at all if such payment is expressed to be from the GIC Account to the relevant Transaction Account.

### ***Allocation and distribution of Available Revenue Receipts prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice***

Prior to the service of a Notice to Pay on the Covered Bond Guarantor or a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, Available Revenue Receipts standing to the credit of the Trust Accounts will be allocated and distributed as described below.

On the Calculation Date immediately preceding each Trust Payment Date, the Trust Manager must calculate:

- (a) the amount of Available Revenue Receipts available for distribution on the following Trust Payment Date;
- (b) the Reserve Fund Required Amount if applicable; and
- (c) if the Pre-Maturity Test has been breached in respect of a Series of Hard Bullet Covered Bonds, on each Calculation Date falling within the Pre-Maturity Test Period, whether or not the amount standing to the credit of the Pre-Maturity Ledger at such date is less than the Australian Dollar Equivalent of the Required Redemption Amount for the relevant Series of Hard Bullet Covered Bonds at such date (after deducting from the balance standing to the credit of the Pre-Maturity Ledger such amount as is then required to repay any Series of Hard Bullet Covered Bonds which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds).

On each Trust Payment Date, the Covered Bond Guarantor (acting at the direction of the Trust Manager) must transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of:

- (a) the amount required to make the payments or credits described below; and
- (b) the amount of Available Revenue Receipts standing to the credit of the GIC Account.

### ***Pre-Acceleration Revenue Priority of Payments***

On each Trust Payment Date (except for amounts due to third parties by the Covered Bond Guarantor described below under (c)(iii) which in each case must be paid, at the direction of the Trust Manager, when due and, for the avoidance of doubt, any Swap Collateral Excluded Amounts due to the relevant Swap Providers by the Covered Bond Guarantor under the relevant Swap Agreements which must be paid, at the direction of the Trust Manager, directly to the relevant Swap Providers in accordance with the terms of the relevant Swap Agreements), the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will, apply Available Revenue Receipts from the Transaction Accounts to make the following payments and provisions in the following order of priority (**Pre-Acceleration Revenue Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, \$1 to the Residual Income Unitholder;
- (b) *second*, in or towards satisfaction of any Accrued Interest Adjustment due and payable to the Seller in connection with the transfer of any Mortgage Loans to the Trust during the Calculation Period immediately preceding that Trust Payment Date;
- (c) *third*, in or towards satisfaction *pari passu* and rateably of:
  - (i) any amounts due and payable by the Covered Bond Guarantor to itself as trustee of the Trust, the Bond Trustee and the Security Trustee;
  - (ii) any amounts due and payable to each Agent under the provisions of the Agency Agreements;
  - (iii) any amounts due and payable to other third parties and incurred without breach by the Covered Bond Guarantor of the Programme Documents to which it is a party (and for which payment has not been provided for elsewhere in the relevant Priorities of Payments); and
  - (iv) any liability of the Covered Bond Guarantor for Taxes,

and to provide for any such amounts expected to become due and payable by the Covered Bond Guarantor in the Trust Payment Period in which such Trust Payment Date occurs;

- (d) *fourth*, in or towards satisfaction *pari passu* and rateably of:
  - (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement in the Trust Payment Period in which such Trust Payment Date occurs, together with applicable GST (or other similar Taxes) thereon;
  - (ii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable GST (or other similar Taxes) thereon;
  - (iii) amounts due and payable to the Cover Pool Monitor pursuant to the terms of the Cover Pool Monitor Agreement (other than the amounts referred to in paragraph (k) below), together with applicable GST (or other similar Taxes) thereon; and
  - (iv) any remuneration then due and payable to the Trust Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Trust Manager pursuant to the Establishment Deed and the Management Agreement in the Trust Payment

Period in which such Trust Payment Date occurs, together with any applicable GST (or other similar Taxes) thereon;

- (e) *fifth*, if the Interest Rate Swap Provider is not the Issuer or, if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine of any amount due or to become due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swaps (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swap Agreement but excluding any relevant Excluded Swap Termination Amount);
- (f) *sixth*, in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payments falling due in the future as the Trust Manager may reasonably determine, *pari passu* and rateably of:
  - (i) if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has not occurred or is not likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine of any amount due or to become due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swaps (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swap Agreement but excluding any relevant Excluded Swap Termination Amount);
  - (ii) any amounts due or to become due and payable to each relevant Covered Bond Swap Provider (other than in respect of principal) *pari passu* and rateably in respect of each Covered Bond Swap (including any termination payment due and payable (other than in respect of principal) by the Covered Bond Guarantor under each relevant Covered Bond Swap Agreement, but excluding any relevant Excluded Swap Termination Amount) (except to the extent that such amounts have already been paid out as contemplated in "*Cashflows – Termination Payments in respect of Swaps*" from any termination payments received from any terminated Covered Bond Swap Provider) in accordance with the terms of each relevant Covered Bond Swap Agreement; and
  - (iii) any interest amount due, or to become due and payable, in respect of the Intercompany Notes, *pari passu* and rateably to the Intercompany Noteholders in accordance with the terms of the Intercompany Note Subscription Agreement, but in the case of any such payment, after taking into account any amounts (other than principal) receivable from each relevant Covered Bond Swap Provider under each Covered Bond Swap Agreement on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine;

- (g) *seventh*, if the Pre-Maturity Test has been breached by the Issuer in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the Pre-Maturity Ledger and deposit into the GIC Account in an amount up to, but not exceeding the amount by which x exceeds y, where:

- x is the Australian Dollar Equivalent of the Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and
- y is the aggregate of:
- (A) any amounts standing to the credit of the Pre-Maturity Ledger on the immediately preceding Calculation Date after having deducted the Australian Dollar Equivalent of the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds, as calculated on that Calculation Date, which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached; and
  - (B) any amount to be credited to the Pre-Maturity Ledger on that Trust Payment Date pursuant to paragraph (a) of the Pre-Acceleration Principal Priority of Payments;
- (h) *eighth*, if a Servicer Termination Event has occurred, all remaining Available Revenue Receipts to be deposited into the GIC Account (with a corresponding credit to the Revenue Ledger) until such Servicer Termination Event is either remedied by the Servicer or waived by the Security Trustee (acting on the directions of the Bond Trustee, or, if no Covered Bonds are outstanding, the Majority Secured Creditors) or a replacement servicer is appointed to service the Mortgage Loan Portfolio (or any relevant part);
- (i) *ninth*, in or towards a credit to the Reserve Ledger and deposit into the GIC Account of an amount up to but not exceeding the amount by which the Reserve Fund Required Amount exceeds the existing balance on the Reserve Ledger as calculated on the immediately preceding Calculation Date;
- (j) *tenth*, in or towards payment *pari passu* and rateably of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements;
- (k) *eleventh*, in or towards payment of any indemnity amount due to the Cover Pool Monitor pursuant to the Cover Pool Monitor Agreement;
- (l) *twelfth*, in or towards payment of any interest amounts or any principal amount of the Demand Note relating to an Interest Rate Shortfall Demand Note Funding due or to become due and payable in respect of the Demand Note pursuant to the terms of the Demand Note Subscription Agreement; and
- (m) *thirteenth*, the remainder to the Residual Income Unitholder in whole or partial satisfaction of any entitlement to Net Trust Income of the Trust.

***Allocation and Distribution of Available Revenue Receipts following the service of an Asset Coverage Test Breach Notice***

At any time after service on the Covered Bond Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, all Available Revenue Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments provided that, whilst any Covered Bonds remain outstanding, the Trust Manager will ensure that:

- (a) it will not direct the Covered Bond Guarantor to apply any moneys under paragraph (f)(iii), (l) or (m) of the Pre-Acceleration Revenue Priority of Payments; and

- (b) the remainder (if any) will be deposited into the GIC Account (with a corresponding credit to the Revenue Ledger) and applied as Available Revenue Receipts on the next succeeding Trust Payment Date.

***Allocation and Distribution of Available Principal Receipts prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice***

Prior to the service of a Notice to Pay on the Covered Bond Guarantor or a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, Available Principal Receipts standing to the credit of the Transaction Accounts must be allocated and distributed as described below.

On each Calculation Date, the Trust Manager must calculate the amount of Available Principal Receipts available for distribution on the immediately following Trust Payment Date.

On each Trust Payment Date, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will, transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of:

- (a) the amount required to make the payments or credits described below; and
- (b) the amount of all Available Principal Receipts standing to the credit of the GIC Account.

***Pre-Acceleration Principal Priority of Payments***

On each Trust Payment Date, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will, apply Available Principal Receipts from the Transaction Accounts (for the avoidance of doubt, excluding any Swap Collateral Excluded Amounts due to the relevant Swap Providers by the Covered Bond Guarantor under the relevant Swap Agreements which will be paid, at the direction of the Trust Manager, directly to the relevant Swap Providers in accordance with the terms of the relevant Swap Agreements) and any In Specie Mortgage Loans (but only in the case of paragraphs (d) and (g)) in making the following payments or provisions or credits in the following order or priority (**Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been paid in full to the extent the same are payable on the relevant Trust Payment Date):

- (a) *first*, if the Pre-Maturity Test has been breached by the Issuer in respect of any Series of Hard Bullet Covered Bonds, towards a credit to the Pre-Maturity Ledger and deposit into the GIC Account in an amount up to, but not exceeding the amount by which x exceeds y, where:

x is the Australian Dollar Equivalent of the Required Redemption Amount calculated on the immediately preceding Calculation Date for the relevant Series of Hard Bullet Covered Bonds; and

y is the aggregate of:

- (A) any amounts standing to the credit of the Pre-Maturity Ledger on the immediately preceding Calculation Date after having deducted the Australian Dollar Equivalent of the Required Redemption Amount of all other Series of Hard Bullet Covered Bonds, as calculated on that Calculation Date, which mature prior to or on the same date as the relevant Series of Hard Bullet Covered Bonds; and
- (B) any amount to be credited to the Pre-Maturity Ledger on that Trust Payment Date pursuant to paragraph (g) of the Pre-Acceleration Revenue Priority of Payments;

- (b) *second*, to acquire New Mortgage Loans and the Related Security offered to the Covered Bond Guarantor by the Seller in accordance with the terms of the Mortgage Sale Agreement in an amount sufficient to ensure that taking into account the other resources available to the Covered Bond Guarantor, the Asset Coverage Test is satisfied and thereafter to acquire Substitution Assets in an amount not to exceed the prescribed limits (as specified in the Establishment Deed) sufficient to ensure that, after taking into account the other resources available to the Covered Bond Guarantor, the Asset Coverage Test is satisfied;
- (c) *third*, to deposit the remaining Available Principal Receipts into the GIC Account (with a corresponding credit to the Principal Ledger) in an amount sufficient to ensure that, taking into account the other resources available to the Covered Bond Guarantor, the Asset Coverage Test is satisfied;
- (d) *fourth*, if a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards repayment of the principal amount of the Demand Note which is due or to become due and payable pursuant to the terms of the Demand Note Subscription Agreement, to the extent that such payment would not cause the Asset Coverage Test to be breached;
- (e) *fifth*, in or towards repayment on the Trust Payment Date (or to provide for repayment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine) of the principal amount of the Intercompany Notes by making the following payments:
  - (i) the amounts (in respect of principal) due or to become due and payable to each relevant Covered Bond Swap Provider *pari passu* and rateably in respect of each Covered Bond Swap (including any termination payment (relating solely to principal) due and payable by the Covered Bond Guarantor under each relevant Covered Bond Swap Agreement, but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of each relevant Covered Bond Swap Agreement; and
  - (ii) where appropriate, after taking into account any amounts in respect of principal receivable from each relevant Covered Bond Swap Provider under each Covered Bond Swap on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine, the amounts (in respect of principal) due or to become due and payable to the Intercompany Noteholders *pari passu* and rateably in respect of each relevant Intercompany Note;
- (f) *sixth*, *pari passu* and rateably, to:
  - (i) pay the Purchase Price for New Mortgage Loans and the Related Security offered to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement following receipt by the Seller of a notice from the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement; and
  - (ii) reimburse the Seller for funding any Further Advances and/or Cash Redraws that the Covered Bond Guarantor has agreed to reimburse the Seller for in accordance with the Mortgage Sale Agreement;
- (g) *seventh*, in or towards repayment of any principal amount of the Demand Note (other than any principal amount relating to an Interest Rate Shortfall Demand Note Funding):
  - (i) which remains due and payable pursuant to clause 10.1(d) of the Demand Note Subscription Agreement after any distribution as a result of the Covered Bonds having been repaid and

confirmation from the Issuer that no additional Covered Bonds will be issued under the Programme;

- (ii) for which a demand is made by the Demand Noteholder in accordance with the Demand Note Subscription Agreement and at which time the Issuer has not determined and notified the Covered Bond Guarantor and the Trust Manager that a Regulatory Event has occurred or is likely to occur, to the extent that such payment would not cause the Asset Coverage Test to be breached; or
  - (iii) where the Issuer has determined and notified the Covered Bond Guarantor and the Trust Manager that a Regulatory Event has occurred or is likely to occur and an In Specie Failure has also occurred, that amount which would otherwise have been satisfied under paragraph (d) above, to the extent that such payment would not cause the Asset Coverage Test to be breached;
- (h) *eighth*, to be paid to the Residual Income Unitholder in whole or partial satisfaction of any entitlement to Net Trust Income of the Trust remaining unpaid; and
- (i) *ninth*, to be paid to the Residual Capital Unitholders *pari passu* and rateably amongst them in respect of the Residual Capital Units.

No payment of Available Principal Receipts will be made under paragraph (d) above by the Covered Bond Guarantor. The Trust Manager must ensure that paragraph (d) is satisfied by an in specie distribution to the Demand Noteholder of the In Specie Mortgage Loans pursuant to the section "*Summary of the Principal Documents – Demand Note Subscription Agreement – Repayment of the Demand Note*". The Trust Manager may, but is not obliged to, satisfy any amount payable by the Covered Bond Guarantor in accordance with paragraph (g) by an in specie distribution to the Demand Noteholder of the In Specie Mortgage Loans pursuant to the section "*Summary of the Principal Documents – Demand Note Subscription Agreement – Repayment of the Demand Note*".

***Allocation and Distribution of Available Principal Receipts following service of an Asset Coverage Test Breach Notice***

At any time after the service on the Covered Bond Guarantor of an Asset Coverage Test Breach Notice (which has not been revoked), but prior to the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice or, if earlier, the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, all Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Principal Priority of Payments provided that, whilst any Covered Bonds remain outstanding, no moneys will be applied under paragraphs (b), (e)(ii), (f), (g), (h) and (i) of the Pre-Acceleration Principal Priority of Payments, and the remainder (if any) will be deposited into the GIC Account (with a corresponding credit to the Principal Ledger) and applied as Available Principal Receipts on the next succeeding Trust Payment Date.

***Allocation and Distribution of Available Revenue Receipts and Available Principal Receipts following service of a Notice to Pay***

At any time after the service of a Notice to Pay on the Covered Bond Guarantor, but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, all Available Revenue Receipts and Available Principal Receipts will be applied as described below under "*Guarantee Priority of Payments*").

On each Trust Payment Date, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will transfer funds from the GIC Account to the Transaction Accounts, in an amount equal to the lower of:

- (a) the amount required to make the payments set out in the Guarantee Priority of Payments, as described below; and
- (b) the amount of all Available Revenue Receipts and Available Principal Receipts standing to the credit of the GIC Account.

The Trust Manager will create and maintain the Pre-Maturity Ledger for each Series of Hard Bullet Covered Bonds and record amounts allocated to the Pre-Maturity Ledger in respect of such Series of Hard Bullet Covered Bonds in accordance with the Programme Documents, and such amounts, once allocated, will only be available to pay amounts due under the Covered Bond Guarantee and amounts due under the relevant Covered Bond Swap in respect of the relevant Series of Hard Bullet Covered Bonds on the scheduled repayment dates of such Hard Bullet Covered Bonds.

If a Notice to Pay has been served on the Covered Bond Guarantor, on the Final Maturity Date of a Series of Hard Bullet Covered Bonds, the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor must, apply all moneys (if any) standing to the credit of the Pre-Maturity Ledger (and transferred from the GIC Account to the Transaction Accounts) to repay the Covered Bonds comprising the relevant Series.

#### ***Guarantee Priority of Payments***

On each Trust Payment Date (except for amounts due to third parties described below under (e)(ii) which in each case will be paid, at the direction of the Trust Manager, when due, and for the avoidance of doubt, any Swap Collateral Excluded Amounts due to the relevant Swap Providers by the Covered Bond Guarantor under the relevant Swap Agreements which must be paid, at the direction of the Trust Manager, directly to the relevant Swap Providers) the Trust Manager must direct the Covered Bond Guarantor to and, upon receiving that direction, the Covered Bond Guarantor will, apply Available Revenue Receipts, Available Principal Receipts and any In Specie Mortgage Loans (but only in the case of paragraphs (c) and (o) below) to make the following payments and provisions in the following order of priority (**Guarantee Priority of Payments**) (in each case only if and to the extent that payments or provisions of a higher priority have been made in full):

- (a) *first*, A\$1 to the Residual Income Unitholder;
- (b) *second*, in or towards satisfaction of any Accrued Interest Adjustment due and payable to the Seller in connection with the transfer of any Mortgage Loans to the Trust during the Calculation Period immediately preceding that Trust Payment Date;
- (c) *third*, if a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards repayment of the principal amount of the Demand Note which is due or to become due and payable pursuant to a demand from the Demand Noteholder under the terms of the Demand Note Subscription Agreement to the extent that such payment would not cause the Asset Coverage Test to be breached;
- (d) *fourth*, in or towards satisfaction *pari passu* and rateably of:
  - (i) all amounts due and payable or to become due and payable to the Bond Trustee (excluding all amounts otherwise payable to the Covered Bondholders and Couponholders under the Guarantee Priority of Payments) in the Trust Payment Period in which such Trust Payment Date occurs together with interest and applicable GST (or other similar Taxes) thereon;



- (ii) all amounts due and payable or to become due and payable to the Security Trustee (excluding all amounts otherwise payable to the Covered Bondholders and Couponholders under the Guarantee Priority of Payments) in the Trust Payment Period in which such Trust Payment Date occurs together with interest and applicable GST (or other similar Taxes) thereon; and
  - (iii) all amounts due and payable or to become due and payable to itself as trustee of the Trust in the Trust Payment Period in which such Trust Payment Date occurs together with interest and any applicable GST thereon;
- (e) *fifth*, in or towards satisfaction *pari passu* and rateably of:
- (i) any remuneration then due and payable to the Agents under the provisions of the Agency Agreements together with applicable GST (or other similar Taxes) thereon;
  - (ii) any amounts then due and payable by the Covered Bond Guarantor to third parties and incurred without breach by the Covered Bond Guarantor of the Programme Documents to which it is a party (and for which payment has not been provided for elsewhere in this Guarantee Priority of Payments) and to provide for any such amounts expected to become due and payable by the Covered Bond Guarantor in the Trust Payment Period in which such Trust Payment Date occurs; and
  - (iii) any liability of the Covered Bond Guarantor for Taxes;
- (f) *sixth*, in or towards satisfaction *pari passu* and rateably of:
- (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the Trust Payment Period in which such Trust Payment Date occurs under the provisions of the Servicing Agreement together with applicable GST (or other similar Taxes) thereon;
  - (ii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with applicable GST (or other similar Taxes) thereon;
  - (iii) amounts due and payable to the Trust Manager under the Establishment Deed and the Management Agreement; and
  - (iv) amounts due and payable to the Cover Pool Monitor (other than the amounts referred to in paragraph (n) below) pursuant to the terms of the Cover Pool Monitor Agreement, together with applicable GST (or other similar Taxes) thereon;
- (g) *seventh*, if the Interest Rate Swap Provider is not the Issuer or, if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards payment on the Trust Payment Date, or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine, of any amount due or to become due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swaps (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swap Agreement but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of the Interest Rate Swap Agreement;

- (h) *eighth*, in or towards payment on the Trust Payment Date or to provide for payment on such date in the future of such proportion of the relevant payments falling due in the future as the Trust Manager may reasonably determine, *pari passu* and rateably of:
- (i) if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has not occurred or is not likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards payment on the Trust Payment Date, or to provide for payment on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine, of any amount due or to become due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swaps (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swap Agreement but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of the Interest Rate Swap Agreement;
  - (ii) any amounts due or to become due and payable to each relevant Covered Bond Swap Provider (other than in respect of principal) *pari passu* and rateably in respect of each Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under each relevant Covered Bond Swap Agreement, but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of each relevant Covered Bond Swap Agreement; and
  - (iii) Scheduled Interest that is Due for Payment (or that will become Due for Payment in the Trust Payment Period in which such Trust Payment Date occurs) under the Covered Bond Guarantee in respect of each Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the applicable Agent on behalf of the Covered Bondholders and Couponholders *pari passu* and rateably in respect of each Series of Covered Bonds,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider under the Interest Rate Swap Agreement and, if applicable, any amounts (other than principal) receivable from each relevant Covered Bond Swap Provider under each Covered Bond Swap Agreement on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine, provided that if the amount available for distribution under this paragraph (h) (excluding any amounts received or to be received from the relevant Covered Bond Swap Providers) would be insufficient to pay the Australian Dollar Equivalent of the Scheduled Interest that is or will be Due for Payment in respect of each Series of Covered Bonds under paragraph (h)(iii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pari passu* and rateable basis and the amount payable by the Covered Bond Guarantor to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap in respect of each relevant Series of Covered Bonds or provision to be made in respect of such amount under paragraph (h)(ii) above will be correspondingly reduced to take into account the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (i) *ninth* in or towards payment on the Trust Payment Date or to provide for payment in the immediately succeeding Trust Payment Period, *pari passu* and rateably of:
- (i) any amounts (in respect of principal) due or to become due and payable to each relevant Covered Bond Swap Provider *pari passu* and rateably in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under each relevant Covered Bond Swap Agreement to the extent not already paid under paragraph (h)(ii) above, but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of each relevant Covered Bond Swap Agreement; and
  - (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from the relevant Covered Bond Swap Provider and available to make payments in respect

thereof) Scheduled Principal that is Due for Payment (or that will become Due for Payment in the immediately succeeding Trust Payment Period) under the Covered Bond Guarantee in respect of each Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the applicable Agent on behalf of the Covered Bonds *pari passu* and rateably in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (i) (excluding any amounts received or to be received from each relevant Covered Bond Swap Provider) would be insufficient to pay the Australian Dollar Equivalent of the Scheduled Principal that is or will be Due for Payment in respect of each Series of Covered Bonds under paragraph (i)(ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pari passu* and rateable basis and the amount payable by the Covered Bond Guarantor to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under paragraph (i)(i) above will be correspondingly reduced to take into account the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (j) *tenth*, in or towards payment on the Trust Payment Date (if such date is an Interest Payment Date) or to provide for payment on any Interest Payment Date prior to the immediately succeeding Trust Payment Date of the Final Redemption Amount (or portion thereof remaining unpaid) of any Series of Covered Bonds to which an Extended Due for Payment Date applies and whose Final Redemption Amount was not paid in full by the Extension Determination Date, by making the following payments, *pari passu* and rateably of:
- (i) any amounts due or to become due and payable to each relevant Covered Bond Swap Provider (whether or not in respect of principal) *pari passu* and rateably in respect of each Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under each relevant Covered Bond Swap Agreement, but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of each relevant Covered Bond Swap Agreement; and
  - (ii) such Final Redemption Amount *pari passu* and rateably under the Covered Bond Guarantee in respect of each relevant Series of Covered Bonds to the Bond Trustee or (if so directed by the Bond Trustee) the applicable Agent on behalf of the Covered Bondholders,

but, in the case of any such payment or provision, after taking into account any amounts receivable from the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement and, if applicable, any amounts (whether or not in respect of principal) receivable from each relevant Covered Bond Swap Provider in respect of each relevant Covered Bond Swap, provided that if the amount available for distribution under this paragraph (j) (excluding any amounts received or to be received from the relevant Covered Bond Swap Providers) would be insufficient to pay the Australian Dollar Equivalent of such Final Redemption Amount in respect of the relevant Series of Covered Bonds under paragraph (j)(ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pari passu* and rateable basis and any amount payable by the Covered Bond Guarantor to each relevant Covered Bond Swap Provider under each relevant Covered Bond Swap in respect of each Series of Covered Bonds under paragraph (j)(i) above will be correspondingly reduced to take into account the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (k) *eleventh*, to deposit the remaining moneys in the GIC Account for application on the immediately succeeding Trust Payment Date in accordance with the priority of payments described in paragraphs (a)-(j) (inclusive) above, until the Covered Bonds have been fully repaid or provided for (such that the Required Redemption Amount has been accumulated in respect of each outstanding Series of Covered Bonds);

- (l) *twelfth*, in or towards payment *pari passu* and rateably of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements;
- (m) *thirteenth*, in and towards payment of any amounts due and payable (whether in respect of principal or interest) in respect of the Intercompany Notes *pari passu* and rateably in respect of each Intercompany Note pursuant to the terms of the Intercompany Note Subscription Agreement;
- (n) *fourteenth*, in or towards payment of certain costs, expenses and indemnity amounts due by the Covered Bond Guarantor to the Cover Pool Monitor pursuant to the Cover Pool Monitor Agreement;
- (o) *fifteenth*, in or towards satisfaction of all amounts due and payable in respect of the Demand Note or otherwise outstanding under the Demand Note Subscription Agreement (to the extent not already satisfied in accordance with paragraph (c) above) including upon the occurrence of a Regulatory Event and an In Specie Failure, any amounts that would otherwise have been satisfied under paragraph (c) above;
- (p) *sixteenth*, to be paid to the Residual Income Unitholder in whole or partial satisfaction of any entitlement to Net Trust Income of the Trust remaining unpaid; and
- (q) *seventeenth*, to be paid to the Residual Capital Unitholders *pari passu* and rateably amongst them in respect of the Residual Capital Units.

No payment of Available Revenue Receipts and Available Principal Receipts will be made under paragraph (c) above by the Covered Bond Guarantor. The Trust Manager must ensure that paragraph (c) is satisfied by an in specie distribution to the Demand Noteholder of the In Specie Mortgage Loans pursuant to the section "*Summary of the Principal Documents – Demand Note Subscription Agreement – Repayment of the Demand Note*". The Trust Manager may, but is not obliged to, satisfy any amount payable by the Covered Bond Guarantor in accordance with paragraph (o) by an in specie distribution to the Demand Noteholder of the In Specie Mortgage Loans pursuant to the section "*Summary of the Principal Documents – Demand Note Subscription Agreement – Repayment of the Demand Note*".

***Amounts received on or after the Trust Payment Date***

- (a) Subject to paragraph (c) below, any amounts (other than in respect of principal and any Swap Collateral Excluded Amounts) received by or on behalf of the Covered Bond Guarantor under a Covered Bond Swap Agreement on or after a Trust Payment Date but prior to the immediately succeeding Trust Payment Date will be applied by the Covered Bond Guarantor (acting at the direction of the Trust Manager), together with any provision for such payments made on any preceding Trust Payment Date, to make payments (other than principal) due and payable *pari passu* and rateably in respect of each Covered Bond Swap under the relevant Covered Bond Swap Agreement or, as the case may be, in respect of interest on each relevant Intercompany Note in accordance with the Intercompany Note Subscription Agreement, or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine.
- (b) Subject to paragraph (c) below, any amounts (other than any Swap Collateral Excluded Amounts) in respect of principal received by or on behalf of the Covered Bond Guarantor under a Covered Bond Swap Agreement on or after a Trust Payment Date but prior to the immediately succeeding Trust Payment Date will be applied, by the Covered Bond Guarantor (acting at the direction of the Trust Manager), together with any provision for such payments made on any preceding Trust Payment Date, (provided that all principal amounts outstanding under the related Series of Covered Bonds which have fallen due for repayment on such date have been repaid in full by the Issuer), to make payments in respect of principal due and payable to the Intercompany Noteholders in respect of the corresponding Intercompany Notes in accordance with the Intercompany Note Subscription

Agreement or otherwise to make provision for such payments on such date in the future of such proportion of the relevant payment falling due in the future as the Trust Manager may reasonably determine.

- (c) At any time after the service of a Notice to Pay on the Covered Bond Guarantor, but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, any amounts (other than any Swap Collateral Excluded Amounts) received by or on behalf of the Covered Bond Guarantor under a Covered Bond Swap Agreement (whether or not in respect of principal) on or after a Trust Payment Date but prior to the immediately succeeding Trust Payment Date will be applied, by the Covered Bond Guarantor (acting at the directions of the Trust Manager) together with any provision for such payments made on any preceding Trust Payment Date, to make payments of Scheduled Interest or Scheduled Principal under the Covered Bond Guarantee *pari passu* and rateably in respect of each relevant Series of Covered Bonds.
- (d) Any amounts (other than in respect of principal and any Swap Collateral Excluded Amounts) received by or on behalf of the Covered Bond Guarantor under a Covered Bond Swap Agreement on or after a Trust Payment Date but prior to the immediately succeeding Trust Payment Date that are not applied towards a payment or provision in accordance with paragraph (f) of the Pre-Acceleration Revenue Priority of Payments, paragraph (h) of the Guarantee Priority of Payments or paragraphs (a) or (c) above, will be credited (acting at the direction of the Trust Manager) to the Revenue Ledger, deposited into the GIC Account (acting at the direction of the Trust Manager) and form part of the Available Revenue Receipts to be applied (acting at the direction of the Trust Manager) on that Trust Payment Date (if received on that day) or on the immediately succeeding Trust Payment Date (if received after that day).
- (e) Any amounts (other than any Swap Collateral Excluded Amounts) of principal received under a Covered Bond Swap Agreements on a Trust Payment Date or any date prior to the immediately succeeding Trust Payment Date which are not applied towards a payment or provision in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments, paragraph (j) of the Guarantee Priority of Payments or paragraphs (b) or (c) above, will be credited (acting at the direction of the Trust Manager) into the GIC Account and will form part of the Available Principal to be applied (acting at the direction of the Trust Manager) on that Trust Payment Date (if received on that day) or on the immediately succeeding Trust Payment Date (if received after that day).
- (f) Any amounts of principal received from the Seller in respect of an extinguishment of the Seller's interest in, or transfer by the Seller of, Mortgage Loans and the Related Security to enable the Covered Bond Guarantor (acting at the direction of the Trust Manager) to apply such amounts to repay any relevant Intercompany Notes on the date on which the Covered Bonds corresponding to such Intercompany Notes mature will not be applied in accordance with the Pre-Acceleration Principal Priority of Payment and will (after being swapped if necessary under the relevant Covered Bond Swaps) be applied or be deemed to be applied by the Covered Bond Guarantor (acting at the direction of the Trust Manager) in repayment of the relevant Intercompany Notes on the date on which the Covered Bonds corresponding to such Intercompany Notes mature, subject to the Asset Coverage Test being satisfied on the date of such repayment and after giving effect to such repayment after taking into account amounts that will be paid or provided for on the immediately following Trust Payment Date.

#### ***Termination payments in respect of Swaps***

If the Covered Bond Guarantor receives any termination payment from a Swap Provider in respect of a Swap, the Trust Manager will direct the Covered Bond Guarantor to use such termination payment (prior to the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer and only at the direction of the Trust Manager) first towards the payment to a replacement Swap Provider to enter into a replacement Swap with

the Covered Bond Guarantor, unless a replacement Swap has already been entered into on behalf of the Covered Bond Guarantor in which case the Trust Manager will direct the Covered Bond Guarantor to apply the termination payment in accordance with the applicable Priorities of Payment and in the case that the full amount of the termination payment is not required to pay the replacement Swap Provider, the remaining part of the termination payment will be applied in accordance with the applicable Priorities of Payment. If the Covered Bond Guarantor receives any premium from a replacement Swap Provider in respect of a replacement Swap, such premium will form part of the Available Revenue Receipts and the Trust Manager will direct the Covered Bond Guarantor to apply such premium in accordance with the applicable Priorities of Payment.

***Application of moneys received by the Security Trustee following the service of a Covered Bond Guarantee Acceleration Notice***

From and including the time when the Bond Trustee serves a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and the Issuer, no amount may be withdrawn from the Trust Accounts without the prior written consent of the Security Trustee.

***Post-Enforcement Priority of Payments***

All moneys received or recovered by the Security Trustee or any Receiver (excluding all amounts due or to become due in respect of any Third Party Amounts and excluding any Swap Collateral Excluded Amounts due to the relevant Swap Providers by the Covered Bond Guarantor, under the relevant Swap Agreements which will be paid directly to the relevant Swap Providers in accordance with the terms of the relevant Swap Agreements) and any In Specie Mortgage Loans (but only in the case of paragraphs (f) and (j)), after the service of a Covered Bond Guarantee Acceleration Notice, for the benefit of the Secured Creditors in respect of the Secured Obligations, will be held by it in the Trust Accounts on trust to be applied, in the following order of priority (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full) (the **Post-Enforcement Priority of Payments**):

- (a) *first*, in or towards satisfaction of any Accrued Interest Adjustment outstanding to the Seller in connection with the transfer of any Mortgage Loans to the Trust;
- (b) *second*, in or towards satisfaction *pari passu* and rateably of:
  - (i) all amounts due and payable or to become due and payable to the Bond Trustee under the provisions of the Bond Trust Deed (but not including amounts otherwise payable to Covered Bondholders under this Post-Enforcement Priority of Payments) together with interest and any applicable GST (or similar Taxes) thereon;
  - (ii) all amounts due and payable or to become due and payable to the Security Trustee and any Receiver (but not including amounts otherwise payable to Covered Bondholders under this Post-Enforcement Priority of Payments) together with interest and any applicable GST (or similar Taxes) thereon; and
  - (iii) all amounts due and payable or to become due and payable to the Covered Bond Guarantor together with interest and any applicable GST (or similar Taxes) thereon;
- (c) *third*, in or towards satisfaction of all amounts due and payable to the Agents under or pursuant to the Agency Agreements together with any applicable GST (or similar Taxes) thereon;

- (d) *fourth*, in or towards satisfaction *pari passu* and rateably of:
- (i) any remuneration then due and payable to the Servicer and any costs, charges, liabilities and expenses then due or to become due and payable to the Servicer under the provisions of the Servicing Agreement, together with any applicable GST (or other similar Taxes) thereon;
  - (ii) amounts due to the Account Bank (including any costs, charges, liabilities and expenses) pursuant to the terms of the Account Bank Agreement, together with any applicable GST (or other similar Taxes) thereon; and
  - (iii) any remuneration then due and payable to the Trust Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Trust Manager under the provisions of the Establishment Deed and the Management Agreement in the Trust Payment Period during which the application of moneys is made, together with any applicable GST (or other similar Taxes) thereon;
- (e) *fifth*, if the Interest Rate Swap Provider is not the Issuer or, if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards satisfaction of any amounts due and payable to the Interest Rate Swap Provider (including any termination payment, but excluding any relevant Excluded Swap Termination Amount) pursuant to the terms of the Interest Rate Swap Agreement;
- (f) *sixth*, if a Regulatory Event has occurred or is likely to occur (as determined by the Issuer and notified to the Security Trustee or any Receiver and the Trust Manager), subject to the Asset Coverage Test being met, in or towards satisfaction of any amounts due and payable in respect of the Demand Note pursuant to the terms of the Demand Note Subscription Agreement;
- (g) *seventh*, in or towards satisfaction of *pari passu* and rateably of:
- (i) if the Interest Rate Swap Provider is the Issuer and a Regulatory Event has not occurred or is not likely to occur (as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager), in or towards satisfaction of any amounts due and payable to the Interest Rate Swap Provider (including any termination payment, but excluding any relevant Excluded Swap Termination Amount) pursuant to the terms of the Interest Rate Swap Agreement;
  - (ii) any amounts due and payable to each relevant Covered Bond Swap Provider *pari passu* and rateably in respect of each Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under each relevant Covered Bond Swap Agreement, but excluding any relevant Excluded Swap Termination Amount) in accordance with the terms of each relevant Covered Bond Swap Agreement; and
  - (iii) the amounts due and payable under the Covered Bond Guarantee, to the Bond Trustee or (if so directed by the Bond Trustee) the relevant Agent on behalf of the Covered Bondholders *pari passu* and rateably in respect of interest and principal due and payable on each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (g) (excluding any amounts received from the Covered Bond Swap Provider) would be insufficient to pay the Australian Dollar Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under paragraph (g)(iii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pari passu* and rateable basis and any amount payable by the Covered Bond Guarantor to each relevant Covered Bond Swap Provider under each

relevant Covered Bond Swap in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under paragraph (g)(ii) above will be correspondingly reduced to take account of the shortfall applicable to the Covered Bonds in respect of which such payment is to be made;

- (h) *eighth*, in or towards satisfaction *pari passu* and rateably according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements;
- (i) *ninth*, in or towards satisfaction of all amounts due and payable in respect of the Intercompany Notes or otherwise outstanding under the Intercompany Note Subscription Agreement;
- (j) *tenth*, in or towards satisfaction of all amounts due and payable in respect of the Demand Note or otherwise outstanding under the Demand Note Subscription Agreement (to the extent not already satisfied in accordance with paragraph (f) above) including upon the occurrence of a Regulatory Event and an In Specie Failure, any amounts that would otherwise have been satisfied under paragraph (f) above;
- (k) *eleventh*, to be paid to the Residual Income Unitholder in whole or partial satisfaction of any entitlement to Net Trust Income of the Trust remaining unpaid; and
- (l) *twelfth*, to be paid to the Residual Capital Unitholders *pari passu* and rateably amongst them in respect of the Residual Capital Units.

No monies will be applied under paragraph (f) above by the Security Trustee and any Receiver. The Security Trustee and any Receiver must ensure that paragraph (f) is satisfied by an in specie distribution to the Demand Noteholder of the In Specie Mortgage Loans pursuant to the section "*Summary of the Principal Documents – Demand Note Subscription Agreement – Repayment of the Demand Note*". The Security Trustee and any Receiver may, but is not obliged to, satisfy any amount payable by the Covered Bond Guarantor in accordance with paragraph (j) by an in specie distribution to the Demand Noteholder of the In Specie Mortgage Loans pursuant to the section "*Summary of the Principal Documents – Demand Note Subscription Agreement – Repayment of the Demand Note*".



## THE MORTGAGE LOAN PORTFOLIO

Each New Mortgage Loan Portfolio acquired by the Covered Bond Guarantor consists of Mortgage Loans and the Related Security sold by the Seller to the Covered Bond Guarantor from time to time, in accordance with the terms of the Mortgage Sale Agreement, as more fully described under "*Summary of the Principal Documents – Mortgage Sale Agreement*".

For the purposes hereof:

**New Mortgage Loan Portfolio** means a portfolio of Mortgage Loans and the Related Security (other than any Mortgage Loans and the Related Security included in such portfolio which have been redeemed in full prior to the relevant Transfer Date in respect of such portfolio), particulars of which are set out in, or attached to, a New Mortgage Loan Portfolio Notice, and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (g) (inclusive) below:

- (a) all sums of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Expenses and Capitalised Arrears) and any other sum due or to become due under or in respect of such Mortgage Loans and the Related Security on or after the Transfer Date in respect of such Mortgage Loans and including the right to demand, sue for, recover and give receipts for all such principal, interest or other amounts, the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;
- (b) the benefit of all other securities for such principal, interest and other sums payable (including any interest of the Seller in any life policy), any guarantee in respect of such Mortgage Loans or any other collateral security for the repayment of the relevant Mortgage Loans secured by the Related Security;
- (c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the relevant Mortgage Conditions;
- (d) all the estate, title and interest in the Properties in relation thereto vested in the Seller;
- (e) to the extent they are assignable or capable of being put into trust, each certificate of title and valuation report and any right of action of the Seller against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any such New Mortgage Loans and the Related Security, or any part thereof affecting the decision of the Seller to make or offer to make such Mortgage Loans or part thereof;
- (f) the benefit of certain Insurance Policies, in each case so far as they relate to such Mortgage Loans comprised in that portfolio of Mortgage Loans and the Related Security, including the right to receive the proceeds of all claims made or to be made by or on behalf of the Seller or to which the Seller is or may become entitled; and
- (g) any Associated Debt secured by any All Moneys Mortgage that relates to such Mortgage Loans.

Any schedule of New Mortgage Loans attached to any New Mortgage Loan Portfolio Notice may be provided in a document stored upon electronic media (including, but not limited to, electronic mail and CD-ROM) in a format acceptable to the Trust Manager (acting reasonably).

See also the following risk factors under "*Risk Factors – Risk Factors related to the Covered Bond Guarantor – Limited description of the Portfolio, Risk Factors related to the Covered Bond Guarantor – Maintenance of Portfolio*".

## DESCRIPTION OF THE COVERED BOND PROVISIONS OF THE AUSTRALIAN BANKING ACT

The Banking Amendment (Covered Bonds) Act 2011 (Cth) (the **Amendment Act**) came into force on 17 October 2011 and amended the Australian Banking Act to specifically facilitate the issuance of covered bonds by Australian Authorised Deposit-Taking Institutions (**ADIs**). The Amendment Act sets out a detailed regulatory framework for the issuance of covered bonds (the **Covered Bonds Provisions**). At the date of this Prospectus, there are no regulations in support of the Covered Bonds Provisions. To facilitate the issuance of Covered Bonds in Australia, APRA has amended Australian Prudential Standard 120. On 12 July 2012, APRA issued a final prudential standard (Prudential Standard APS 121 Covered Bonds) setting out the prudential requirements that apply to ADIs that issue covered bonds in accordance with the Covered Bonds Provisions and the capital treatment of covered bonds for ADIs that invest in covered bonds. The standard became effective on 1 August 2012 and applies to covered bond programmes established prior to that date. APRA has indicated that the requirements under the standard are aimed at ensuring ADIs adopt prudent practices when issuing covered bonds to manage risks associated with exposures to a covered bond special purpose vehicle. The standard also governs the capital treatment for an issuing ADI of the assets in covered bond programmes.

### *Eligible issuers*

The Australian Banking Act allows for ADIs that are regulated by APRA to issue covered bonds subject to compliance with the requirements of the Australian Banking Act. Any such covered bonds must be secured by assets beneficially owned by a covered bond special purpose vehicle. The Covered Bond Guarantor is a "covered bond special purpose vehicle" for the purposes of the Australian Banking Act.

### *Cap on issuance*

Under the Australian Banking Act, an ADI is precluded from issuing covered bonds if, at the time of issuance, the value of the assets in all Cover Pools (as defined below) maintained by the ADI exceeds 8% (or such other percentage prescribed by regulation for the purposes of section 28 of the Australian Banking Act) of the ADI's assets in Australia at that time.

### *Cover Pool and Eligible assets*

The Australian Banking Act provides that the cover pool for covered bonds consists of the assets beneficially owned by the covered bond special purpose vehicle to the extent that they secure the liabilities to the covered bondholders equally or in priority to any other liabilities (**Cover Pool**). It also sets out the assets eligible for inclusion in a cover pool held by the covered bond special purpose vehicle for the purposes of securing covered bonds issued by an ADI. Accordingly, the assets in a Cover Pool must comprise of one or more of the following types of assets:

- (a) at call deposits held with an ADI and convertible into cash within two business days;
- (b) bank accepted bills or certificates of deposit not issued by the Issuer that are eligible for repurchase transactions with the RBA and mature within 100 days;
- (c) government debt instruments issued or guaranteed by the Commonwealth, a State or a Territory;
- (d) residential mortgage loans;
- (e) commercial mortgage loans;

- (f) mortgage insurance policies or other assets related to a loan referred to in paragraphs (d) and (e) above;
- (g) a contractual right relating to the holding or management of another asset in the Cover Pool;
- (h) certain types of derivatives; and
- (i) any other asset prescribed from time to time by regulation for the purposes of section 31(1)(i) of the Australian Banking Act.

The value of assets in the Cover Pool which are bank accepted bills or certificates of deposit as described in paragraph (b) above must not exceed 15% of the face value of the covered bonds. There is no such limit in relation to the other types of assets set out above.

Further, the Cover Pool must not contain an asset of a kind prescribed by regulation for the purposes of section 31(3) of the Australian Banking Act. There are currently no assets prescribed by regulation.

The Covered Bonds Provisions expressly provide that a statutory manager or an external administrator of the issuing ADI has no powers in relation to the assets in the cover pool apart from any contractual powers that the ADI may have and the contractual obligations of the issuing ADI in relation to the assets.

Any Swap Collateral Excluded Amount will not form part of the Cover Pool and will be paid to the relevant Swap Provider directly and not via the Priorities of Payment.

#### ***APRA's powers under the Australian Banking Act***

In addition to the powers that APRA had in relation to an ADI under the Australian Banking Act prior to the enactment of the Covered Bonds Provisions, the Amendment Act has given APRA specific powers relating to covered bond issuances. Those powers include the following:

- (a) *No issue*: APRA has the power to direct an issuing ADI not to issue covered bonds where APRA gives a direction under section 11CA of the Australian Banking Act or in circumstances where APRA has reason to believe that the ADI has contravened the Covered Bonds Provisions, the Australian Banking Act, a prudential requirement, regulation or a prudential standard relating to covered bonds.
- (b) *No top-up*: APRA has the power to direct the issuing ADI, in certain circumstances, not to transfer any asset to the covered bond special purpose vehicle. The relevant circumstances in which APRA may exercise such a power include where APRA has reason to believe that the issuing ADI is unable to meet its liabilities, there has been a material deterioration in the issuing ADI's financial condition, the issuing ADI is conducting its affairs in an improper or financially unsound way, the failure to issue a direction would materially prejudice the interests of the issuing ADI's depositors or the issuing ADI is conducting its affairs in a way that may cause or promote instability of the Australian financial system.

Further, APRA also has the power to direct a covered bond special purpose vehicle in certain circumstances to return assets to the issuing ADI which do not secure covered bond liabilities. A covered bond liability does not include a liability to the issuing ADI (other than a liability in respect of derivatives and for the provision of services) which is secured in priority to any liability to covered bondholders. However, as described under "*Ring Fencing and Eligible Assets*", to the extent that assets secure the covered bond liabilities of the issuing ADI, the Covered Bonds Provisions expressly provide that a statutory manager or an external administrator of the issuing ADI has no powers in relation to those assets.

For a more detailed description of APRA's powers and the potential consequences for the programme, see "*Risk Factors – General Risk Factors - APRA's powers under the Australian Banking Act*" above.

### ***Maintenance of the Cover Pool***

The Covered Bonds Provisions require the issuing ADI to maintain the value of the Cover Pool at an amount which is no less than a specified minimum. The issuing ADI must ensure that the value of the assets in the Cover Pool is at least 103% of the face value of the outstanding covered bonds. For the purpose of calculating the value of the assets in the Cover Pool, the Australian Banking Act imposes a maximum loan to value ratio of no greater than 80% in respect of loans secured by a mortgage over residential property and a maximum loan to value ratio of no greater than 60% in respect of loans secured by a mortgage over commercial property, in each case, taking into account any prior or equal ranking loans secured by that property.

The Australian Banking Act does not specify a maximum level of over-collateralisation which affords ADIs the flexibility to determine the appropriate level of over-collateralisation. However APRA has the power to prevent an ADI from maintaining the Cover Pool in particular circumstances, such as where the ADI is facing financial difficulty. See "*Risk Factors – General Risk Factors - APRA's powers under the Australian Banking Act*" above.

### ***Cover Pool Monitor***

The Covered Bonds Provisions require a cover pool monitor to be appointed in respect of the Cover Pool securing the covered bonds issued by an ADI. The cover pool monitor must be an auditor registered under the Corporations Act, the holder of an Australian financial services licence (AFSL) covering the provision of financial services as a cover pool monitor or be exempt from holding such an AFSL. The issuing ADI or an associated entity (as defined in the Corporations Act) of the issuing ADI is not permitted to be the cover pool monitor.

The functions of the cover pool monitor include, amongst others:

- (a) to assess the maintenance of an accurate register by the ADI or the covered bond special purpose vehicle of the assets in the Cover Pool every six months;
- (b) to assess the ADI's compliance with the requirement to maintain the value of the Cover Pool as described above in "*Maintenance of the Cover Pool*" and that the assets in the cover pool are eligible assets as described in "*Ring fencing and eligible assets*" every six months; and
- (c) provide reports in respect of these functions to the ADI and, upon request, to APRA.

## BOOK-ENTRY CLEARANCE SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Covered Bond Guarantor, the Bond Trustee nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Covered Bond Guarantor nor any other party to the Agency Agreements will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

*N Covered Bonds will not be cleared through any Clearing Systems (including Euroclear, Clearstream, Luxembourg, Austraclear and DTC).*

### **Book-entry Systems**

#### ***Clearing and settlement in Australia***

Upon the issuance of an A\$ Registered Covered Bond, the Issuer will (unless otherwise agreed with the Covered Bondholder including by specification of such in the relevant Final Terms) procure that the A\$ Registered Covered Bond is entered into the Austraclear System. Upon entry, Austraclear will become the sole registered holder (**Registered Holder**) of the A\$ Registered Covered Bond.

Members of the Austraclear System (**Accountholders**) may acquire rights against the Registered Holder in relation to an A\$ Registered Covered Bond entered in the Austraclear System. If potential investors are not Accountholders, they may hold their interest in the relevant A\$ Registered Covered Bond through a nominee who is an Accountholder. All payments in respect of A\$ Registered Covered Bonds entered in the Austraclear System will be made directly to an account of the Registered Holder or as it directs in accordance with the Austraclear Regulations.

#### ***Secondary market transfers***

Secondary market transfers of A\$ Registered Covered Bonds held in the Austraclear System will be conducted in accordance with the Austraclear Regulations and the A\$ Registry Agreement.

#### ***Relationship of Accountholders with the Registered Holder***

Each of the persons shown in the records of the Austraclear System as having an interest in an A\$ Registered Covered Bond issued by the Issuer must look solely to Austraclear for such person's share of each payment made to the Registered Holder in respect of that A\$ Registered Covered Bond and to any other rights arising under that A\$ Registered Covered Bond, subject to and in accordance with the Austraclear Regulations. Unless and until such A\$ Registered Covered Bond Covered Bonds are uplifted from the Austraclear System and registered in the name of an Accountholder, such person has no claim directly against the Issuer or the Covered Bond Guarantor in respect of payments by the Issuer or the Covered Bond Guarantor and such obligations of the Issuer or the Covered Bond Guarantor will be discharged by payment to the Registered Holder (or as it directs) in respect of each amount so paid. Where a Registered Holder is registered as the holder of A\$ Registered Covered Bonds that are lodged in the Austraclear System, the Registered Holder may, in its absolute discretion, instruct the A\$ Registrar to transfer or "uplift" the A\$ Registered Covered Bonds to the person in whose "Security Record" (as defined in the Austraclear Regulations) those A\$ Registered Covered Bonds are recorded without any consent or action of such transferee and, as a consequence, remove those A\$ Registered Covered Bonds from the Austraclear System.

### *Austraclear and Cross-Trading with Euroclear and Clearstream*

Subject to the rules of the relevant clearing and settlement system, Covered Bondholders may elect to hold interests in A\$ Registered Covered Bonds (i) directly through the Austraclear System, (ii) indirectly through Euroclear or Clearstream if they are participants in such systems or (iii) indirectly through organisations which are participants in the Austraclear System, Euroclear or Clearstream Luxembourg. The Issuer has been advised that Euroclear and Clearstream, Luxembourg will hold interests on behalf of their participants through customers' securities accounts in their respective names on the books of their respective Australian sub-custodians, which in turn will hold such interests in customers' securities accounts in the names of the Australian sub-custodians. The rights of a holder of interests in A\$ Registered Covered Bonds held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the Austraclear Regulations. Participants in any of such systems should contact the relevant clearing system(s) if they have any questions in relation to clearing, settlement and cross-market transfers and/or trading.

### *DTC*

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is owned by a number of its Direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Registered Covered Bonds among Direct Participants on whose behalf it acts with respect to Covered Bonds accepted into DTC's book-entry settlement system (**DTC Covered Bonds**) as described below and receives and transmits distributions of principal and interest on DTC Covered Bonds. The Rules are on file with the SEC. Direct Participants and Indirect Participants with which beneficial owners of DTC Covered Bonds (**Owners**) have accounts with respect to the DTC Covered Bonds similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Covered Bonds through Direct Participants or Indirect Participants will not possess Registered Covered Bonds, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Covered Bonds.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership interest of each actual purchaser of each DTC Covered Bond (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in

DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Covered Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Covered Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has a reason to believe that it will not receive payment on the due date. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Covered Bonds, DTC will exchange the DTC Covered Bonds for Registered Definitive Covered Bonds, which it will distribute to its participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Covered Bond, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Beneficial Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and

borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### ***Book-entry Ownership of and Payments in respect of DTC Covered Bonds***

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Registered Global Covered Bond accepted in its book-entry settlement system. Upon the issue of any such Registered Global Covered Bond, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Covered Bond to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Covered Bond will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Covered Bond, the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Covered Bond accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Covered Bond accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Covered Bond in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participant's account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Bond Trustee, the Security Trustee, the Principal Paying Agent, the Registrar, the Transfer Agent or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

### ***Transfers of Covered Bonds represented by Registered Global Covered Bonds***

Transfers of any interests in Covered Bonds represented by a Registered Global Covered Bond within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Registered Global Covered Bond to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability



to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Registered Global Covered Bond accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Covered Bonds have been deposited.

On or after the Issue Date for any Series, transfers of Covered Bonds of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Covered Bonds will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Covered Bonds among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Bond Trustee, the Security Trustee, the Issuer, the Covered Bond Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Registered Global Covered Bonds or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## TAXATION

*Unless otherwise specified herein, the following Taxation section does not apply to N Covered Bonds.*

### **Australian Taxation**

*The following taxation summary is of a general nature only and addresses only some of the key Australian tax implications that may arise for a prospective holder of a Covered Bond as a result of acquiring, holding or transferring the Covered Bond. The following is not intended to be and should not be taken as a comprehensive taxation summary for a prospective holder of a Covered Bond.*

*The taxation summary is based on the Australian taxation laws in force and the administrative practices of the Australian Taxation Office (the ATO) generally accepted as at the date of this Prospectus. Any of these may change in the future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated and may have retroactive effect.*

*Prospective holders of Covered Bonds should also be aware that particular terms of issue of any Series or Tranche of Covered Bonds may affect the tax treatment of that and other Series or Tranches of Covered Bonds. Holders of Covered Bonds should consult their professional advisers in relation to their tax position. Holders of Covered Bonds who may be liable to taxation in jurisdictions other than Australia in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain Australian taxation aspects of the Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of Australia.*

### **Taxation of interest on Covered Bonds**

#### *Australian Covered Bondholders*

Covered Bondholders who are Australian tax residents that do not hold the Covered Bonds in carrying on business at or through a permanent establishment outside of Australia, or who are non-residents that hold the Covered Bonds in carrying on business at or through a permanent establishment in Australia, will be taxable by assessment in respect of any interest income derived in respect of the Covered Bonds. Such Covered Bondholders will generally be required to lodge an Australian tax return. The timing of assessment of the interest (e.g. a cash receipts or accruals basis) will depend upon the tax status of the particular Covered Bondholder and the Conditions of the Covered Bonds.

Tax at the rate of 46.5% may be deducted from payments to such a Covered Bondholder if the Covered Bondholder does not provide the Issuer with a tax file number (TFN) or an Australian Business Number (ABN) (where applicable), or proof of a relevant exemption.

Section 126 of the Tax Act imposes a type of withholding tax at the rate of 45% on the payment of interest on Bearer Covered Bonds if the Issuer fails to disclose the names and addresses of the relevant Covered Bondholders to the ATO (or in the case of a Bearer Covered Bond held by a clearing house, the name and address of the clearing house). These rules generally only apply to Covered Bondholders who are Australian tax residents that do not hold the Covered Bonds in carrying on business at or through a permanent establishment outside of Australia, or non-residents that hold the Covered Bonds in carrying on business at or through a permanent establishment in Australia.

### *Offshore Bondholders*

Interest (which for the purposes of withholding tax is defined in section 128A(1AB) of the Tax Act to include amounts in the nature of, or in substitution for, interest and certain other amounts, including premiums on redemption or for a Covered Bond issued at a discount the difference between the amount repaid and the issue price) will be subject to interest withholding tax at a current rate of 10%, where the interest is paid to a non-resident of Australia and not derived in carrying on business at or through an Australian permanent establishment, or to an Australian resident who derived the interest in carrying on business through a permanent establishment outside Australia.

The Issuer does not intend to issue any Covered Bonds that would be characterised other than as ordinary debt interests for tax purposes.

Various exemptions are available from interest withholding tax, including the "public offer" exemption, tax treaty exemption, and pension fund exemption (each discussed further below).

#### *Public offer exemption*

An exemption from Australian interest withholding tax will be available under section 128F of the Tax Act in respect of any Covered Bonds if the Issuer remains an Australian resident company both at the time it issues the relevant Series or Tranche of Covered Bonds and at the time interest is paid in respect of the Covered Bonds, and the Series or Tranche of Covered Bonds is issued in a manner which satisfies the "public offer test".

There are five principal methods of satisfying the public offer test, being broadly:

- (a) offers to ten or more unrelated financial institutions or securities dealers;
- (b) offers to 100 or more investors;
- (c) offers of listed Covered Bonds;
- (d) offers via publicly available electronic information sources; and
- (e) offers to a dealer, manager or underwriter who offers to sell those Covered Bonds within 30 days by one of the preceding methods.

The public offer test will not be satisfied in respect of an issue of a Series or Tranche of Covered Bonds if, at the time of issue, the Issuer knew, or had reasonable grounds to suspect, at the time of issue that some of the Covered Bonds, or an interest in some of the Covered Bonds, would be acquired either directly or indirectly by an Offshore Associate (as defined below) of the Issuer, other than in the capacity of a dealer, manager or underwriter in relation to the placement of the Covered Bonds, or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme.

Accordingly, the Covered Bonds should not be acquired by any Offshore Associate of the Issuer, subject to the exceptions referred to above.

Even if the public offer test is initially satisfied in respect of a Series or Tranche of Covered Bonds, if such Covered Bonds later come to be held by an Offshore Associate of the Issuer, and at the time of payment of interest on those Covered Bonds, the Issuer knows or has reasonable grounds to suspect that such person is an Offshore Associate of the Issuer, the exemption under section 128F does not apply to interest paid by the Issuer to such Offshore Associate in respect of those Covered Bonds, unless the Offshore Associate receives the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme.

For the purposes of this section, an **Offshore Associate** is an "associate" of the Issuer as defined in section 128F(9) of the Tax Act who is:

- (a) a non-resident of Australia that does not acquire the Covered Bonds or an interest in the Covered Bonds in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or
- (b) a resident of Australia that acquires the Covered Bonds or an interest in the Covered Bonds in carrying on a business in a country outside Australia at or through a permanent establishment of the associate in that country.

The definition of **associate** includes, among other things, persons who have a majority voting interest in the Issuer, or who are able to influence or control the Issuer, and persons in whom the Issuer has a majority voting interest, or whom the Issuer is able to influence or control (however this is not a complete statement of the definition).

Unless otherwise specified herein (or another relevant supplement to this Prospectus), the Issuer intends to issue the Bonds in a manner which will satisfy the requirements of section 128F of the Tax Act.

#### *Tax treaty exemption*

Various Australian double tax agreements, including those with the United States of America, the United Kingdom, Norway, Finland, the Republic of France, Japan, the Republic of South Africa and New Zealand (each a **Specified Country**), include exemptions from interest withholding tax for interest derived by:

- (a) the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- (b) certain unrelated banks, and financial institutions which substantially derive their profits by carrying on a business of raising and providing finance, which are resident in the Specified Country, and which are dealing wholly independently with the Issuer. Interest paid under a back-to-back loan or economically equivalent arrangement will not qualify for this exemption.

The Australian government is progressively amending its double tax agreements to include similar kinds of interest withholding tax exemption. Prospective Covered Bondholders should obtain their own independent tax advice as to whether any of the exemptions under the relevant double tax agreements may apply to their particular circumstances.

#### *Pension fund exemption*

An exemption is available in respect of interest paid to a non-resident superannuation fund where that fund is a superannuation fund for foreign residents and the interest arising from the Covered Bonds is exempt from income tax in the country in which such superannuation fund is resident.

#### *Payment of additional amounts*

As set out in more detail in the Conditions, and unless expressly provided to the contrary in the relevant Final Terms (or another relevant supplement to this Prospectus), if the Issuer is at any time compelled or authorised by law to deduct or withhold an amount in respect of any Australian withholding taxes imposed or levied by the Commonwealth of Australia in respect of the Covered Bonds, the Issuer must, subject to certain exceptions, pay such additional amounts as may be necessary in order to ensure that the net amounts received by the holders of those Covered Bonds after such deduction or withholding are equal to the respective amounts which would have been received had no such deduction or withholding been required. If the Issuer is compelled by law to pay such additional amounts in relation to any Covered Bonds to deduct or

withhold an amount in respect of any withholding taxes, the Covered Bonds may be redeemed at the option of the Issuer in whole, or in part, on giving not less than 30 nor more than 60 days' notice to the Bond Trustee (see further Condition 6(b) of the Programme Conditions and/or, in the case of an N Covered Bond, the relevant Condition of the relevant N Covered Bond Conditions (if applicable)).

The Covered Bond Guarantor will not be required to pay any additional amounts in these circumstances. Refer to section "*-Payments by the Covered Bond Guarantor*" below.

### ***Taxation of gains on disposal or redemption***

#### ***Australian Covered Bondholders***

Covered Bondholders who are Australian tax residents, or who are non-residents that hold the Covered Bonds in carrying on business at or through a permanent establishment in Australia, will be required to include any gain or loss on disposal of the Covered Bonds in their assessable income.

The determination of the amount and timing of any gain or loss on disposition or redemption of the Covered Bonds may be affected by the "Taxation of Financial Arrangements" provisions, which provide for a specialised regime for the taxation of financial instruments, and, where the Covered Bonds are denominated in a currency other than Australian Dollars, the foreign currency rules. Prospective Bondholders should obtain their own independent tax advice in relation to the determination of any gain or loss on disposal or redemption of the Covered Bonds.

#### ***Offshore Covered Bondholders***

A Covered Bondholder who is a non-resident of Australia will not be subject to Australian income tax on gains realised on the disposal of the Covered Bonds, provided:

- (a) if the non-resident is not a resident of a country with which Australia has entered into a double tax agreement – such gains do not have an Australian source. A gain arising on the sale of the Covered Bonds by a non-Australian resident holder to another non-Australian resident where the Covered Bonds are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia, should generally not be regarded as having an Australian source; or
- (b) if the non-resident is a resident of a country with which Australia has entered into a double tax agreement – the non-Australian resident does not hold the Covered Bonds in the course of carrying on business at or through a permanent establishment in Australia.

Special rules can apply to treat a portion of the purchase price of Covered Bonds as interest for withholding tax purposes where deferred-return Covered Bonds (for example, Covered Bonds which pay a return that is deferred by more than 12 months) are sold to an Australian Bondholder. Any deemed interest under these rules is able to qualify for exemption from withholding tax as described above.

### ***Payments by the Covered Bond Guarantor***

If the Issuer fails to pay an amount of principal or interest on the Covered Bonds, then the Covered Bond Guarantor may be required to make payments to the holders of Covered Bonds under the Covered Bond Guarantee. Where such payments related to interest (including premiums on redemption or for a Covered Bond issued at a discount the difference between the amount repaid and the issue price), it is not clear whether such payments would also be treated as interest for Australian withholding tax purposes. The definition of interest for Australian withholding tax purposes in subsection 128A(1AB) of the 1936 Act is very broad and includes amounts in the nature of interest and amounts in substitution for interest.

The Australian Taxation Office's (**ATO**) view, as reflected in *Taxation Determination* TD 1999/26, is that such payments under the Covered Bond Guarantee would be interest for Australian withholding tax purposes. Based on this approach, interest withholding tax would be imposed at the rate of 10% in relation to any payments made by the Covered Bond Guarantor in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption that may apply.

As discussed above, the exemption that is commonly relied upon by Australian debt issuers is the public offer exemption in section 128F. The ATO states in TD 1999/26 that guarantee payments would be treated as exempt from withholding tax under section 128F of the 1936 Act if the requirements of that section are satisfied. If the requirements of section 128F of the 1936 Act are satisfied in relation to the Covered Bonds, then payments by the Covered Bond Guarantor should not be subject to Australian withholding tax.

In the event payments by the Covered Bond Guarantor are subject to any withholding or deduction for or on account of tax, the Covered Bond Guarantor will not be required to pay any additional amounts (see further Condition 7 of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable)).

#### ***Stamp duty***

No ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of the Covered Bonds.

#### ***Goods and Services Tax***

Neither the issue nor receipt of the Covered Bonds will give rise to a liability for GST in Australia on the basis that the supply of Covered Bonds will comprise either an input taxed financial supply or (in the case of an offshore non-resident subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest on the Covered Bonds would give rise to a GST liability.

#### ***Tax treatment of the Covered Bond Guarantor***

The tax treatment of Covered Bond Guarantor could affect the Covered Bond Guarantor's ability to make payments under the Intercompany Notes, the Demand Note, the Interest Rate Swaps, the Covered Bond Swaps and, if called upon, the Covered Bond Guarantee.

#### ***Income Tax Status of the Covered Bond Guarantor***

As the Covered Bond Guarantor is wholly owned by the Issuer, it will be a member of the Issuer's tax consolidated group, and will be taken to be a part of the head company of that group for most Australian income tax purposes. The primary responsibility for income tax liabilities rests with the head company of a tax consolidated group. As a result, the Covered Bond Guarantor will not be subject to any income tax liability in respect of the income of the Covered Bond Guarantor in the first instance.

All members of the Issuer tax consolidated group, including the Covered Bond Guarantor, can become jointly and severally liable for the tax liabilities of that group where the head company of that group defaults on those tax liabilities. However, where the members of that group have entered into a valid and effective tax sharing agreement, the liability of each member, including the Covered Bond Guarantor, will be limited to a reasonable allocation of the group's tax liabilities. Under the Issuer tax consolidated group's tax sharing agreement, subject to certain assumptions regarding the operation of the Covered Bond Guarantor, the Covered Bond Guarantor should have a nil allocation of that group's tax liabilities.

It is the opinion of Allen & Overy that the Issuer tax consolidated group's tax sharing agreement is consistent with the current guidance published by the Australian Commissioner of Taxation in relation to tax sharing agreements. It should be noted however that it is possible that the Commissioner of Taxation could change his current views, and any ultimate determination rests with the Courts. In addition, certain prescribed circumstances can operate to invalidate a tax sharing agreement, however, the Issuer will seek to ensure that no such circumstances occur. Subject to those qualifications, it is the opinion of Allen & Overy that the Issuer tax consolidated group's tax sharing agreement is valid and effective.

Additionally, the Covered Bond Guarantor has acceded to the Issuer tax consolidated group's tax funding agreement, under which members of the tax consolidated group may be required to pay funding obligations in respect of taxes. However, under the terms of the tax funding agreement, the Covered Bond Guarantor should not be liable to pay any funding obligations in respect of its activities.

#### *Potential tax reform*

The Australian Government is in the process of implementing a review of the law regarding taxation of trusts. The changes introduced to date (e.g. to enable the streaming of capital gains and franked distributions to beneficiaries and anti-avoidance rules relating to exempt entities) do not have any material effect on the Covered Bond Guarantor, however, further changes are yet to be implemented.

On the basis of currently available information, there is nothing to suggest that the law will necessarily be amended in a way that would cause the Covered Bond Guarantor to become subject to a liability in respect of taxes (including under the Issuer tax consolidated group's tax sharing agreement or tax funding agreement), however, no draft legislation has been released for these further changes.

#### ***GST treatment of Covered Bond Guarantor***

Pursuant to the terms of the Bond Trust Deed, the Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amount when the same becomes Due for Payment but which would otherwise be unpaid by the Issuer. In addition, the Covered Bond Guarantor has agreed to pay certain other amounts in accordance with the relevant Priority of Payments.

The supply of some services made to the Covered Bond Guarantor may give rise to a liability for GST on the part of the relevant service provider. The GST position in this regard is covered below. However, where the Covered Bond Guarantor and the relevant service provider is grouped for GST purposes, no GST liability arises and input tax credit entitlements in respect of acquisitions made from outside of the GST group will depend on the supplies and acquisitions of the GST group as a whole.

In relation to the acquisition of taxable services by the Covered Bond Guarantor from a service provider who is not part of the same GST group:

- (a) In the ordinary course of business, the service provider would charge the Covered Bond Guarantor an additional amount on account of GST unless the agreed fee is already GST-inclusive.
- (b) Assuming that the Covered Bond Guarantor exceeds the financial acquisitions threshold for the purposes of Division 189 of the GST Act, the Covered Bond Guarantor would not be entitled to a full input tax credit from the ATO to the extent that the acquisition relates to the Covered Bond Guarantor's input taxed supplies (including in respect of the Intercompany Notes, the Demand Note and each New Mortgage Loan Portfolio).
- (c) In the case of acquisitions which relate to the making of supplies of the nature described above, the Covered Bond Guarantor may still be entitled to a "reduced input tax credit" (which as at the date of this Prospectus is equal to 75% of 1/11th of the GST-inclusive consideration payable by the Covered

Bond Guarantor to the relevant service provider) in relation to certain acquisitions prescribed in the GST regulations, but only where the Covered Bond Guarantor is the recipient of the taxable supply and the Covered Bond Guarantor either provides, or is liable to provide, the consideration for the taxable supply.

- (d) Where services are provided to the Covered Bond Guarantor by an entity comprising an associate of the Covered Bond Guarantor for income tax purposes (but who is not a member of the same GST group), those services are provided for nil or less than market value consideration, and the Covered Bond Guarantor would not be entitled to a full input tax credit, the relevant GST (and any input tax credit) would be calculated by reference to the market value of those services.

In the case of supplies performed outside Australia for the purposes of the Covered Bond Guarantor's business, these may attract a liability for Australian GST if they are supplies of a kind which would have been taxable if they occurred in Australia and if the Covered Bond Guarantor would not have been entitled to a full input tax credit if the supply had been performed in Australia. This is known as the "reverse charge" rule. Where the rule applies, the liability to pay GST to the ATO falls not on the supplier, but on the Covered Bond Guarantor.

Where GST is payable on a taxable supply made to the Covered Bond Guarantor but a full input tax credit is not available, this will mean that less money is available to the Covered Bond Guarantor to make payments in accordance with the relevant Priority of Payments (which would include Guaranteed Amounts).

## **United Kingdom Taxation**

*The comments below are of a general nature based on the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice. They relate only to the position of persons who are the absolute beneficial owners of their Covered Bonds and all payments made thereon. The comments relate only to withholding tax and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of Covered Bonds (including, for instance, income tax, capital gains tax and corporation tax). Prospective holders of Covered Bonds should note that the particular terms of issue of any Series of Covered Bonds as specified in the Applicable Final Terms may affect the tax treatment of that and any other Series of Covered Bonds and should be treated with appropriate caution. The comments below do not deal with the tax consequences of any substitution of the Issuer in accordance with Condition 14 of the Programme Conditions of the Covered Bonds.*

*Any holders of Covered Bonds who are in doubt as to their tax position should consult their professional advisers. Holders of Covered Bonds who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of Covered Bonds are particularly advised to consult their professional advisers as to whether they are so liable (and, if so, under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Covered Bonds. In particular, holders of Covered Bonds should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Covered Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### *Payment of interest in respect of the Covered Bonds*

Payments on interest on the Covered Bonds may be made without withholding on account of United Kingdom income tax.

However, Covered Bondholders may wish to note that, in certain circumstances, HM Revenue and Customs (HMRC) has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Covered Bondholder, or who either pays amounts payable on the redemption of Covered



Bonds which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2013. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Covered Bondholder is resident for tax purposes.

## **U.S. Taxation**

*Circular 230: To ensure compliance with IRS Circular 230, prospective investors are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this Prospectus or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective investors should seek advice based on their particular circumstances from an independent tax advisor.*

This section describes the material United States federal income tax consequences of owning the Covered Bonds. It applies only to persons who acquire Covered Bonds in the initial offering and who hold Covered Bonds as capital assets for tax purposes. This section does not apply to persons who are a member of a class of Holders subject to special rules such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for persons holding securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns Covered Bonds that are a hedge or that are hedged against interest rate or currency risks,
- a person that owns Covered Bonds as part of a straddle or conversion transaction for tax purposes,
- a person that purchases or sells Covered Bonds as part of a wash sale for tax purposes, or
- a United States Holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Covered Bonds that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Covered Bonds that are due to mature more than 30 years from their date of issue will be discussed in the Applicable Final Terms. This section applies only to holders of Registered Covered Bonds. Bearer Covered Bonds are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Covered Bond may be subject to limitations under U.S. federal income tax laws, including the limitations provided in Section 165(j) and 1287 of the Code.

This section is based on the Code, its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Covered Bonds, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Covered Bonds should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Covered Bonds.

**The tax consequences of any particular Covered Bond depend on its terms, and any particular offering of Covered Bonds may have features or terms that cause the U.S. federal income tax treatment of the Covered Bonds to differ materially from the discussion below. The Applicable Final Terms will discuss any material differences from the discussion below.**

**Owners of Covered Bonds should consult their own tax advisor concerning the consequences of owning these Covered Bonds in their particular circumstances under the Code and the laws of any other taxing jurisdiction.**

### *United States Holders*

This subsection describes the tax consequences to a United States Holder. A person is a **United States Holder** if they are a beneficial owner of a Covered Bond and if they are:

- a citizen or resident of the United States,
- a domestic corporation (including an entity treated as a domestic corporation for United States federal income tax purposes),
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If a person is not a United States Holder, this subsection is not applicable and such person should refer to "*United States Alien Holders*" below.

### *Payments of Interest*

Except as described below in the case of interest on a "discount Covered Bond" that is not "qualified stated interest", each as defined below under "*Original Issue Discount – General*", persons will be taxed on any interest on their Covered Bonds, whether payable in U.S. dollars or a non-U.S. dollar currency, including a composite currency or basket of currencies, as ordinary income at the time interest is received or when it accrues, depending on the method of accounting for United States tax purposes.

Interest paid by us on the Covered Bonds and OID, if any, accrued with respect to the Covered Bonds (as described below under "*Original Issue Discount*") and any additional amounts paid with respect to withholding tax on the Covered Bonds, including withholding tax on payments of such additional amounts ("additional amounts") is income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States Holder. Under the foreign tax credit rules, interest and OID and additional amounts paid with respect to the Covered Bonds will, depending on the circumstances, be either "passive category" or "general category" income for purposes of computing the foreign tax credit.

*Cash Basis Taxpayers.* Taxpayers who use the cash receipts and disbursements method of accounting for tax purposes and receive an interest payment that is denominated in, or determined by reference to, a non-U.S. dollar currency, will recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether payment is actually converted into U.S. dollars.

*Accrual Basis Taxpayers.* Taxpayers who use an accrual method of accounting for tax purposes, may determine the amount of income that is recognized with respect to an interest payment denominated in, or determined by reference to, a non-U.S. dollar currency by using one of two methods. Under the first method, the amount of income accrued is determined based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If second method is elected, the amount of income accrued would be determined on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if a payment of interest is received within five business days of the last day of the accrual period or taxable year, the interest accrued may instead be translated into U.S. dollars at the exchange rate in effect on the day that the interest payment is actually received. If the second method is elected, it will apply to all debt instruments that are held at the beginning of the first taxable year to which the election applies and to all debt instruments subsequently acquired. This election may not be revoked without the consent of the IRS.

When an interest payment is received, including a payment attributable to accrued but unpaid interest upon the sale or retirement of the Covered Bond, denominated in, or determined by reference to, a non-U.S. dollar currency for which an amount of income is accrued, ordinary income will be recognized by or loss measured by the difference, if any, between the exchange rate used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether the payment is actually converted into U.S. dollars.

#### *Original Issue Discount*

*General.* A Covered Bond, other than a short-term Covered Bond with a term of one year or less, it will be treated as a discount Covered Bond issued at OID if the amount by which the Covered Bond's stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a Covered Bond's issue price will be the first price at which a substantial amount of Covered Bonds included in the issue of which the Covered Bond is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Covered Bond's stated redemption price at maturity is the total of all payments provided by the Covered Bond that are not payments of qualified stated interest. Generally, an interest payment on a Covered Bond is qualified stated interest if it is one of a series of stated interest payments on a Covered Bond that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Covered Bond. There are special rules for variable rate Covered Bonds that are discussed under "*Variable Rate Covered Bonds*".

In general, a Covered Bond is not a discount Covered Bond if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of  $\frac{1}{4}$  of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. A Covered Bond will have *de minimis* OID if the amount of the excess is less than the *de minimis* amount. If a Covered Bond has *de minimis* OID, the *de minimis* amount must be included in income as stated principal payments are made on the Covered Bond, unless the election described below under "*Election to Treat All Interest as Original Issue Discount*" is made. The includible amount with respect to each such payment can be determined by multiplying the total amount of the Covered Bond's *de minimis* OID by a fraction equal to:

- the amount of the principal payment made

divided by:

- the stated principal amount of the Covered Bond.

Generally, if a discount Covered Bond matures more than one year from its date of issue, OID must be included in income before cash attributable to that income is received. The amount of OID that must be included in income is calculated using a constant yield method, and generally will include increasingly greater amounts of OID in income over the life of the Covered Bond. More specifically, the amount of OID that must be included in income can be calculated by adding the daily portions of OID with respect to the discount Covered Bond for each day during the taxable year or portion of the taxable year that the discount Covered Bond is held. The daily portion can be determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. An accrual period of any length can be selected with respect to the discount Covered Bond and the length of each accrual period may be varied over the term of the discount Covered Bond. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Covered Bond must occur on either the first or final day of an accrual period.

The amount of OID allocable to an accrual period can be determined by:

- multiplying the discount Covered Bond's adjusted issue price at the beginning of the accrual period by the Covered Bond's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on the Covered Bond allocable to the accrual period.

The discount Covered Bond's yield to maturity must be determined on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, the discount Covered Bond's adjusted issue price is determined at the beginning of any accrual period by:

- adding the discount Covered Bond's issue price and any accrued OID for each prior accrual period, and then
- subtracting any payments previously made on the discount Covered Bond that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on the discount Covered Bond contains more than one accrual period, then, when determining the amount of OID allocable to an accrual period, the amount of qualified stated interest payable at the end of the interval, must be allocated including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, the adjusted issue price must be increased at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The amount of OID allocable to an initial short accrual period may be computed by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your Covered Bond, other than any payment of qualified stated interest, and
- the Covered Bond's adjusted issue price as of the beginning of the final accrual period.

*Acquisition Premium.* If a Covered Bond is purchased for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on the Covered Bond after the purchase date but is greater than the amount of the Covered Bond's adjusted issue price, as determined above under "– General", the excess is acquisition premium. If the election described below under "– Election to Treat All Interest as Original Issue Discount" is not made, then daily portions of OID must be reduced by a fraction equal to:

- the excess of the adjusted basis in the Covered Bond immediately after purchase over the adjusted issue price of the Covered Bond

divided by:

- the excess of the sum of all amounts payable, other than qualified stated interest, on the Covered Bond after the purchase date over the Covered Bond's adjusted issue price.

*Pre-Issuance Accrued Interest.* An election may be made to decrease the issue price of your Covered Bond by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of the Covered Bond is attributable to pre-issuance accrued interest,
- the first stated interest payment on the Covered Bond is to be made within one year of the Covered Bond's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your Covered Bond.

*Covered Bonds Subject to Contingencies Including Optional Redemption.* The Covered Bond is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, the yield and maturity of the Covered Bond must be determined by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, income on the Covered Bond must be included in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the Applicable Final Terms.

Notwithstanding the general rules for determining yield and maturity, if the Covered Bond is subject to contingencies, and either the owner of the Covered Bond or the Issuer has an unconditional option or options that, if exercised, would require payments to be made on the Covered Bond under an alternative payment schedule or schedules, then:

- in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Covered Bond, and
- in the case of an option or options that the owner of the Covered Bond may exercise, an option or combination of options will be deemed to be exercised or not exercised in the manner that maximizes the yield on the Covered Bond.

If both the owner of the Covered Bond and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. The yield on the Covered Bond

may be determined for the purposes of those calculations by using any date on which the Covered Bond may be redeemed or repurchased as the maturity date and the amount payable on the date that is chosen in accordance with the terms of the Covered Bond as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of the Covered Bond is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, the yield and maturity of the Covered Bond must be redetermined by treating the Covered Bond as having been retired and reissued on the date of the change in circumstances for an amount equal to the Covered Bond's adjusted issue price on that date.

*Election to Treat All Interest as Original Issue Discount.* The owner of the Covered Bond may elect to include in gross income all interest that accrues on the Covered Bond using the constant yield method described above under "*General*", with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under "*Covered Bonds Purchased at a Premium*", or acquisition premium.

If this election for the Covered Bond is made, then, when applying the constant yield method:

- the issue price of the Covered Bond will equal the cost,
- the issue date of the Covered Bond will be the date the Covered Bond was acquired, and
- no payments on the Covered Bond will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Covered Bond for which the election is made; however, if the Covered Bond has amortizable bond premium, an election will be deemed to have been made to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that are held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if this election is made for a market discount Covered Bond, it will be treated as having made the election discussed below under "*Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that the Covered Bond owner acquired on or after the first day of the first taxable year to which the election applies. Any election to apply the constant yield method to all interest on a Covered Bond or the deemed elections with respect to amortizable bond premium or market discount Covered Bonds without the consent of the IRS may not be revoked.

*Variable Rate Covered Bonds.* A Covered Bond will be a variable rate Covered Bond if:

- the Covered Bond's issue price does not exceed the total noncontingent principal payments by more than the lesser of:
  1. .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or
  2. 15 percent of the total noncontingent principal payments; and
- the Covered Bond provides for stated interest, compounded or paid at least annually, only at:
  1. one or more qualified floating rates,
  2. a single fixed rate and one or more qualified floating rates,

3. a single objective rate, or
4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A Covered Bond will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Covered Bond is denominated; or
- the rate is equal to such a rate multiplied by either:
  1. a fixed multiple that is greater than 0.65 but not more than 1.35 or
  2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of your Covered Bond is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Covered Bond provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Covered Bond, the qualified floating rates together constitute a single qualified floating rate.

A Covered Bond will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Covered Bond or are not reasonably expected to significantly affect the yield on the Covered Bond.

A Covered Bond will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party, and
- the value of the rate on any date during the term of the Covered Bond is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Covered Bond will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Covered Bond's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Covered Bond's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

A Covered Bond will also have a single qualified floating rate or an objective rate if interest on the Covered Bond is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Covered Bond that do not differ by more than 0.25 percentage points or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if a variable rate Covered Bond provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on the Covered Bond is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for the Covered Bond.

If a variable rate Covered Bond does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, the interest and OID accruals on the Covered Bond must be determined by:

- determining a fixed rate substitute for each variable rate provided under the variable rate Covered Bond,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When determining the fixed rate substitute for each variable rate provided under the variable rate Covered Bond, the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Covered Bond is generally used.

If a variable rate Covered Bond provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, interest and OID accruals must be determined by using the method described in the previous paragraph. However, the variable rate Covered Bond will be treated, for purposes of the first three steps of the determination, as if the Covered Bond had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of the variable rate Covered Bond as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

*Short-Term Covered Bonds.* In general, individuals or other cash basis United States Holders of a short-term Covered Bond (i.e., a Covered Bond with a maturity of one year or less), are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless they elect to do so (although it is possible that any stated interest may be required to be included in income as it is received). If an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer so elects, OID on short-term Covered Bonds on either a straight-line basis or under the constant yield method, based on daily compounding will be required to be accrued. If OID is not required to be included in income currently, any gain realized on the sale or retirement of a short-term Covered Bond



will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless an election is made to accrue the OID under the constant yield method, through the date of sale or retirement. However, if OID is not required and is not elected to be accrued on the short-term Covered Bonds, deductions for interest on borrowings allocable to the short-term Covered Bonds in an amount not exceeding the deferred income until the deferred income is realized, are required to be deferred.

When the amount of OID subject to these rules is determined, all interest payments on the short-term Covered Bond, including stated interest, in the short-term Covered Bond's stated redemption price at maturity must be included.

*Non-U.S. Dollar currency discount Covered Bonds.* If the discount Covered Bond is denominated in, or determined by reference to, a non-U.S. dollar currency, OID for any accrual period on the discount Covered Bond in the non-U.S. dollar currency must be determined and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under "*United States Holders – Payments of Interest*". Ordinary income or loss may be recognized when an amount attributable to OID in connection with a payment of interest or the sale or retirement of the Covered Bond is received.

#### *Market Discount*

Purchase of a Covered Bond, other than a short-term Covered Bond, will be treated as if at a market discount, and the Covered Bond will be a market discount Covered Bond if:

- the Covered Bond was purchased for less than its issue price as determined above under "*Original Issue Discount – General*" and
- the difference between the Covered Bond's stated redemption price at maturity or, in the case of a discount Covered Bond, the Covered Bond's revised issue price, and the price paid for the Covered Bond is equal to or greater than 1/4 of 1 percent of the Covered Bond's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Covered Bond's maturity. To determine the revised issue price of the Covered Bond for these purposes, any OID that has accrued on your Covered Bond is generally added to its issue price.

If the Covered Bond's stated redemption price at maturity or, in the case of a discount Covered Bond, its revised issue price, exceeds the price paid for the Covered Bond by less than 1/4 of 1 percent multiplied by the number of complete years to the Covered Bond's maturity, the excess constitutes *de minimis* market discount, and the rules discussed below are not applicable.

Any gain recognized on the maturity or disposition of a market discount Covered Bond must be treated as ordinary income to the extent of the accrued market discount on the Covered Bond. Alternatively, the Covered Bond owner may elect to include market discount in income currently over the life of the Covered Bond. If this election is made, it will apply to all debt instruments with market discount acquired on or after the first day of the first taxable year to which the election applies. This election must not be revoked without the consent of the IRS. If this election is not made for a market discount Covered Bond, deductions for interest on borrowings allocable to the Covered Bond in an amount not exceeding the accrued market discount on the Covered Bond will generally be required to be deferred until the maturity or disposition of the Covered Bond.

If a person owns a market discount Covered Bond, the market discount accrues on a straight-line basis unless an election is made to accrue market discount using a constant-yield method. If this election is made, it will apply only to the Covered Bond with respect to which it is made and may not be revoked. However, accrued market discount would not be included in income unless elected to do so as described above.

### *Covered Bonds Purchased at a Premium*

If a person purchases the Covered Bond for an amount in excess of its principal amount (or, in the case of a discount Covered Bond, in excess of its stated redemption price at maturity), they may elect to treat the excess as amortizable bond premium. If this election, is made, the amount required to be included in income each year with respect to interest on the Covered Bond will be reduced by the amount of amortizable bond premium allocable to that year, based on the Covered Bond's yield to maturity. If the Covered Bond is denominated in, or determined by reference to, a non-U.S. dollar currency, the amortizable bond premium will be computed in units of the non-U.S. dollar currency and the amortizable bond premium will reduce interest income in units of the non-U.S. dollar currency. Gain or loss recognized that is attributable to changes in exchange rates between the time amortized bond premium offsets interest income and the time of the acquisition of the Covered Bond is generally taxable as ordinary income or loss. If an election is made to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that is held at the beginning of the first taxable year to which the election applies or that is thereafter acquired, and may not be revoked without the consent of the IRS. See also "*Original Issue Discount – Election to Treat All Interest as Original Issue Discount*".

### *Purchase, Sale and Retirement of the Covered Bonds*

The tax basis in a Covered Bond will generally be the U.S. dollar cost, as defined below, of the Covered Bond, adjusted by:

- adding any OID or market discount previously included in income with respect to the Covered Bond, and then
- subtracting any payments on the Covered Bond that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on the Covered Bond.

If the Covered Bond is purchased with non-U.S. dollar currency, the U.S. dollar cost of the Covered Bond will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if the owner of the Covered Bond is a cash basis taxpayer, or an accrual basis taxpayer if so elected, and the Covered Bond is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of the Covered Bond will be the U.S. dollar value of the purchase price on the settlement date of the purchase.

Gain or loss on the sale or retirement of a Covered Bond will generally be recognized in an amount equal to the difference between the amount realized on the sale or retirement excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments) and your tax basis in your Covered Bond. If the Covered Bond is sold or retired for an amount in non-U.S. dollar currency, the amount realized will be the U.S. dollar value of such amount on the date the Covered Bond is disposed of or retired, except that in the case of a Covered Bond that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the non-U.S. dollar currency on the settlement date of the sale.

Capital gain or loss will be recognized when a Covered Bond is sold or retired, except to the extent:

- described above under "*Original Issue Discount – Short-Term Covered Bonds*" or "*Market Discount*",
- the rules governing contingent payment obligations apply, or
- attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States Holder is generally taxed at a preferential rate where the Holder has a holding period greater than one year.

Any portion of the gain or loss that is recognized on the sale or retirement of a Covered Bond must be treated as ordinary income or loss to the extent attributable to changes in exchange rates. However, exchange gain or loss will be taken into account only to the extent of the total gain or loss realized on the transaction.

#### *Exchange of Amounts in Other Than U.S. dollars*

If the owner of a Covered Bond receives non-U.S. dollar currency as interest on the Covered Bond or on the sale or retirement of the Covered Bond, the tax basis in the non-U.S. dollar currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If non-U.S. dollar currency is purchased, the Covered Bond owner generally will have a tax basis equal to the U.S. dollar value of the non-U.S. dollar currency on the date of the purchase. If a non-U.S. dollar currency is sold or disposed of, including if used to purchase Covered Bonds or exchanged for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

#### *Medicare Tax*

For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax (the **Medicare Tax**) on the lesser of (1) the United States Holder's "net investment income" for the relevant taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A Holder's net investment income will generally include its interest income and its net gains from the disposition of Covered Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If the owner of the Covered Bond is a United States Holder that is an individual, estate or trust, they are urged to consult their tax advisors regarding the applicability of the Medicare Tax to income and gains in respect of investment in the Covered Bonds.

#### *United States Alien Holders*

This subsection describes the tax consequences to a United States alien Holder. Beneficial owners of Covered Bonds are United States alien Holders if they are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Covered Bond.

This subsection does not apply to United States Holders.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below,

interest on a Covered Bond paid to a United States alien Holder is exempt from United States federal income tax, including withholding tax, whether or not such Holder is engaged in a trade or business in the United States, unless such Holder is:

- an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- both:
  - has an office or other fixed place of business in the United States to which the interest is attributable and
  - derives the interest in the active conduct of a banking, financing or similar business within the United States, or is a corporation with a principal business of trading in stocks and securities for its own account.

*Purchase, sale, retirement and other disposition of the Covered Bonds.* United States alien Holders of Covered Bonds generally will not be subject to United States federal income tax on gain realized on the sale, exchange or retirement of a Covered Bond unless:

- the gain is effectively connected with conduct of a trade or business in the United States or
- such Holder is an individual, is present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

For purposes of the United States federal estate tax, the Covered Bonds will be treated as situated outside the United States and will not be includible in the gross estate of a Holder who is neither a citizen nor a resident of the United States (as specially defined for United States federal estate tax purposes) at the time of death.

#### ***Treasury Regulations Requiring Disclosure of Reportable Transactions***

U.S. Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a **Reportable Transaction**).

Under these regulations, if the Covered Bonds are denominated in a non-U.S. dollar currency, a United States holder (or a United States alien holder that holds the Covered Bonds in connection with a U.S. trade or business) that recognizes a loss with respect to the Covered Bonds that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to

report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Covered Bonds.

#### ***Information with Respect to Foreign Financial Assets***

Owners of "specified foreign financial assets" with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. **Specified foreign financial assets** may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Covered Bonds should qualify as specified foreign financial assets unless held in accounts maintained by financial institutions. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Covered Bonds.

### ***Foreign Account Tax Compliance Withholding***

A 30% withholding tax will be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders. To avoid becoming subject to the 30% withholding tax on payments to them, the Issuer and other non-U.S. financial institutions may be required to report information to the IRS regarding certain of their United States accountholders, and the Issuer and the Covered Bond Guarantor may be required to withhold on a portion of payments under the Covered Bonds that are made to non-U.S. financial institutions that have not agreed to comply with these information reporting requirements. Holders of the Covered Bonds other than non-U.S. financial institutions may also be subject to information reporting and withholding in certain circumstances as a result of the Covered Bond Guarantor's obligation to pay Guaranteed Amounts. Such withholding may be imposed at any point in a chain of payments if a non-U.S. payee fails to comply with U.S. information reporting, certification and related requirements. Accordingly, Covered Bonds held through a non-compliant institution may be subject to withholding even if the Covered Bondholder otherwise would not be subject to withholding. Under proposed regulations, such withholding would generally not apply to payments made before January 1, 2017. Moreover, under administrative guidance, such withholding would only apply to Covered Bonds issued at least six months after the date on which final regulations implementing such rule are enacted. However, the proposed regulations have not yet been finalized, so it is impossible to determine at this time what impact, if any, these rules will have on Covered Bondholders.

### ***Backup Withholding and Information Reporting***

For noncorporate United States Holders, information reporting requirements, on IRS Form 1099, generally will apply to:

- payments of principal and interest on a Covered Bond within the United States, including payments made by wire transfer from outside the United States to an accounts maintained in the United States, and
- the payment of the proceeds from the sale of a Covered Bond effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments for noncorporate United States Holders that:

- fail to provide an accurate taxpayer identification number,
- are notified by the IRS that they have failed to report all interest and dividends required to be shown on their federal income tax returns, or
- in certain circumstances, fail to comply with applicable certification requirements.

United States alien Holders are generally exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest made to such Holder outside the United States by the relevant Issuer or another non-United States payor and
- other payments of principal and interest and the payment of the proceeds from the sale of a Covered Bond effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:
  - the payor or broker does not have actual knowledge or reason to know that such Holder is a United States person and such Holder has furnished to the payor or broker:

- an IRS Form W-8BEN or an acceptable substitute form upon which such Holder certifies, under penalties of perjury, that such Holder is a non-United States person, or
- other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
- such Holder otherwise establishes an exemption.

Payment of the proceeds from the sale of a Covered Bond effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Covered Bond that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by such Holder in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to such Holder at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that such Holder is a United States person and the documentation requirements described above are met or such Holder otherwise establishes an exemption.

In addition, a sale of a Covered Bond effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
  - one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
  - such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that such Holder is a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that such Holder is a United States person.

Any amount withheld under the backup withholding rules from a payment to such Holder will be allowed as a refund or credit against such Holder's United States federal income tax, provided the required information is timely furnished to the IRS.

## **Luxembourg Taxation**

*The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Covered Bonds should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

### *Withholding Tax*

#### *(i) Non-resident holders of Covered Bonds*

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended (the **Laws**), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of the Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Covered Bonds held by non-resident holders of Covered Bonds.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Covered Bonds coming within the scope of the Laws would at present be subject to withholding tax at a rate of 35 per cent.

#### *(ii) Resident holders of Covered Bonds*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Covered Bonds, nor on accrued but unpaid interest in respect of Covered Bonds, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Covered Bonds held by Luxembourg resident holders of Covered Bonds.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Covered Bonds coming within the scope of the Law would be subject to withholding tax at a rate of 10 per cent.

## **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the **Directive**) on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required, subject to certain exceptions (unless during that period they

elect otherwise) to operate a withholding system in relation to such payments, the ending of such transitional period being dependent upon the conclusion of certain agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). The attention of Covered Bondholders is drawn to Condition 7(h) of the Programme Conditions and/or Condition 7 of the N Covered Bond Conditions (if applicable) and the section of this Prospectus entitled "*Risk Factors*".

The European Commission has proposed certain amendments to the Directive which, if implemented, may amend or broaden the scope of the requirements described above.



## EXCHANGE CONTROLS AND LIMITATIONS

Under the Charter of the United Nations Act 1945 (Cth) and the Australian Charter of United Nations (Dealings with Assets) Regulations 2008 the approval of the Australian Minister for Foreign Affairs, or the Minister's delegate, is required with respect to certain payments and actions in relation to an asset proscribed or listed under, or which is owned or controlled directly or indirectly by a person or entity proscribed or listed under those regulations or is an asset derived or generated from such assets (proscribed persons presently include, among others, persons associated with the Qadhafi regime in Libya, the Taliban, Usama bin Laden, a member of the Al-Qaida organisation and other persons and entities connected with them). The Australian Department for Foreign Affairs and Trade maintains a consolidated list of all such proscribed and listed persons and entities, which is publicly available on its website. The identity of such proscribed persons or entities under those regulations may change in the future.

Additionally, under Part 4 of the Charter of the United Nations Act 1945 (Cth), it may be an offence under Australian law to deal with certain assets or certain persons or entities which have either been listed by the Australian Minister for Foreign Affairs or proscribed in regulations made by the Australian Governor General unless the prior approval of the Australian Minister for Foreign Affairs is granted in relation to that dealing. Generally, assets, persons or entities are listed or proscribed by regulation for the purpose of giving effect to resolutions adopted by the United Nations Security Council in relation to terrorism. Assets, persons or entities listed or proscribed by regulation are subject to change from time to time – as at the date of this Prospectus, regulations were in effect in relation to assets, persons or entities associated with Al-Qaida and the Taliban, Cote d'Ivoire, Democratic People's Republic of Korea, Democratic Republic of the Congo, Eritrea, Iran, Lebanon, Liberia, Somalia, Sudan and Iraq.

Under Section 102.6 and 102.7 of the Australian Criminal Code (Cth), a person commits a criminal offence if the person intentionally receives funds from, makes funds available to, or provides support or resources to a terrorist organisation. Certain organisations are prescribed as terrorist organisations in the Criminal Code Regulations 2002. Under the Australian Autonomous Sanctions Act 2011 (Cth) and the Autonomous Sanctions Regulations 2011 (Cth), sanctions are imposed against certain specifically identified persons and entities associated with particular countries, currently including North Korea, Zimbabwe, the former Yugoslavia, Fiji, Myanmar, Syria, Libya and Iran, and certain transactions involving the named persons or entities may only be conducted with specific approval from the Minister of Foreign Affairs. Contravention of these sanctions constitutes a criminal offence.

## SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

*The following section applies to any Covered Bond issued pursuant to the Programme other than any N Covered Bonds.*

The Dealers have, in an amended and restated Programme Agreement dated on or about 23 November 2012 (as the same may be amended and/or supplemented and/or restated from time to time, the **Programme Agreement**), agreed with the Issuer and the Covered Bond Guarantor a basis upon which such Dealers or any of them may from time to time agree to subscribe for, offer and/or place Covered Bonds. Any such agreement for any particular subscription, offer and/or placement by a Dealer will extend to those matters stated under the sections of this Prospectus entitled "*Form of the Covered Bonds*" and "*Conditions of the Covered Bonds*" above. The Issuer may pay the Dealers commission from time to time in connection with any such subscription, offer and/or placement. In the Programme Agreement, the Issuer has agreed to reimburse and indemnify the Dealers for certain of their expenses and liabilities in connection with the establishment and any future updates of the Programme and the issue of Covered Bonds under the Programme. The Dealers are entitled to be released and discharged from their obligations in relation to any agreement to subscribe for, offer and/or place Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

### **Transfer Restrictions**

*As a result of the following restrictions, purchasers of Covered Bonds in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Covered Bonds.*

Each purchaser of Registered Covered Bonds (other than a person purchasing an interest in a Registered Global Covered Bond with a view to holding it in the form of an interest in the same Global Covered Bond) or person wishing to transfer an interest from one Registered Global Covered Bond to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree (and in certain cases, will be deemed to represent and agree) as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) it is a QIB, purchasing (or holding) the Covered Bonds for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) it is outside the United States and is not a U.S. person and is purchasing in compliance with Regulation S;
- (ii) that the Covered Bonds are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act or any applicable U.S. State securities laws and may not be offered, sold or delivered directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Covered Bond and is a person located outside the United States and is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Covered Bonds or any beneficial interests in the Covered Bonds, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Covered Bonds, only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144

under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that, except as otherwise provided in the Applicable Final Terms, either (a) it is not a Plan or any entity whose underlying assets include, are deemed for purposes of ERISA or the Code to include, the assets of any Plan or any governmental, church or non-U.S. plan which is subject to any substantially Similar Law, or (b) its purchase, holding and disposition of the Covered Bond will not constitute or result in a non-exempt prohibited transaction under section 406 of ERISA or section 4975 of the Code (or in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any such substantially Similar Law) for which an exemption is not available;
- (vi) that Covered Bonds initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Covered Bonds and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Covered Bonds;
- (vii) that the Covered Bonds, other than the Regulation S Global Covered Bonds, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND THE COVERED BOND GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE PRINCIPAL AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITY OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED

OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY WILL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH WILL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EXCEPT AS OTHERWISE PROVIDED IN THE APPLICABLE FINAL TERMS, BY ITS PURCHASE AND HOLDING OF THIS COVERED BOND (OR ANY INTEREST HEREIN), EACH PURCHASER AND HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED, THAT EITHER (1) IT IS NOT AND FOR SO LONG AS ITS HOLDS THIS COVERED BOND (OR ANY INTEREST HEREIN) WILL NOT BE (A) AN "EMPLOYEE BENEFIT PLAN" AS DESCRIBED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (ERISA) AND SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE CODE), (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN, OR (D) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, OR LOCAL LAW OR ANY NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (SIMILAR LAW), OR (2) ITS PURCHASE, HOLDING AND DISPOSITION OF THIS COVERED BOND (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO SIMILAR LAW, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.";

- (viii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Covered Bonds prior to the expiration of the distribution compliance period (defined as 40 days after the later of (i) the date on which the offering of Covered Bonds comprising any Tranche commenced to persons other than distributors in reliance on Regulation S and (ii) the date of issuance of such Covered Bonds, as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue), it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY AND THE COVERED BOND GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR

INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT IN RESPECT OF THIS SECURITY (THE AGENCY AGREEMENT) AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. IN ACCORDANCE WITH U.S. SECURITIES LAW, UNTIL THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE LATER OF (i) THE DATE ON WHICH THE OFFERING OF THIS SECURITY COMMENCED TO PERSONS OTHER THAN DISTRIBUTORS IN RELIANCE ON REGULATION S AND (ii) THE DATE OF ISSUANCE OF SUCH SECURITY, SALES MAY NOT BE MADE UNLESS MADE (I) OUTSIDE THE UNITED STATES PURSUANT TO RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (II) TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN, AND IN TRANSACTIONS PURSUANT TO, RULE 144A UNDER THE SECURITIES ACT." ; and

- (ix) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it will promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

The relevant Dealer may arrange for the resale of Covered Bonds to QIBs pursuant to Rule 144A and each such purchaser of Covered Bonds is hereby notified that the relevant Dealer may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Covered Bonds which may be purchased by a QIB pursuant to Rule 144A is US\$200,000 (or the approximate equivalent in another Specified Currency). To the extent that the Issuer is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, the Issuer has agreed to furnish to holders of Covered Bonds and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the United States and for the resale of the Covered Bonds in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

## **Selling Restrictions**

### ***United States***

The Covered Bonds and the Covered Bond Guarantee have not been and will not be registered under the Securities Act and have not been registered or qualified under any state securities or "Blue Sky" laws of the states of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

In connection with any Covered Bonds that are offered and sold outside the United States in reliance on Regulation S, each Dealer has represented, warranted and agreed that neither it nor any of its affiliates has offered and sold Covered Bonds, or will offer and sell Covered Bonds within the United States or to, or for the account of, U.S. persons (a) as part of its distribution at any time and (b) otherwise until 40 days after the later of the date of issue of the identifiable Series or Tranche of Covered Bonds of which such Covered Bonds are a part and the completion of the distribution of such identifiable Series or Tranche (the **distribution compliance period**), as determined and certified to the Principal Paying Agent or the Issuer by the relevant Dealer (or in the case of a sale of an identifiable Series or Tranche of Covered Bonds to or through more than one Dealer, by each of such Dealers as to the Covered Bonds of such identifiable Series or Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer will notify each such Dealer when all such Dealers have so certified), except in accordance with Rule 903 of Regulation S or in accordance with Rule 144A. Accordingly each Dealer has represented, warranted and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts as defined in Regulation S under the Securities Act with respect to Covered Bonds, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. Each Dealer has agreed that, at or prior to confirmation of sale of Covered Bonds it will have sent to each distributor, dealer or persons receiving a selling concession, fee or other remuneration that purchases Covered Bonds from it during the distribution compliance period, a confirmation or notice to substantially the following effect:

"The Covered Bonds and the Covered Bond Guarantee covered hereby have not been registered under the United States Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulation authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the date of issue of the identifiable Series or Tranche of Covered Bonds of which such Covered Bonds are a part and the completion of the distribution of such identifiable Series or Tranche of Covered Bonds, as determined and certified to the Principal Paying Agent or the Issuer by [*Name of Dealer or Dealers as the case may be*] (or in the case of a sale of an identifiable Series or Tranche of Covered Bonds to or through more than one dealer, by each of such Dealers as to the Covered Bonds of such identifiable Series or Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer will notify each such Dealer when all such Dealers have so certified), except in the either case in accordance with Regulation S under the Securities Act or in accordance with Rule 144A, if available, under the Securities Act. Terms used above the meaning given to them in Regulation S under the Securities Act."

The Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Registered Covered Bonds in the United States only to persons that are Qualified Institutional Buyers in accordance with Rule 144A under the Securities Act and in connection with any such offer or sale, each Dealer has agreed that it will take reasonable steps to ensure that the purchaser of the Covered Bonds is aware that such offer or sale is being made in reliance on Rule 144A in a manner that would not require registration of Covered Bonds under the Securities Act or any state securities laws. Each Dealer has understood that Bearer Covered Bonds are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by United States tax regulations.

Terms used in the subparagraph above have the meanings given to them by Regulation S.

Each Dealer has represented, warranted and agreed that it, its Affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Covered Bond, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition in respect of Bearer Covered Bonds where TEFRA D is specified in the Applicable Final Terms:

- (i) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the **D Rules**), each Dealer has (a) represented, warranted and agreed that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, Bearer Covered Bonds to a person who is within the United States or its possessions or to a United States person, and (b) represented, warranted and agreed that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Bearer Covered Bonds that are sold during the restricted period;
- (ii) each Dealer has represented, warranted and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Covered Bonds are aware that such Covered Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (iii) if it is a United States person, each Dealer has represented, warranted and agreed that it is acquiring Bearer Covered Bonds for purposes of resale in connection with their original issuance and if it retains Bearer Covered Bonds for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);
- (iv) with respect to each Affiliate that acquires Bearer Covered Bonds from a Dealer for the purpose of offering or selling such Covered Bonds during the restricted period, such Dealer has (i) repeated and confirmed the representations and agreements contained in paragraphs (i), (ii), (iii) and (v) on such Affiliate's behalf or (ii) has agreed that it will obtain from such Affiliate, for the benefit of the Issuer, the representations contained in paragraphs (i), (ii), (iii) and (v); and
- (v) each Dealer has represented, warranted and agreed that it will not enter into a written contract (apart from a confirmation or other notice of the transaction) for the offer or sale during the restricted period of Bearer Covered Bonds with any person other than its Affiliate(s) unless it obtains the representations and agreements contained in this paragraph from the person with whom it enters into such written contract.

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the D Rules.

In respect of Bearer Covered Bonds where TEFRA C is specified in the Applicable Final Terms, such Bearer Covered Bonds must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Covered Bonds within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented, warranted and agreed in connection with the original issuance of such Bearer Covered Bonds that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Covered Bonds. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules.

Notwithstanding anything above to the contrary, it is understood that Rule 144A Covered Bonds (which are Registered Covered Bonds) may be offered and sold pursuant to a private placement in the United States and in connection therewith each Dealer has represented, warranted and agreed that:

- (i) offers, sales, resales and other transfers of Covered Bonds made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) will be made with respect to Registered Covered Bonds only and will be effected pursuant to an exemption from the registration requirements of the Securities Act;

- (ii) offers, sales, resales and other transfers of Covered Bonds made in the United States will be made only in private transactions to institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a "**QIB**") and in connection with each such sale or resale it will take reasonable steps to ensure that the purchaser is aware that such sale or resale, as the case may be, may be being made in reliance on Rule 144A;
- (iii) the Covered Bonds will be offered in the United States only by approaching prospective purchasers on an individual basis. Neither such Dealer nor any person acting on its behalf will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act) in connection with the offering of the Rule 144A Covered Bonds in the United States; and
- (iv) no sale of Rule 144A Covered Bonds in the United States to any one QIB will be for less than US\$200,000 (or the approximate equivalent in another Specified Currency) principal amount and no Covered Bonds will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least US\$200,000 (or the approximate equivalent in another Specified Currency) principal amount of the Covered Bonds. The US\$200,000 minimum purchase amount (or the approximate equivalent in another Specified Currency) applies to Covered Bonds of each maturity and interest rate (or method of calculating interest) and may not be spread among Covered Bonds of different maturities or interest rates (or methods of calculating interest);
- (v) each Covered Bond sold as a part of a private placement in the United States and each Regulation S Global Covered Bond will contain a legend in substantially the form set out on the face of such Covered Bond in the Bond Trust Deed.

The Issuer has represented, warranted and agreed that any resale or other transfer, or attempted resale or other transfer of Covered Bonds sold as part of a private placement in the United States made other than in compliance with the restrictions set out above will not be recognised by it or any agent of it and will be void.

### ***Australia***

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Programme or any Covered Bonds has been or will be lodged with ASIC. Accordingly, each Dealer has represented and agreed that unless the relevant Final Terms (or another supplement to any Disclosure Documents) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Covered Bonds for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive Disclosure Document or any other offering material or advertisement relating to any Covered Bonds in Australia,

unless (i) the aggregate consideration payable by each offeree or invitee is at least A\$500,000 (or its equivalent in an alternate currency) (disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act, (ii) such action complies with applicable laws, and directives and (iii) such action does not require any document to be lodged with ASIC.

Section 708(19) of the Corporations Act provides that an offer of debentures for issue or sale does not need disclosure to investors under Part 6D.2 of the Corporations Act if the issuer is an Australian authorised deposit-taking institution (**ADI**). As at the date of this agreement, the Issuer is an ADI.



## ***United Kingdom***

Each Dealer has represented and agreed that:

- (a) in relation to any Covered Bonds having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Covered Bond Guarantor and would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the United Kingdom.

### ***Public Offer Selling Restriction under the Prospectus Directive***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Covered Bonds to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Covered Bonds referred to in (a) to (c) above will require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Covered Bonds to the public** in relation to any Covered Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Covered Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

### *Norway*

Each Dealer has represented and agreed that Covered Bonds will not be offered to or sold within Norway or outside Norway to Norwegian citizens whose tax residence is in Norway without the Covered Bonds prior thereto having been registered in the Norwegian Central Securities Depository, the Verdipapirsentralen ASA.

### *Sweden*

Each Dealer has represented and agreed that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy Covered Bonds or distribute any draft or final document in relation to any such offer, invitation or sale except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (*lag (1991:980) om handel med finansiella instrument*).

### *Denmark*

Each Dealer has represented and agreed that the Covered Bonds have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 298 of 8 April 2011 as amended from time to time and any Orders issued thereunder.

### *Japan*

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended (the **FIEA**)) and each Dealer has represented and agreed that it will not offer or sell any Covered Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### *Singapore*

Each Dealer has acknowledged, that no document (including the Base Prospectus) has been registered, or will be registered, as a prospectus with the Monetary Authority of Singapore, and the Covered Bonds will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, each Dealer has represented and agreed that the Covered Bonds have not and may not be offered or sold or made the subject of an invitation for subscription or purchase nor may the Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Covered Bonds be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act, or to any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Covered Bonds are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust will not be transferable for six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor (for corporations, under Section 274 of the Securities and Futures Act) or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) and Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

### ***Hong Kong***

Each Dealer has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Covered Bonds (except for Covered Bonds which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) other than (a) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (b) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere any advertisement, invitation or document relating to the Covered Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance.

### ***General***

Each Dealer has represented and agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Covered Bonds or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Covered Bond Guarantor, the Seller, the Bond Trustee and any of the other Dealers will have any responsibility therefor. Furthermore, they will not directly or indirectly offer, sell or deliver any Covered Bonds or distribute or publish any form of application, prospectus, advertisement or other offering material except under circumstances that will, to the best of their knowledge

and belief, result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Covered Bonds by them will be made on the same terms.

None of the Issuer, the Covered Bond Guarantor, the Bond Trustee and any of the Dealers have made any representation that Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Series or Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the Applicable Final Terms.

Any offer or sale of Covered Bonds by nabSecurities, LLC will comply with the requirements of the Financial Industry Regulatory Authority (**FINRA**) Rule 5121 regarding a FINRA member's distribution of the securities of an affiliate and related conflicts of interest. nabSecurities, LLC (or any other affiliate of nab) will not make sales in any offering of Covered Bonds to any discretionary account, unless specific written approval of the account holders is obtained.

## ERISA CONSIDERATIONS

Unless otherwise indicated, the Covered Bonds should be eligible for purchase by employee benefit plans and other plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**) and/or the provisions of Section 4975 of the Code and by governmental, church and non-U.S. plans which are subject to any U.S. Federal, state or local law or any non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" as defined in Section 3(3) of ERISA and subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**) and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under the section of this Prospectus entitled "*Risk Factors*" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the Covered Bonds.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, **Plans** and certain persons (referred to as **parties in interest** or **disqualified persons**) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Seller, the Covered Bond Guarantor, the Co-Arrangers, the Servicer, the Trust Manager, the Dealers, the Agents, the Bond Trustee, the Security Trustee and any other party to the transactions contemplated by the Programme may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any of the Covered Bonds is acquired or held by a Plan with respect to which the Issuer, the Seller, the Covered Bond Guarantor, the Co-Arrangers, the Servicer, the Trust Manager, the Dealers, the Agents, the Bond Trustee, the Security Trustee or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any such Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption (**PTCE**) PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) PTCE 96-23 (relating to transactions determined by in-house asset managers) and the service provider exemption under Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving the Covered Bonds.

Each purchaser and subsequent transferee of any Covered Bond (unless otherwise specified in the Applicable Final Terms) will be deemed by such purchase or acquisition of any such Covered Bond to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such Covered Bond through and including the date on which the purchaser or transferee disposes of such Covered Bond, either that (A) it is not it is not a Plan or any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any Plan or any governmental, church or non-U.S. plan which is subject to any U.S. federal, state or local law or any non-U.S. law that is substantially similar to the

provisions of Section 406 of ERISA or Section 4975 of the Code (**Similar Law**) or (B) its purchase, holding and disposition of such Covered Bond will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any such substantially Similar Law) for which an exemption is not available.

Any insurance company proposing to purchase any of the Covered Bonds using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the Department of Labor for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (July 12, 1995), the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1996 (including, without limitation, the expiration of any relief granted thereunder) and the regulations thereunder.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Covered Bonds should determine whether, under the documents and instruments governing the Plan, an investment in the Covered Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment mortgage portfolio. Any Plan proposing to invest in such Covered Bonds (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm, among other things, that such investment will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any Covered Bonds to a Plan is in no respect a representation by the Issuer, the Seller, the Covered Bond Guarantor or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Covered Bonds have been duly authorised by a resolution of delegates of the board of directors of nab dated 25 October 2011 and 21 November 2012.

### Listing and admission to trading of Covered Bonds

It is expected that each Tranche of Covered Bonds which is to be admitted to the Official List and to trading on the Regulated Market of the Luxembourg Stock Exchange will be admitted separately as and when issued, subject only to the issue of a Temporary Global Covered Bond or a Permanent Global Covered Bond, as the case may be, initially representing the Covered Bonds of such Tranche. The Regulated Market of the Luxembourg Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The listing of the Programme in respect of Covered Bonds is expected to be granted on or about 23 November 2012.

### Documents Available

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available to the Covered Bondholders during local business hours and upon reasonable notice on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Issuer and from the specified office of the Principal Paying Agent:

- (i) the constitutive documents of the Covered Bond Guarantor and the Issuer;
- (ii) the 2011 nab Annual Report and the 2012 nab Annual Report (as defined in the section entitled "*Documents Incorporated by Reference*");
- (iii) when published, the audited financial statements of the nab Covered Bond Trust (the first set of audited financial statements will be published in respect of the period from the date of establishment of the nab Covered Bond Trust to 30 September 2012, and annually thereafter);
- (iv) the forms of the Global Covered Bonds, the Definitive Covered Bonds, the Coupons and the Talons;
- (v) a copy of this Prospectus and all documents incorporated by reference herein;
- (vi) any future prospectuses, information memoranda and Supplements to the Prospectus and any Final Terms (save that Final Terms relating to an unlisted Covered Bond will be available for inspection only by the relevant Dealer or Dealers specified in such Final Terms or, upon proof satisfactory to the Principal Paying Agent or the Registrar, as the case may be, as to the identity of the holder of any Covered Bond to which such Final Terms relate) to this Prospectus and any other documents incorporated herein or therein by reference;
- (vii) any Final Terms relating to Covered Bonds of the Issuer which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Covered Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the applicable Final Terms will only be available for inspection by the relevant Covered Bondholders); and
- (viii) each Programme Document including the Bond Trust Deed (which contains the guarantee from the Covered Bond Guarantor to the Bond Trustee for the benefit of the Covered Bondholders) (other than the Final Terms as specified above).

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds which are listed on the official list of the Luxembourg Stock Exchange and are admitted to trading on the Regulated Market of the Luxembourg Stock Exchange will also be available for inspection on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

### **Clearing Systems**

The Bearer Covered Bonds to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and the International Securities Identification Number (ISIN) for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg and (where applicable) the identification number for any other relevant clearing system for each Series of Covered Bonds will be set out in the Applicable Final Terms. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg, Luxembourg. In addition, the Issuer may make an application for any Registered Covered Bonds (other than N Covered Bonds) to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and Common Code, will be specified in the Applicable Final Terms.

If A\$ Registered Covered Bonds are lodged into the Austraclear System, Austraclear will become the registered holder of those A\$ Registered Covered Bonds in the A\$ Register. While those A\$ Registered Covered Bonds remain in the Austraclear System:

- (i) all payments and notices required of the Issuer, the Covered Bond Guarantor and the Trust Manager in relation to those A\$ Registered Covered Bonds will be directed to Austraclear; and
- (ii) all dealings and payments in relation to those A\$ Registered Covered Bonds within the Austraclear System will be governed by the Austraclear Regulations.

If the Covered Bonds are to clear through an additional or alternative clearing system, the appropriate information will be specified in the Applicable Final Terms.

### **Conditions for determining price**

In relation to any Tranche of Fixed Rate Covered Bonds, an indication of the yield in respect of such Covered Bonds will be specified in the applicable Final Terms. The yield is calculated on the Issue Date of the Covered Bonds on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity as at the Issue Date of the Covered Bonds and will not be an indication of future yield.

### **No Significant Change and No Material Adverse Change**

There has been no significant change in the trading or financial position of the Issuer or any of the subsidiaries of the Issuer (the **nab Group**) taken as a whole since 30 September 2012 (the end of the last financial period for which either audited financial information or interim financial information has been published).

There has been no material adverse change in the prospects of the nab Group taken as a whole since 30 September 2012 (the last date to which the latest audited published financial information of the nab Group was prepared).

There has been no significant change in the financial or trading position of the Trust since the date of declaration of the Trust, except as a result of the Covered Bond Guarantor's entry into the Programme Documents and the purchase of the Mortgage Loan Portfolio from nab (in its capacity as Seller) under the



Mortgage Sale Agreement. Since the date of declaration of the Trust, there has been no material adverse change in the prospects of the Trust.

No financial statements in respect of the Trust have been produced as at the date of this Prospectus.

### **Litigation**

Except as described in the section "*National Australia Bank Limited – Financial Information Concerning nab's Assets and Liabilities, Financial Position and Profits and Losses – Legal and Arbitration Proceedings*" of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which nab is aware) in the 12-month period before the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of nab or the nab Group.

The Covered Bond Guarantor is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Covered Bond Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Covered Bond Guarantor.

### **Auditors**

The auditors of nab and the Trust are Ernst & Young, of 8 Exhibition Street, Melbourne (**Ernst & Young**), who have audited nab's accounts, without qualification in accordance with generally accepted auditing standards in Australia for the financial years ended 30 September 2012 and 30 September 2011. The auditors of nab have no material interest in nab and the auditors of the Trust have no material interest in the Trust. The partners of Ernst & Young are typically members of the Australian Institute of Chartered Accountants, but each firm itself is not a member.

### **Reports**

The Bond Trust Deed provides that the Bond Trustee may rely on the advice, report, certificate or opinion of, or any other information obtained from certain professional advisers or other experts in accordance with the provisions of the Bond Trust Deed, whether or not any such advice, report, certificate or opinion of, or any other information, or engagement letter or other document entered into by the Bond Trustee and the relevant person in connection therewith, contains any monetary or other limit on the liability of the relevant person.

The Trust Manager will prepare semi-annual and annual Asset Coverage Reports detailing, among other things, compliance with the Asset Coverage Test. Copies of the Applicable Final Terms for each Series (including in relation to unlisted Covered Bonds of any Series) and the Asset Coverage Reports are available to Covered Bondholders during normal business hours at the registered office of the Issuer.

### **Contracts**

The Issuer is not aware of any material contracts having been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the nab Group being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds that may be issued.

The Issuer is not aware of any material contracts having been entered into by the Covered Bond Guarantor other than the Programme Documents and which could result in it being under an obligation or entitlement that is material to its ability to meet its obligation to Covered Bondholders in respect of the Covered Bonds that may be issued.

Since November 15, 2011, there have been no demands to repurchase or replace any Mortgage Loans as a result of a breach of any representations or warranties under the Programme Documents.

### **Announcement**

By distributing or arranging for the distribution of this Prospectus to whom this Prospectus is being distributed, the Issuer announces to each such person that:

- (a) each Tranche of Bearer Covered Bonds may be initially issued in the form of a temporary global covered bond without receipts and interest coupons attached (a Temporary Bearer Global Covered Bond) which will be issued to and lodged on or prior to the issue date of the relevant Tranche to a common depository for Euroclear and Clearstream, Luxembourg;
- (b) each Tranche of Regulation S Global Covered Bonds or Rule 144A Global Covered Bonds will be initially issued in the form of book-entry notes and will be registered in the name of Cede & Co., as nominee of DTC;
- (c) in connection with the issue, Euroclear, Clearstream, Luxembourg and DTC will confer rights in relation to such Bearer Covered Bonds, Regulation S Global Covered Bonds or Rule 144A Global Covered Bonds (as applicable) and will record the existence of those rights; and
- (d) as a result of the issue of such Bearer Covered Bonds, Regulation S Global Covered Bonds or Rule 144A Global Covered Bonds in this manner, these rights will be able to be created.

## GLOSSARY

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| <b>30/360</b>                       | has the meaning given to it in Condition 4(a) of the Programme Conditions.  |
| <b>30E/360</b>                      | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>30E/360 (ISDA)</b>               | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>360/360</b>                      | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>A\$ Registered Covered Bonds</b> | means covered bonds denominated in A\$ issued in registered form by entry in the Register maintained by the A\$ Registrar.  |
| <b>A\$ Register</b>                 | means the register of holders of the A\$ Registered Covered Bonds maintained by the A\$ Registrar.  |
| <b>A\$ Registrar</b>                | means Austraclear Services Limited ABN 28 003 284 419 or any other person appointed by the Issuer and/or the Covered Bond Guarantor under an Agency Agreement to maintain the A\$ Register and perform any payment and other duties as specified in that agreement.   |
| <b>A\$ Registry Agreement</b>       | means the ASX Austraclear Registry and IPA Services Agreement entered into on or about the Programme Date, between the Issuer, the A\$ Registrar, the Covered Bond Guarantor and the Bond Trustee.  |
| <b>Account Bank</b>                 | means nab in its capacity as Account Bank pursuant to the Account Bank Agreement together with any successor or replacement account bank appointed from time to time in accordance with the terms of the Account Bank Agreement.  |
| <b>Account Bank Agreement</b>       | means the account bank agreement entered into on 11 November 2011 between the Covered Bond Guarantor, the Seller Trustee, the Trust Manager, the Account Bank, and the Security Trustee.  |
| <b>Account Bank Mandate</b>         | means either of the GIC Account Mandate, Australian Dollar Transaction Account Mandate, the Swap Collateral Cash Account Mandate or any other applicable Transaction Account Mandate(s) to be set up by the Covered Bond Guarantor (or the Trust Manager on its behalf as necessary).                                 |
| <b>Accrual Period</b>               | has the meaning given to it in Condition 4(a) of the Programme Conditions.  |
| <b>Accrual Yield</b>                | in relation to a Zero Coupon Covered Bond, has the meaning given in the Applicable Final Terms.   |
| <b>Accrued Interest</b>             | means in respect of a Mortgage Loan in the Mortgage Loan Portfolio as at any date, the aggregate of all interest accrued but not yet due and payable on the Mortgage Loan from (and including) the Mortgage Loan Scheduled Payment Date immediately preceding the relevant date to (but excluding) the relevant date. |

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| <b>Accrued Interest Adjustment</b>             | means, with respect to a Mortgage Loan, the Accrued Interest in respect of that Mortgage Loan, as calculated by the Servicer, for the period up to (but not including) the relevant Transfer Date.  |
| <b>Actual/Actual (ICMA)</b>                    | has the meaning given to it in Condition 4(a) of the Programme Conditions.  |
| <b>Actual/Actual or Actual/Actual (ISDA)</b>   | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>Actual/365 (Fixed)</b>                      | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>Actual/365 (Sterling)</b>                   | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>Actual/360</b>                              | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>Additional Business Centre</b>              | means, in relation to a Series of Covered Bonds, the Additional Business Centre as specified in the Applicable Final Terms.   |
| <b>ADI</b>                                     | means an Authorised Deposit-Taking Institution.   |
| <b>Adjusted Aggregate Mortgage Loan Amount</b> | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.   |
| <b>Adjusted Required Redemption Amount</b>     | means in relation to a Series of Covered Bonds: <ul style="list-style-type: none"> <li>(a) the Australian Dollar Equivalent of the Required Redemption Amount; plus or minus</li> <li>(b) the Australian Dollar Equivalent of any swap termination amounts payable under the Covered Bond Swaps corresponding to the Series to or by the Covered Bond Guarantor less (where applicable) amounts standing to the credit of: <ul style="list-style-type: none"> <li>(i) the Pre-Maturity Ledger;</li> <li>(ii) the GIC Account; and</li> <li>(iii) the principal balance of any Substitution Assets and Authorised Investments (excluding all amounts to be applied on the next following Trust Payment Date to repay higher ranking amounts in the relevant Priority of Payments and those amounts that are required to repay any Series of Covered Bonds which mature prior to or on the same date as the relevant Series of Covered Bonds); plus or minus</li> </ul> </li> <li>(c) the Australian Dollar Equivalent of any swap termination amounts payable to or by the Covered Bond Guarantor under the Interest Rate Swap.</li> </ul> |
| <b>Agency Agreements</b>                       | means the Principal Agency Agreement and the A\$ Registry Agreement, and each an <b>Agency Agreement</b> .  |
| <b>Agents</b>                                  | means the Paying Agents, each Exchange Agent, each Registrar and each Transfer Agent, the A\$ Registrar and the N Covered Bond Registrar each an <b>Agent</b> .   |

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| <b>All Moneys Mortgage</b>                              | means a Mortgage that secures or purports to secure the repayment of Associated Debt as well as a Mortgage Loan.  |
| <b>Amortisation Test</b>                                | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Amortisation Test</i> " of this Prospectus.   |
| <b>Amortisation Test Aggregate Mortgage Loan Amount</b> | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Amortisation Test</i> " of this Prospectus.   |
| <b>Amortisation Test Current Principal Balance</b>      | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Amortisation Test</i> " of this Prospectus.   |
| <b>Amortised Face Amount</b>                            | has the meaning given to it in Condition 6(f) of the Programme Conditions.  |
| <b>Annual Accounting Date</b>                           | means in respect of the Trust, 30 September in each year or such other date as the Covered Bond Guarantor (acting on the directions of the Trust Manager) may determine.  |
| <b>Applicable Final Terms</b>                           | means, in relation to a Series or Tranche of Covered Bonds, the Final Terms (or the relevant provisions thereof) attached to or endorsed on the Covered Bonds comprising that Series or Tranche.  |
| <b>Appointee</b>  | means any attorney, manager, Receiver, agent, delegate, nominee, custodian or other person appointed by the Bond Trustee under the Bond Trust Deed or by the Security Trustee under the Security Deed.  |
| <b>APRA</b>   | means the Australian Prudential Regulation Authority.   |
| <b>Arrears of Interest</b>                              | means, as at any date in respect of any Mortgage Loan in the Mortgage Loan Portfolio, interest (other than interest that is capitalised as Capitalised Arrears or interest that is Accrued Interest) on that Mortgage Loan which is currently due and payable and unpaid on that date.                |
| <b>ASIC</b>   | Australian Securities and Investments Commission.   |
| <b>Asset Coverage Reports</b>                           | means the monthly reports in a form agreed from time to time between the parties to the Management Agreement, and each an <b>Asset Coverage Report</b> .  |
| <b>Asset Coverage Test</b>                              | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.   |
| <b>Asset Coverage Test Breach Notice</b>                | means the notice required to be served by the Bond Trustee on the Covered Bond Guarantor pursuant to the Establishment Deed indicating that the Asset Coverage Test has not been satisfied on two consecutive Calculation Dates.  |
| <b>Asset Percentage</b>                                 | means the lowest of: <ul style="list-style-type: none"> <li>(a) 95%;</li> <li>(b) such percentage figure determined by the Trust Manager on each Calculation Date (and on such other dates as may be agreed from time to time between the Issuer and the Trust Manager) in accordance with</li> </ul> |

the terms of this deed, being the percentage figure that is necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by Fitch;

- (c) such percentage figure as may be determined by the Covered Bond Guarantor, or the Trust Manager acting on its behalf, from time to time, in accordance with the terms of this deed, and notified to Moody's and the Security Trustee on the Calculation Date, or if no notification is made to Moody's and the Security Trustee on such Calculation Date, on the last date of such notification. If the Trust Manager so elects to notify Moody's and the Security Trustee of a new percentage figure (without being obliged to do so), this percentage figure will be the difference between 100 and the percentage amount of credit enhancement that is necessary to ensure that there is sufficient credit enhancement for the Covered Bonds to achieve an Aaa rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's rating of the Covered Bonds at the time); and
- (d) such other percentage figure as may be determined by the Issuer from time to time and notified to each of the Covered Bond Guarantor and the Trust Manager.

**Asset Percentage Adjusted Mortgage Loan Balance Amount** has the meaning given to it in the section "*Summary of the Principal Documents – Establishment Deed – Asset Coverage Test*" of this Prospectus.

**Asset Pool** means the pool of assets owned at any time by the Covered Bond Guarantor which back the payment of claims attached to the Covered Bonds and may comprise the following items:

- (a) the Mortgage Loan Portfolio held by the Covered Bond Guarantor;
- (b) Authorised Investments;
- (c) Substitution Assets;
- (d) the rights of the Covered Bond Guarantor in the Programme Documents and the Trust Accounts;
- (e) the benefit of all representations, warranties, undertakings, covenants, indemnities and promises made by any party in favour of the Covered Bond Guarantor under the Programme Documents; and
- (f) amounts derived or accrued from any of the assets referred to in the preceding paragraphs of this definition.

**Associated Debt** means the indebtedness which a Borrower owes or may owe to the Seller from time to time which is not a Mortgage Loan in the Mortgage Loan Portfolio.

**Attorney** means any attorney appointed under the Security Deed.

**AU Business Day** means any day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Sydney and Melbourne and on which the Austraclear System is operating.

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| <b>Auditors</b>  | means the auditors for the time being of the Issuer or, as the case may be, the Trust (or any replacement auditor of the Trust appointed in accordance with the Establishment Deed), and each an <b>Auditor</b> .   |
| <b>Austraclear</b>                                       | means Austraclear Ltd ABN 94 002 060 773.   |
| <b>Austraclear Regulations</b>                           | means the regulations established by Austraclear to govern the use of the Austraclear System.   |
| <b>Austraclear System</b>                                | means the clearance and settlement system operated by Austraclear.  |
| <b>Australian Banking Act</b>                            | means the Banking Act 1959 (Cth).   |
| <b>Australian Bureau of Statistics Index</b>             | means the quarterly index of increases or decreases in established house prices (determined on the basis of the weighted average of house prices in eight capital cities), issued by the Australian Bureau of Statistics, Australia's official statistical organisation, in relation to established house prices in Australia or, if this index is unavailable, a suitably widely recognised property price index selected by the Trust Manager (in its sole discretion).   |
| <b>Australian Bureau of Statistics Indexed Valuation</b> | means in relation to any Property at any date the Latest Valuation of that Property as increased or decreased as appropriate by the increase or decrease in the Australian Bureau of Statistics Index since the date of that Latest Valuation.  |
| <b>Australian Dollar Equivalent</b>                      | means in relation to an amount which is denominated in: <ul style="list-style-type: none"> <li>(a) a currency other than Australian Dollars, the Australian Dollar equivalent of such amount ascertained using the relevant Covered Bond Swap Rate; and</li> <li>(b) Australian Dollars, the applicable amount in Australian Dollars.</li> </ul>  |
| <b>Australian Dollar Transaction Account</b>             | means the Australian Dollar account designated as the Transaction Account in the name of the Covered Bond Guarantor, held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Security Deed.  |
| <b>Australian Dollar Transaction Account Mandate</b>     | means the resolutions, instructions and signature authorities relating to the Australian Dollar Transaction substantially in the form set out in schedule 1 to the Account Bank Agreement.  |
| <b>Authorised Deposit-Taking Institution</b>             | means an authorised deposit-taking institution as defined in the Australian Banking Act.  |
| <b>Authorised Investments</b>                            | means Australian Dollar demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) (which may include deposits into any account which earns a rate of interest related to the Bank Bill Rate) provided that in all cases such investments have a maturity date of 30 days or less and mature on or before the next following Trust Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an Authorised Deposit Taking |

Institution) are rated at least equal to "P-1" by Moody's and "F1" by Fitch (or, if Fitch has placed the Issuer on ratings watch negative at the relevant time, F1+ by Fitch) or which are otherwise acceptable to the Rating Agencies (if they are notified in advance) to maintain the then current rating of the Covered Bonds.

**Authorised Signatory**

in relation to a Transaction Party, means an officer of the Transaction Party, or such other person appointed by the Transaction Party to act as its authorised signatory and notified to the other Transaction Parties.

**Available Principal Receipts**

means on a Calculation Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Mortgage Loan Principal Receipts received during the immediately preceding Calculation Period and credited to the Principal Ledger;
- (b) any other amount standing to the credit of the Principal Ledger including:
  - (i) the proceeds of an issue of, or increase in the principal amount outstanding of, the Demand Note (where such proceeds have not been applied to acquire New Mortgage Loan Portfolios or to invest in Substitution Assets or Authorised Investments); and
  - (ii) the proceeds from any sale of Selected Mortgage Loans pursuant to the terms of the Establishment Deed or the Mortgage Sale Agreement but excluding any amount of principal received under any of the Swap Agreements which is otherwise applied by the Covered Bond Guarantor in accordance with the Establishment Deed; and
  - (iii) any Excess Proceeds;
- (c) following repayment of any Hard Bullet Covered Bonds, any amounts standing to the credit of the Pre-Maturity Ledger (unless such amounts are required to be retained to provide liquidity for any other Series of Hard Bullet Covered Bonds in respect of which the Issuer is failing the Pre-Maturity Test),

*excluding*

- (d) any Swap Collateral Excluded Amounts, which will be applied in accordance with the terms of the relevant Swap Agreements; and
- (e) all amounts applied towards the acquisition of any New Mortgage Loan Portfolios during the immediately preceding Calculation Period.

**Available Revenue Receipts**

means on a relevant Calculation Date, an amount equal to the aggregate of:

- (a) the amount of Mortgage Loan Revenue Receipts received during the immediately preceding Calculation Period and credited to the Revenue Ledger;



- (b) other net income of the Covered Bond Guarantor received during the immediately preceding Calculation Period, including all amounts of interest received on the Trust Accounts, the Substitution Assets and Authorised Investments, the amount paid to the Covered Bond Guarantor as interest on the amount of money held by the Servicer during that Calculation Period, the amount equal to Unpaid Interest paid to the Covered Bond Guarantor that was not paid during the Calculation Period ending on that Calculation Date in relation to an Offset Mortgage Loan, and the proceeds from any sale of Mortgage Loans (including, but not limited to, Selected Mortgage Loans) pursuant to the terms of the Establishment Deed and the Mortgage Sale Agreement to the extent that such proceeds comprise Accrued Interest and Arrears of Interest or other interest amounts (including any amounts received by the Covered Bond Guarantor under the Interest Rate Swap Agreement) and any Interest Rate Shortfall Demand Note Funding received by the Covered Bond Guarantor which has been deposited into the GIC Account in accordance with the Demand Note Subscription Agreement but excluding (subject to the payments required to be made as set out in the sections "*Cashflows – Amounts received on or after the Trust Payment Date*" and "*Termination Payments in respect of Swaps*" above) amounts received by the Covered Bond Guarantor under the Covered Bond Swap Agreements;
  - (c) prior to the service on the Covered Bond Guarantor of a Notice to Pay or an Asset Coverage Test Breach Notice, amounts standing to the credit of the Reserve Fund in excess of the Reserve Fund Required Amount;
  - (d) following the service on the Covered Bond Guarantor of a Notice to Pay or an Asset Coverage Test Breach Notice, amounts standing to the credit of the Reserve Fund;
  - (e) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement for the relevant terminated Swap;
  - (f) any premium received from a replacement Swap Provider in respect of a replacement Swap; and
  - (g) any other revenue receipts not referred to in paragraphs (a) to (f) (inclusive) above received during previous Calculation Periods and standing to the credit of the Revenue Ledger,
- less*
- (h) Third Party Amounts, which will be paid on receipt in cleared funds to the Seller; and
  - (i) all Swap Collateral Excluded Amounts, which will be applied in accordance with the terms of the relevant Swap Agreements.

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has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.

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| <b>Bank Bill Rate</b>                  | <p>means in relation to any period:</p> <p>(a) the bid settlement rate (rounded, if necessary, to the nearest four decimals) as displayed at or about 10:10am on the first day of that period on the Reuters Monitor Screen BBSW Page (or its successor page) for Australian Dollar denominated bank-accepted bills of exchange having a term approximately equal to that period; or</p> <p>(b) if there is no such rate displayed for bank bills of exchange having a term approximately equal to that period, then the average of the rates quoted by the Reference Banks as being their respective buy rates for such bank-accepted bills of exchange at or about that time on that date; or</p> <p>(c) if the rate cannot be determined pursuant to paragraph (a) or (b) above, the rate per annum reasonably determined by the Trust Manager (other than for the purpose of the Account Bank Agreement, in which case such determination is to be made by the Account Bank).</p> |
| <b>Base Prospectus</b>                 | <p>means this base prospectus prepared in connection with the Programme and constituting a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.</p>   |
| <b>Basis Swap</b>                      | <p>means the basis swap transaction as evidenced by a confirmation that supplements, forms part of and is subject to, the Interest Rate Swap Master Agreement, pursuant to which the Covered Bond Guarantor pays to the Interest Rate Swap Provider an amount in respect of Mortgage Loans forming part of the Mortgage Loan Portfolio that do not bear interest at a fixed rate and the Interest Rate Swap Provider pays to the Covered Bond Guarantor an amount calculated by reference to the Bank Bill Rate.</p>  |
| <b>BBSW</b>                            | <p>has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.</p>   |
| <b>Bearer Covered Bonds</b>            | <p>means Covered Bonds in bearer form.</p>  |
| <b>Bearer Definitive Covered Bonds</b> | <p>has the meaning given to it in the Programme Conditions.</p>   |
| <b>Bearer Global Covered Bonds</b>     | <p>means together, the Temporary Bearer Global Covered Bond and the Permanent Bearer Global Covered Bond, and Bearer Global Covered Bond means either one of them.</p>  |
| <b>Beneficial Owner</b>                | <p>means each actual purchaser of each DTC Covered Bond as described in the section "<i>Book-Entry Clearance Systems – Book-entry Systems – Austraclear and Cross Trading with Euroclear and Clearstream</i>".</p>  |
| <b>BKBM</b>                            | <p>has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.</p>   |
| <b>Bond Basis</b>                      | <p>has the meaning given to it in Condition 4(b) of the Programme Conditions.</p>   |

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| <b>Bond Trust Deed</b>              | means the trust deed entered into on or about the Programme Date, between the Issuer, the Covered Bond Guarantor, the Trust Manager, and the Bond Trustee, each of the schedules thereto and any supplemental bond trust deed and schedules (if any), thereto.   |
| <b>Bond Trustee</b>                 | means Deutsche Trustee Company Limited, in its capacity as bond trustee under the Bond Trust Deed together with any additional or replacement bond trustee appointed from time to time in accordance with the terms of the Bond Trust Deed.  |
| <b>Borrower</b>                     | means in relation to a Mortgage Loan, the person or persons specified as such in the relevant Mortgage together with the person or persons (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it.  |
| <b>Broken Amount</b>                | has the meaning given to it in Condition 4(a) of the Programme Conditions.   |
| <b>Buildings Policies</b>           | means all buildings insurance policies relating to Properties which have been taken out in the name of the relevant Borrower or in the name of the Borrower and the Seller or in the name of the Borrower with the interest of the Seller noted, in accordance with the applicable Mortgage Condition.   |
| <b>Business Day</b>                 | <p>means in the case of Covered Bonds which are not N Covered Bonds, any day (other than a Saturday, Sunday or public holiday) which is:</p> <ul style="list-style-type: none"> <li>(a) a day on which banks and foreign exchange markets settle payments and are open for business (including dealing in foreign exchange and foreign currency deposits) in Sydney, Melbourne and any Additional Business Centre specified in the Applicable Final Terms; and</li> <li>(b) in the case of any sum payable, either: <ul style="list-style-type: none"> <li>(i) in relation to any sum payable in a Specified Currency other than Australian Dollars, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than Sydney, Melbourne and any Additional Business Centre specified in the Applicable Final Terms); or</li> <li>(ii) in relation to any Covered Bonds denominated or payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system (the <b>TARGET2</b>) is open,</li> </ul> </li> </ul> <p>and in the case of an N Covered Bond, the meaning given to it in Condition 4.4 of the relevant N Covered Bond Conditions.</p> |
| <b>Calculation Agency Agreement</b> | means the agreement in substantially the form set out in schedule 1 of the Principal Agency Agreement.   |
| <b>Calculation Agent</b>            | means in relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer   |

and the Covered Bond Guarantor pursuant to the relevant Agency Agreement or such other person specified in the Applicable Final Terms or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds.

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| <b>Calculation Date</b>                    | means the date which is five AU Business Days prior to a Trust Payment Date.   |
| <b>Calculation Management Services</b>     | has the meaning given to it in the section " <i>Summary of the Principal Documents – Management Agreement</i> " of this Prospectus.  |
| <b>Calculation Period</b>                  | means the period from (and including) the first day of the calendar month immediately preceding the relevant Calculation Date (or the first Transfer Date in the case of the first Calculation Period) up to (and including) the last day of the calendar month immediately preceding the next Calculation Date.   |
| <b>Capitalised Arrears</b>                 | means for any Mortgage Loan in the Mortgage Loan Portfolio at any date, interest or other amounts which are overdue in respect of that Mortgage Loan and which as at that date have been added to the Current Principal Balance of that Mortgage Loan in accordance with the Mortgage Conditions or interest that is capitalised by agreement from time to time with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date). |
| <b>Capitalised Expenses</b>                | means for any Mortgage Loan in the Mortgage Loan Portfolio at any date, fees and expenses in respect of that Mortgage Loan and which as at that date have been added to the Current Principal Balance of that Mortgage Loan in accordance with the Mortgage Conditions or fees and expenses that are capitalised by agreement from time to time with the relevant Borrower.  |
| <b>Cash Redraws</b>                        | means, in respect of a Mortgage Loan in the Mortgage Loan Portfolio, a re-advance by the Seller of some or all of the Overpayments that the Borrower has made under the Mortgage Loan, and each a <b>Cash Redraw</b> .   |
| <b>Charged Property</b>                    | means the assets of the Trust held by the Covered Bond Guarantor from time to time.  |
| <b>Clearing Systems</b>                    | means DTC, Euroclear, Clearstream, Luxembourg and/or the Austraclear System and will be deemed to include references to any additional or alternative clearing system as is approved by the Issuer, the Principal Paying Agent (other than in the case of A\$ Registered Covered Bonds) and the Bond Trustee or as may otherwise be specified in the Applicable Final Terms.   |
| <b>Clearstream, Luxembourg</b>             | has the meaning given to it in Condition 1 of the Programme Conditions.  |
| <b>Co-Arrangers</b>                        | in relation to any issuance of Covered Bonds means each of nab and Deutsche Bank Aktiengesellschaft.   |
| <b>Code</b>                                | means the U.S. Internal Revenue Code of 1986, as amended.  |
| <b>Collections Account Interest Ledger</b> | means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record credits and debits of interest paid by nab in an amount calculated as interest on the amount of money held by the Servicer during that Calculation Period and distribution of the same in   |

accordance with the Establishment Deed.

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| <b>Consumer Credit Code</b>                       | means the Consumer Credit Code set out in the Appendix to the Consumer Credit (Queensland) Act 1994 as in force or applied as a law of any jurisdiction of Australia or the provisions of the Code set out in the Appendix to the Consumer Credit (Western Australia) Act 1996 or the provisions of the Code set out in the Appendix to the Consumer Credit Code (Tasmania) Act 1996.   |
| <b>Conditions</b>                                 | means the Programme Conditions and the N Covered Bond Conditions, as applicable.  |
| <b>Corporations Act</b>                           | means the Corporations Act 2001 (Cth).  |
| <b>Couponholders</b>                              | has the meaning given to it in the relevant Programme Conditions.   |
| <b>Coupons</b>                                    | has the meaning given to it in the relevant Programme Conditions.   |
| <b>Cover Pool</b>                                 | has the meaning given to it in the section " <i>Description of the Covered Bond Provisions of the Australian Banking Act – Cover Pool and Eligible Assets</i> " of this Prospectus.   |
| <b>Cover Pool Monitor</b>                         | means Ernst & Young whose office is at 8 Exhibition Street, Melbourne VIC 3000, Australia or any successor or replacement cover pool monitor appointed from time to time in accordance with the terms of the Cover Pool Monitor Agreement.  |
| <b>Cover Pool Monitor Agreement</b>               | means the cover pool monitor agreement entered into on the Programme Date, between the Cover Pool Monitor, the Covered Bond Guarantor, the Trust Manager, the Issuer, the Seller, the Bond Trustee and the Security Trustee.  |
| <b>Cover Pool Monitor Report</b>                  | means the results of the tests conducted by the Cover Pool Monitor in accordance with the Cover Pool Monitor Agreement to be delivered to the Covered Bond Guarantor, the Trust Manager, the Issuer, the Bond Trustee and the Security Trustee the form of which is set out in Schedule 2 of the Cover Pool Monitor Agreement.  |
| <b>Covered Bond Guarantee</b>                     | means the unconditional and irrevocable guarantee by the Covered Bond Guarantor under the Bond Trust Deed for the payment of an amount equal to the Guaranteed Amounts in respect of the Covered Bonds.   |
| <b>Covered Bond Guarantee Acceleration Notice</b> | means, following the occurrence of a Covered Bond Guarantor Event of Default which is continuing, a notice in writing given by the Bond Trustee to the Issuer and the Covered Bond Guarantor (copied to the Trust Manager and the Security Trustee), that each Covered Bond of each Series is, and each Covered Bond of each Series will as against the Issuer (if not already due and repayable against it following an Issuer Event of Default) and as against the Covered Bond Guarantor, thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in and in accordance with the Bond Trust Deed and thereafter the Security will become enforceable. |
| <b>Covered Bond Guarantor</b>                     | means Perpetual Corporate Trust Limited (ABN 99 000 341 533) incorporated with limited liability in the Commonwealth of Australia and having its  |

registered office at Level 12, 123 Pitt Street, Sydney, NSW 2000, as trustee of the nab Covered Bond Trust.

**Covered Bond  
Guarantor Event of  
Default**

has the meaning given to it in Condition 9(b) of the Programme Conditions.

**Covered Bondholders**

means the holders of the Covered Bonds and, for the avoidance of doubt, the N Covered Bonds from time to time.

**Covered Bonds**

means the covered bonds issued or to be issued pursuant to the Programme Agreement and which are or are to be constituted under or in accordance with the Bond Trust Deed (including any A\$ Registered Covered Bonds and including each N Covered Bond provided that the relevant N Covered Bondholder has entered into and delivered to the Issuer the related N Covered Bond Agreement or agreed to be bound by the terms of the related N Covered Bond Agreement by way of an N Covered Bond Assignment Agreement), which covered bonds may be represented by a Global Covered Bond or any Definitive Covered Bond (and, in the case of N Covered Bonds, are represented by an N Covered Bond Certificate) and includes any replacements or a Covered Bond issued pursuant to Condition 10 of the Programme Conditions or Condition 10 of the N Covered Bond Conditions (as applicable), and each a **Covered Bond**.

**Covered Bond Swap**

means each currency and/or basis swap transaction entered into with respect to a Series or Tranche of Covered Bonds, as evidenced by a confirmation that supplements, forms part of and is subject to, a Covered Bond Swap Master Agreement.

**Covered Bond Swap  
Agreement**

means a Covered Bond Swap Master Agreement, together with one or more confirmations thereunder, each evidencing a Covered Bond Swap.

**Covered Bond Swap  
Master Agreement**

means a Swap Master Agreement entered into between the Covered Bond Guarantor, the Trust Manager, the Security Trustee and a Covered Bond Swap Provider relating to one or more Covered Bond Swaps.

**Covered Bond Swap  
Provider**

means, in relation to a Covered Bond Swap, the party appointed as covered bond swap provider from time to time under such Covered Bond Swap, together with any transferee or successor thereto.

**Covered Bond Swap  
Rate**

means in relation to a Covered Bond or a Series or Tranche of Covered Bonds, the exchange rate specified as being the **Swap Rate** in the Covered Bond Swap relating to such Covered Bond or Series or Tranche of Covered Bonds or, if such Covered Bond Swap has terminated, the applicable spot rate.

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| <b>Current Principal Balance</b> | <p>means in relation to any Mortgage Loan in the Mortgage Loan Portfolio as at any given date, the principal balance of that Mortgage Loan to which the Seller applies the relevant interest rate to and at which interest on that Mortgage Loan accrues interest, and is the aggregate (but avoiding double counting) of:</p> <ul style="list-style-type: none"> <li>(a) the original principal amount advanced to the relevant Borrower and any further amount advanced on or before any given date to the relevant Borrower under that Mortgage Loan secured or intended to be secured by the Related Security;</li> <li>(b) the amount of any Cash Redraws and Further Advances secured or purported to be secured by the Related Security; and</li> <li>(c) any Capitalised Arrears or Capitalised Expenses,</li> </ul> <p>less any repayment or payment of any of the foregoing made on or before the end of the AU Business Day immediately preceding that given date.</p> |
| <b>Day Count Fraction</b>        | has the meaning given to it in Condition 4(b)(iv) of the Programme Conditions.  |
| <b>Dealer and Dealers</b>        | in relation to any issuance of Covered Bonds (other than Rule 144A Covered Bonds) means nab, Deutsche Bank Aktiengesellschaft and any other dealer appointed from time to time in accordance with the Programme Agreement and in relation to any issuance of Rule 144A Covered Bonds means nabSecurities, LLC, Deutsche Bank Aktiengesellschaft and any other dealer appointed from time to time in accordance with the Programme Agreement.  |
| <b>Deed of Accession</b>         | means any deed of accession entered into between, amongst others, the Covered Bond Guarantor, the Trust Manager and Security Trustee (on behalf of all Secured Creditors) on the terms substantially set out in the form set out in schedule 1 of the Security Deed.  |
| <b>Defaulted Mortgage Loan</b>   | means any Mortgage Loan in the Mortgage Loan Portfolio in respect of which the Current Principal Balance is greater than the Scheduled Balance and is calculated to be 90 days in arrears in accordance with the Mortgage Conditions.   |
| <b>Definitions Schedule</b>      | has the meaning given to it in the relevant Conditions.   |
| <b>Definitive Covered Bond</b>   | means a Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond.  |
| <b>Demand Note</b>               | has the meaning given to it in the section " <i>Summary of the Principal Documents – Demand Note Subscription Agreement</i> " of this Prospectus.   |
| <b>Demand Noteholder</b>         | means at any given time the person then appearing in the Instrument Register as the holder of the Demand Note.  |
| <b>Demand Note Funding Date</b>  | means, in relation to a Demand Note, the date specified in the Demand Note Funding Request.   |

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| <b>Demand Note Funding Request</b>        | means the request received by the Demand Note Subscriber from the Covered Bond Guarantor to either subscriber for the Demand Note or fund an Increase in the principal amount of the Demand Note which has been previously issued.   |
| <b>Demand Note Interest Period</b>        | means: <ul style="list-style-type: none"> <li>(a) in relation to the first Demand Note Interest Period, the period commencing on and including the first Demand Note Funding Date and ending on (but excluding) the next Trust Payment Date; and</li> <li>(b) in relation to all subsequent Demand Note Interest Periods, the period commencing on (and including a Trust Payment Date) and ending on (but excluding) the next Trust Payment Date.</li> </ul>  |
| <b>Demand Note Subscriber</b>             | means nab.   |
| <b>Demand Note Subscription Agreement</b> | means the demand note subscription agreement entered into on 11 November 2011 between the Covered Bond Guarantor, the Trust Manager, the Demand Note Subscriber, the Seller and the Security Trustee.  |
| <b>Designated Account</b>                 | has the meaning given to it in Condition 5(d) of the Programme Conditions and Condition 5.1 of the N Covered Bond Conditions.  |
| <b>Designated Bank</b>                    | has the meaning given to it in Condition 5(d) of the Programme Conditions.   |
| <b>Determination Period</b>               | has the meaning given to it in Condition 4(a) of the Programme Conditions.   |
| <b>Disclosure Documents</b>               | means the Base Prospectus and/or any other information memorandum or other offering material prepared in connection with the Programme as revised, supplemented or amended from time to time by the Issuer in accordance with Programme Agreement including: <ul style="list-style-type: none"> <li>(a) in relation to each Series or Tranche of Covered Bonds, the Applicable Final Terms; and</li> <li>(b) any documents which are from time to time incorporated in the relevant Disclosure Documents by reference, but, without prejudice to (a) above, not including any subsequent revision, supplement or amendment to it or incorporation of information in it.</li> </ul> |
| <b>Distribution Compliance Period</b>     | has the meaning given to it in Condition 2(i) of the Programme Conditions.   |
| <b>DTC</b>                                | has the meaning given to it in Condition 1 of the Programme Conditions.  |
| <b>DTC Covered Bonds</b>                  | Covered Bonds accepted into DTC's book-entry settlement system.  |
| <b>Due for Payment</b>                    | means the requirement by the Covered Bond Guarantor to pay any Guaranteed Amount following the delivery of a Notice to Pay on the Covered Bond Guarantor: <ul style="list-style-type: none"> <li>(a) prior to the occurrence of a Covered Bond Guarantor Event of Default and the service of a Covered Bond Guarantee Acceleration Notice on the Issuer and the Covered Bond Guarantor:</li> </ul>   |



- (i) (if paragraph (ii) does not apply) or the date of the Original Due for Payment Date; and
- (ii) in relation to any Guaranteed Amounts in respect of the Final Redemption Amount payable on the Final Maturity Date for a Series of Covered Bonds only, or the Extended Due for Payment Date, but only:
  - (A) if in respect of the relevant Series of Covered Bonds the Covered Bond Guarantee is subject to an Extended Due for Payment Date pursuant to the terms of the Applicable Final Terms; and
  - (B) to the extent that the Covered Bond Guarantor having received a Notice to Pay no later than the date falling one Business Day prior to the Extension Determination Date does not pay Guaranteed Amounts equal to the Final Redemption Amount in respect of such Series of Covered Bonds by the Extension Determination Date, as the Covered Bond Guarantor has insufficient moneys available under the Guarantee Priority of Payments to pay such Guaranteed Amounts in full on the earlier of:
    - (I) the date which falls two Business Days after service of such Notice to Pay on the Covered Bond Guarantor or, if later, the Final Maturity Date (or, in each case, after the expiry of the grace period set out in Condition 9(b)(i) of the Programme Conditions) under the terms of the Covered Bond Guarantee; or
    - (II) the Extension Determination Date,

or if, in either case, such day is not a Business Day, the next following Business Day. For the avoidance of doubt, Due for Payment does not refer to any earlier date upon which payment of any Guaranteed Amounts may become due under the guaranteed obligations, by reason of prepayment, acceleration of maturity, mandatory or optional redemption or otherwise; or

- (b) following the occurrence of a Covered Bond Guarantor Event of Default, the date on which a Covered Bond Guarantee Acceleration Notice is served on the Issuer and the Covered Bond Guarantor.

**Earliest Maturing Covered Bonds**

means at any time, the Series of the Covered Bonds (other than any Series which is fully collateralised by amounts standing to the credit of the GIC Account) that has or have the earliest Final Maturity Date as specified in the Applicable Final Terms (ignoring any acceleration of amounts due under the Covered Bonds prior to the occurrence of a Covered Bond Guarantor Event of Default).

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| <b>Early Redemption Amount</b>              | in relation to a Series of Covered Bonds, means the early redemption amount determined in accordance with Condition 6(f) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given in the relevant N Covered Bond Conditions (if applicable).   |
| <b>Early Repayment Charges</b>              | means any charge or fee which a Borrower is required to pay in accordance with the Mortgage Conditions applicable to a Mortgage Loan in the event that the Borrower repays all or part of the relevant Mortgage Loan before a specified date.   |
| <b>Established Rate</b>                     | has the meaning given to it in Condition 5(j) of the Programme Conditions.  |
| <b>Establishment Deed</b>                   | means the trust deed entered into on 10 November 2011, between the Covered Bond Guarantor, the Issuer, the Trust Manager, the Seller and the Servicer.  |
| <b>EURIBOR</b>                              | has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.  |
| <b>Euro</b>                                 | means the lawful currency for the time being of the member states of the European Union that adopt the single currency introduced at the start of the third state of European economic and monetary union pursuant to the Treaty.   |
| <b>Eurobond Basis</b>                       | has the meaning given to it in Condition 4(b)(iv)(F) of the Programme Conditions.   |
| <b>Euroclear</b>                            | has the meaning given to it in Condition 1 of the Programme Conditions.   |
| <b>Excess Proceeds</b>                      | means all moneys received by the Bond Trustee following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice and a Notice to Pay, from the Issuer or any receiver, manager, liquidator, administrator, controller, statutory manager or other similar official appointed in relation to the Issuer following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay. |
| <b>Exchange Agent</b>                       | means Deutsche Trustee Company Limited, or any other person from time to time appointed to perform the role of exchange agent under the Principal Agency Agreement.   |
| <b>Exchange Date</b>                        | means on or after the date which is 40 days after a Temporary Bearer Global Covered Bond is issued.   |
| <b>Exchange Notice</b>                      | has the meaning given to it in Condition 5(i) of the Programme Conditions.  |
| <b>Excluded Scheduled Interest Amounts</b>  | has the meaning given to it in the definition of <b>Scheduled Interest</b> in this Definitions Schedule.  |
| <b>Excluded Scheduled Principal Amounts</b> | has the meaning given to it in the definition of <b>Scheduled Principal</b> in this Definitions Schedule.   |

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| <b>Excluded Swap Termination Amount</b>  | <p>means, in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable:</p> <ul style="list-style-type: none"> <li>(a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider and such Swap Agreement; or</li> <li>(b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider and such Swap Agreement.</li> </ul>  |
| <b>Existing Covered Bonds</b>            | means, at any time, the Covered Bonds of all Series outstanding at such time.  |
| <b>Extendable Maturity Covered Bonds</b> | means, in relation to a Series or Tranche (as applicable) of Covered Bonds, Covered Bonds that are subject to an Extended Due for Payment Date, as specified in the Applicable Final Terms.  |
| <b>Extended Due for Payment Date</b>     | has the meaning given to it in Condition 6(a) of the Programme Conditions and/or, in the case of an N Covered Bond and, if applicable, as set out in the relevant N Covered Bond Conditions.   |
| <b>Extension Determination Date</b>      | has the meaning given to it in Condition 6(a) of the Programme Conditions and/or in the case of an N Covered Bond and, if applicable, as set out in the relevant N Covered Bond Conditions.  |
| <b>Extinguishment Amount</b>             | <p>means, in respect of a Mortgage Loan the subject of a Mortgage Loan Extinguishment Notice:</p> <ul style="list-style-type: none"> <li>(a) the Current Principal Balance of the Mortgage Loan together with all Accrued Interest and Arrears of Interest under the Mortgage Conditions relating to the Mortgage Loan as at the Extinguishment Date, provided that in relation to a Mortgage Loan the subject of a Mortgage Loan Extinguishment Notice as a result of a Product Switch of such Mortgage Loan enabling the Borrower to "offset" mortgage payments against other amounts on deposit with the Seller all Accrued Interest and Arrears of Interest of such Mortgage Loan must be calculated on the basis that no offset occurred for so long as the Mortgage Loan was in the Mortgage Loan Portfolio; or</li> <li>(b) in the case of a Mortgage Loan that is a Selected Mortgage Loan, an amount equivalent to the best price reasonably available for the sale of such Selected Mortgage Loans but in any event an amount not less than: <ul style="list-style-type: none"> <li>(i) the Current Principal Balance of the Selected Mortgage Loans plus the Arrears of Interest and Accrued Interest thereon in the event that the extinguishment is occurring following the service of an Asset Coverage Test Breach Notice (but prior to the service of a Notice to Pay on the Covered Bond Guarantor); and</li> <li>(ii) the Adjusted Required Redemption Amount for the relevant Series of Covered Bonds in the event that the extinguishment is occurring following a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor.</li> </ul> </li> </ul> |

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| <b>Extinguishment Date</b>               | means each date specified as such in a Mortgage Loan Extinguishment Notice and on which the Seller pays the relevant Extinguishment Amount.   |
| <b>Extinguished Mortgage Loan Rights</b> | has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Extinguishment and Transfer</i> " of this Prospectus.  |
| <b>Extraordinary Resolution</b>          | has the meaning given to it in schedule 4 of the Bond Trust Deed.   |
| <b>Final Maturity Date</b>               | means, in relation to a Series of Covered Bonds, the Interest Payment Date specified as such in the Applicable Final Terms on which such Series of Covered Bonds is required to be redeemed at their Principal Amount Outstanding in accordance with the Programme Conditions and/or, in the case of an N Covered Bond, the Covered Bond Conditions.  |
| <b>Final Redemption Amount</b>           | means, in relation to a Series of Covered Bonds, the meaning given in the Applicable Final Terms and/or, in the case of an N Covered Bond, Condition 6.1 of the N Covered Bond Conditions.  |
| <b>Final Terms</b>                       | means (a) the final terms prepared in relation to each Series or Tranche of Covered Bonds (substantially in the form set out in the Bond Trust Deed) or (b) with respect to any N Covered Bond, means (taken together), the N Covered Bond Conditions applicable to the N Covered Bond and the related N Covered Bond Agreement.  |
| <b>Fiscal Period</b>                     | means a period beginning on 1 October in each year and ending on and including the next following Annual Accounting Date, except for the first Fiscal Period which is the period beginning on the date on which the Trust is established and ending on the Annual Accounting Date falling on 30 September 2012.   |
| <b>Fitch</b>                             | means Fitch Australia Pty Ltd. and includes any successor to its ratings business.  |
| <b>Fitch Specified Rating</b>            | means a credit rating of short-term unsecured, unsubordinated and unguaranteed debt obligations of at least F1+ by Fitch.   |
| <b>Fixed Coupon Amount</b>               | has the meaning given to it in Condition 4(a) of the Programme Conditions.  |
| <b>Fixed Interest Period</b>             | has the meaning given to it in Condition 4(a) of the Programme Conditions.  |
| <b>Fixed Rate Mortgage Loans</b>         | means each Mortgage Loan which is subject to a fixed interest rate for a specified period of time and at the expiration of that period is generally subject to a variable rate.   |
| <b>Fixed Rate Swap</b>                   | means the fixed rate swap transaction as evidenced by a confirmation that supplements, forms part of and is subject to, the Interest Rate Swap Master Agreement pursuant to which the Covered Bond Guarantor pays the Interest Rate Swap Provider an amount in respect of Fixed Rate Mortgage Loans forming part of the Mortgage Loan Portfolio and the Interest Rate Swap Provider pays to the Covered Bond Guarantor an amount calculated by reference to the Bank Bill Rate. |

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| <b>Floating Rate Convention</b>          | has the meaning given to it in Condition 4(b) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable).  |
| <b>Following Business Day Convention</b> | has the meaning given to it in Condition 4(b) of the Programme Conditions.  |
| <b>Further Advances</b>                  | means in relation to a Mortgage Loan in the Mortgage Loan Portfolio, any advances of further money to the relevant Borrower following the making of the initial advance of moneys in respect of such Mortgage Loan ( <b>Initial Advance</b> ) which is secured by the same Mortgage as the Initial Advance but does not include any Cash Redraw, and each a <b>Further Advance</b> .  |
| <b>GIC Account</b>                       | means the account in the name of the Covered Bond Guarantor held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the Security Deed and/or such additional or replacement account as may from time to time be in place pursuant to the terms of the Account Bank Agreement and the Security Deed.  |
| <b>GIC Account Mandate</b>               | means the resolutions, instructions and signature authorities relating to the GIC Account substantially in the form set out in schedule 1 to the Account Bank Agreement.  |
| <b>Global Covered Bond</b>               | has the meaning given to it in the relevant Programme Conditions.   |
| <b>Governmental Authority</b>            | means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in any relevant jurisdiction.   |
| <b>Group Tax Liability</b>               | in relation to a Tax Consolidated Group means the tax-related liability of the head company of that Tax Consolidated Group (as defined in section 721-10 (as replaced or amended) of the Tax Act).  |
| <b>GST</b>                               | has the meaning given to it in the GST Act.   |
| <b>GST Act</b>                           | means A New Tax System (Goods and Services Tax) Act 1999 (Cth).   |
| <b>Guarantee Priority of Payments</b>    | has the meaning given to it in Condition 6(a) of the Programme Conditions.  |
| <b>Guaranteed Amounts</b>                | means (a) prior to the service of a Covered Bond Guarantee Acceleration Notice, with respect to any Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, the sum of Scheduled Interest and Scheduled Principal, in each case, payable on that Original Due for Payment Date or, if applicable, any Extended Due for Payment Date, or (b) after service of a Covered Bond Guarantee Acceleration Notice, an amount equal to the relevant Early Redemption Amount as specified in the relevant Programme Conditions and/or, in the case of an N Covered Bond, the relevant N Covered Bond Conditions (if applicable) or, if applicable, the relevant Final Terms plus all accrued and unpaid interest and at other amounts due and payable in respect of the Covered Bonds, including all Excluded Scheduled Interest Amounts, all Excluded Scheduled Principal Amounts (whenever the same arose) and all amounts payable by the Covered Bond Guarantor under the Bond Trust Deed. |

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| <b>Hard Bullet Covered Bonds</b> | means a Series of Covered Bonds which is scheduled to be redeemed in full on the Final Maturity Date for such Covered Bonds and without any provision for scheduled redemption other than on the Final Maturity Date.  |
| <b>HIBOR</b>                     | has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.   |
| <b>Higher Redemption Amount</b>  | means the amount (if any) specified in the Applicable Final Terms.   |
| <b>In Specie Failure</b>         | means a failure (as determined by the Demand Noteholder) for any reason whatsoever by the Covered Bond Guarantor (acting at the direction of the Trust Manager) to distribute Mortgage Loans and Related Security to the Demand Noteholder as an in specie distribution in satisfaction of the Demand Note.  |
| <b>In Specie Mortgage Loans</b>  | means any Mortgage Loans (together with the Related Securities in relation to such Mortgage Loans) identified by the Trust Manager for the purposes of an in specie distribution to the Demand Noteholder in accordance with the applicable Priorities of Payments.  |
| <b>Increase</b>                  | means the funding of an increase in the principal amount outstanding of the Demand Note previously issued to the Demand Note Subscriber.   |
| <b>Indexed Valuation</b>         | means at any date in relation to any Mortgage Loan secured over any Property: <ul style="list-style-type: none"> <li>(a) where the Latest Valuation of that Property is equal to or greater than the Australian Bureau of Statistics Indexed Valuation as at that date, the Australian Bureau of Statistics Indexed Valuation; or</li> <li>(b) where the Latest Valuation of that Property is less than the Australian Bureau of Statistics Indexed Valuation as at that date, the Latest Valuation plus 85% of the difference between the Latest Valuation and the Australian Bureau of Statistics Indexed Valuation.</li> </ul>  |
| <b>Initial Advance</b>           | has the meaning given to it in the definition of <b>Further Advance</b> .  |
| <b>Insolvency Event</b>          | means: <ul style="list-style-type: none"> <li>(a) in respect of a Transaction Party (other than the Trust Manager) (for the purposes of this paragraph (a) the <b>Relevant Entity</b>) the happening of any of these events: <ul style="list-style-type: none"> <li>(i) a statutory manager is appointed in respect of the Relevant Entity under the Australian Banking Act;</li> <li>(ii) except for the purpose of a solvent reconstruction or amalgamation: <ul style="list-style-type: none"> <li>(A) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps (other than frivolous or vexatious applications,</li> </ul> </li> </ul> </li> </ul> |

proceedings, notices and steps) are taken for:

- (I) the liquidation or dissolution of the Relevant Entity; or
  - (II) the Relevant Entity entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them; or
- (B) the Relevant Entity ceases, suspends or threatens to cease or suspend the conduct of all or substantially all of its business or disposes of or threatens to dispose of substantially all of its assets; or
- (iii) the Relevant Entity is, or under applicable legislation is taken to be, unable to pay its debts (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute) or stops or suspends or threatens to stop or suspend payment of all or a class of its debts (except, in the case of the Covered Bond Guarantor, where this occurs in relation to another trust of which it is the trustee);
  - (iv) a receiver or receiver and manager is appointed (by the Relevant Entity or by any other person) to all or substantially all of the assets and undertaking of the Relevant Entity or any part thereof (except, in the case of the Covered Bond Guarantor, where this occurs in relation to another trust of which it is the trustee) and such appointment is not revoked within 15 AU Business Days;
  - (v) a controller (as defined in the Corporations Act) or an administrator is appointed to the Relevant Entity or any steps are taken for the appointment of a controller or an administrator to the relevant corporation; or
  - (vi) anything analogous to an event referred to in subparagraphs (i) to (v) (inclusive) or having substantially similar effect, occurs with respect to the Relevant Entity;
- (b) in relation to any other body corporate, the happening of any of these events:
- (i) an application (other than a frivolous or vexatious application or an application which is stayed within 15 AU Business Days) is made to a court or any order is made that the relevant body corporate be wound up other than for the purposes of a solvent reconstruction or amalgamation;
  - (ii) an application is made to a court or an order appointing a liquidator or provisional liquidator in respect of the relevant body corporate, or one of them is appointed, whether or not under an order;

- (iii) a receiver, receiver and manager, liquidator, trustee or similar officer is appointed in respect of any part of the property of the relevant body corporate and such appointment is not revoked within 15 AU Business Days;
- (iv) a controller (as defined in the Corporations Act) or an administrator is appointed to the relevant body corporate or any steps are taken for the appointment of a controller or an administrator to the relevant body corporate;
- (v) the relevant body corporate commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors;
- (vi) the relevant body corporate is or states that it is unable to pay its debts as and when they fall due or is deemed unable to pay its debts under any applicable legislation (other than as a result of the failure to pay a debt or claim which is the subject of a good faith dispute);
- (vii) anything analogous or having a substantially similar effect to any of the events specified above happens under the laws of any applicable jurisdiction.

**Instructing Party**

- (a) means at any time prior to the service of a Notice to Pay on the Covered Bond Guarantor:
  - (i) if the Trust Manager has notified the Covered Bond Guarantor that it will be the Instructing Party for the purposes of the Account Bank for so long as the Trust Manager's authority has not been revoked by the Covered Bond Guarantor in accordance with the Account Bank Agreement (as described in section "*Summary of the Principal Documents – Account Bank Agreement*" in this Prospectus), the Trust Manager; or
  - (ii) otherwise, the Covered Bond Guarantor (acting at the direction of the Trust Manager); or
- (b) at any time upon or following the service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor (acting at the direction of the Trust Manager).

**Instrument Holder**

means a Unitholder, Intercompany Noteholder and Demand Noteholder.

**Instrument Register**

means the register of Instrument Holders in the Trust established and maintained in accordance with the Establishment Deed.

**Instruments**

means the Units, Intercompany Notes and Demand Notes.



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| <b>Insurance Policies</b>                       | means:<br><br>(a) the Buildings Policies; and<br><br>(b) the Lender's Mortgage Insurance Policies,<br><br>and each an <b>Insurance Policy</b> .   |
| <b>Intercompany Note</b>                        | means a note issued or to be issued by the Covered Bond Guarantor to the Intercompany Note Subscriber pursuant to the Intercompany Note Subscription Agreement.   |
| <b>Intercompany Noteholder</b>                  | means at any given time the person then appearing in the Instrument Register as the holder of an Intercompany Note.   |
| <b>Intercompany Note Interest Payment Date</b>  | means, unless otherwise specified in the relevant Intercompany Note Notice (in the form set out in schedule 2 of the Intercompany Note Subscription Agreement), each date on which interest is payable on the relevant Covered Bonds to which the Intercompany Note is referable. |
| <b>Intercompany Note Issue Date</b>             | means, in relation to an Intercompany Note, the date specified in the Intercompany Note Subscription Request for the issue of that Intercompany Note, which must be a Business Day.   |
| <b>Intercompany Note Subscriber</b>             | means nab.  |
| <b>Intercompany Note Subscription Agreement</b> | means the intercompany note subscription agreement dated on 11 November 2011, between the Intercompany Note Subscriber, the Covered Bond Guarantor, the Trust Manager, the Seller and the Security Trustee.   |
| <b>Intercompany Note Subscription Request</b>   | means a request substantially in the form set out in the Intercompany Note Subscription Agreement.  |
| <b>Interest Amount</b>                          | has the meaning given to it in Condition 4(b)(iv) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning set out in the relevant N Covered Bond Conditions (if applicable).  |
| <b>Interest Commencement Date</b>               | has the meaning given to it in Condition 4(a) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 4.1 of the relevant N Covered Bond Conditions (if applicable).   |
| <b>Interest Payment Date</b>                    | has the meaning given to it in Condition 4(b)(B) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 4.2 of the relevant N Covered Bond Conditions (if applicable).  |
| <b>Interest Period</b>                          | has the meaning given to it in Condition 4(b)(i) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 4.4 of the relevant N Covered Bond Conditions (if applicable).  |
| <b>Interest Rate Shortfall</b>                  | has the meaning given to it in the section " <i>Summary of the Principal Documents – Servicing Agreement – Interest Rate Shortfall Test</i> " of this Prospectus.   |

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| <b>Interest Rate Shortfall Test</b>        | has the meaning given to it in the section " <i>Summary of the Principal Documents – Servicing Agreement – Interest Rate Shortfall Test</i> " of this Prospectus.   |
| <b>Interest Rate Swap Agreement</b>        | means the Interest Rate Swap Master Agreement, together with the confirmations thereunder evidencing the Interests Rate Swaps.  |
| <b>Interest Rate Swap Master Agreement</b> | means a Swap Master Agreement entered into on or about the Programme Date between the Covered Bond Guarantor, the Trust Manager and the Interest Rate Swap Provider, relating to the Interest Rate Swaps.   |
| <b>Interest Rate Swap Provider</b>         | means nab or such other party so appointed in its capacity as interest rate swap provider under the Interest Rate Swap Agreement together with any transferee or successor thereto.   |
| <b>Interest Rate Swap</b>                  | means the Basis Swap and/or the Fixed Rate Swap.  |
| <b>IRS</b>                                 | means the United States Internal Revenue Service.   |
| <b>ISDA</b>                                | means the International Swaps and Derivatives Association, Inc.   |
| <b>ISDA 1995 Credit Support Annex</b>      | means the ISDA 1995 Credit Support Annex (Bilateral Form - Transfer) as published by ISDA.  |
| <b>ISDA Definitions</b>                    | has the meaning given to it in Condition 4(b)(ii)(A) of the Programme Conditions.   |
| <b>ISDA Master Agreement</b>               | means the 2002 ISDA master agreement, as published by ISDA.   |
| <b>ISDA Rate</b>                           | has the meaning given to it in Condition 4(b)(ii)(A) of the Programme Conditions.   |
| <b>Issue Date</b>                          | means a date on which the Issuer issues Covered Bonds under the Programme.  |
| <b>Issue Price</b>                         | means, in relation to a Series or Tranche (as applicable) of Covered Bonds, the price, generally expressed as a percentage of the nominal amount of the Covered Bonds, at which the Covered Bonds will be issued and which is specified in the Applicable Final Terms.    |
| <b>Issuer</b>                              | means nab.  |
| <b>Issuer Acceleration Notice</b>          | has the meaning given to it in Condition 9(a) of the Programme Conditions.  |
| <b>Issuer Event of Default</b>             | has the meaning given to it in Condition 9(a) of the Programme Conditions.  |
| <b>Junior Demand Note Component</b>        | has the meaning given to it in the section " <i>Summary of the Principal Documents – Demand Note Subscription Agreement</i> " of this Prospectus.   |
| <b>Land</b>                                | means: <ul style="list-style-type: none"> <li>(a) land (including tenements and hereditaments corporeal and incorporeal and every estate and interest in it whether vested or contingent, freehold or Crown leasehold, the term of which lease is expressed to</li> </ul> |

expire not earlier than five years after the maturity of the relevant Mortgage, and whether at law or in equity) situated in Australia and including any fixtures to land; and

- (b) any parcel and any lot, common property and land comprising a parcel within the meaning of the Strata Schemes (Freehold Development) Act 1973 (New South Wales) or the Community Land Development Act 1989 (New South Wales) or any equivalent legislation in any other Australian jurisdiction.

**Land Title Act** means the Land Title Act 1994 (Qld).

**Latest Valuation** means, in relation to a Property, the value:

- (a) given to the Property by the most recent valuation report held by the Seller; or
- (b) in the absence of such a valuation report, the value of Property most recently determined by the Seller or the Servicer in accordance with its credit policies.

**Lead Manager** means, in relation to any Series or Tranche of Covered Bonds, the person named as the Lead Manager in the applicable Subscription Agreement.

**Ledgers** means each of the following ledgers established and maintained by the Covered Bond Guarantor or the Trust Manager on its behalf:

- (a) the Principal Ledger;
- (b) the Revenue Ledger;
- (c) the Pre-Maturity Ledger; and
- (d) the Reserve Ledger.

**Legended Covered Bonds** means the Registered Covered Bonds (whether in definitive form or represented by a Registered Global Covered Bonds) sold in private transactions to QIBs in accordance with the requirements of Rule 144A.

**Legislated Collateralisation Test** has the meaning given to it in the section "*Structure Overview – Structure Overview – Legislated Collateralisation Test*" in this Prospectus.

**Lender's Mortgage Insurance Policies** means all insurance policies in favour of the Seller in respect of a Mortgage Loan to protect (subject to certain applicable exclusions) the Seller against any shortfall between the net sale proceeds of any Property the subject of a Mortgage and the total amount owing by the relevant Borrower to the Seller under the Mortgage Loan.

**Liabilities** means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and penalties incurred by that person, and **Liability** is to be construed accordingly.

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| <b>LIBOR</b>                                      | has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.   |
| <b>listed</b>                                     | (and all related references) means that such Covered Bonds have been admitted to trading on the regulated market of the Luxembourg Stock Exchange and have been admitted to the Official List or on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Issuer, the Covered Bond Guarantor, the Bond Trustee and the relevant Dealer(s) in relation to each issue. |
| <b>Long Maturity Covered Bond</b>                 | has the meaning given to it in Condition 5(b) of the Programme Conditions.   |
| <b>Losses</b>                                     | means the realised losses on the Mortgage Loans which are in the Mortgage Loan Portfolio.  |
| <b>LVR</b>  | in relation to a Mortgage Loan means, at any time, the ratio of the then Current Principal Balance for that Mortgage Loan to Latest Valuation for the Property which secures that Mortgage Loan.   |
| <b>LVR Adjusted Mortgage Loan Balance Amount</b>  | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.  |
| <b>Majority Secured Creditors</b>                 | means Secured Creditors whose Secured Obligations amount in aggregate to more than 66% of the total Secured Obligations.   |
| <b>Management Agreement</b>                       | means the management agreement entered into on the 11 November 2011, between the Seller, the Issuer, the Servicer, the Account Bank, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.   |
| <b>Minimum Redemption Amount</b>                  | means the amount (if any) specified in the Applicable Final Terms.   |
| <b>Modified Following Business Day Convention</b> | has the meaning given to it in Condition 4(b) of the Programme Conditions.   |
| <b>Moody's</b>                                    | means Moody's Investors Service Pty Limited and includes any successor to its rating business.   |
| <b>Moody's Specified Rating</b>                   | means a credit rating of short-term, unsecured, unsubordinated and unguaranteed debt obligations of at least P-1 by Moody's.   |
| <b>Mortgage</b>                                   | means a registered mortgage over Land situated in Australia, which creates, or is intended to create a Security Interest, securing the repayment of the principal amount of a Mortgage Loan and all other moneys payable under the Mortgage Loan, notwithstanding that by its terms the mortgage may also secure other liabilities of the mortgagor.   |
| <b>Mortgage Account</b>                           | means as the context requires: <ul style="list-style-type: none"> <li>(a) all Mortgage Loans secured on the same Property and thereby forming a single mortgage account; or</li> </ul>   |

- (b) an account maintained by the Servicer in respect of a particular Mortgage Loan to record all amounts due in respect of that Mortgage Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof.

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| <b>Mortgage Conditions</b>                 | means all the terms and conditions applicable to a Mortgage Loan at any time.   |
| <b>Mortgage Guarantor</b>                  | means, in relation to a Mortgage Loan in the Mortgage Loan Portfolio, a guarantor of that Mortgage Loan.  |
| <b>Mortgage Loan</b>                       | means, unless otherwise specified, a mortgage loan originated, or acquired by the Seller referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other moneys due or owing with respect to that mortgage loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same but excluding, for the avoidance of doubt, any Associated Debt. |
| <b>Mortgage Loan Extinguishment Notice</b> | means a notice served on the Covered Bond Guarantor by the Seller (copied to the Trust Manager and the Security Trustee) offering to facilitate the extinguishment, in favour of the Seller, of the Covered Bond Guarantor's interest in the Mortgage Loans and the Related Security specified in the notice, in the form set in the Mortgage Sale Agreement.   |
| <b>Mortgage Loan Files</b>                 | means the file or files relating to each Mortgage Loan and the Related Security in the Mortgage Loan Portfolio (including files kept in microfiche or scanned format or similar electronic data retrieval system) containing, amongst other things the mortgage documentation applicable to the Mortgage Loan and the Related Security, each letter of offer for that Mortgage Loan and, the Title Documents relating to that Mortgage Loan and the Related Security.   |
| <b>Mortgage Loan Portfolio</b>             | means on any particular date, each New Mortgage Loan Portfolio sold to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement prior to such date, after taking account of, among other things, amortisation of the Mortgage Loans and the addition and/or removal of Mortgage Loans and the Related Security to or from the Mortgage Loan Portfolio since the first Transfer Date including in connection with the extinguishment or transfer of the Covered Bond Guarantor's interest in Mortgage Loans.                                    |
| <b>Mortgage Loan Principal Receipts</b>    | means any payment in respect of principal received from time to time in respect of any Mortgage Loan in the Mortgage Loan Portfolio (including, whether as all or part of a Mortgage Loan Scheduled Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Policy)).   |
| <b>Mortgage Loan Revenue Receipts</b>      | means any payment received from time to time in respect of any Mortgage Loan which is not a Mortgage Loan Principal Receipt (whether as all or part of a Mortgage Loan Scheduled Payment by a Borrower on the relevant Mortgage Loan, on redemption (in whole or in part), on enforcement or on disposal of such Mortgage Loan or otherwise (including pursuant to any Insurance Policy)).  |

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| <b>Mortgage Loan Scheduled Payment</b>      | means in respect of a Mortgage Loan, the amount which the applicable Mortgage Conditions require a Borrower to pay on a Mortgage Loan Scheduled Payment Date in respect of such Mortgage Loan.   |
| <b>Mortgage Loan Scheduled Payment Date</b> | means, in relation to any Mortgage Loan, the day on which a Borrower is required to make a payment of interest and, if applicable, principal in accordance with the Mortgage Conditions applicable to such Mortgage Loan.  |
| <b>Mortgage Sale Agreement</b>              | means the mortgage sale agreement to be entered into on 11 November 2011, between the Seller, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.  |
| <b>Mortgage Transfer</b>                    | means in relation to a Mortgage a duly executed land titles office transfer which, upon registration at the land titles office in the relevant Australian jurisdiction, is effective to transfer the legal title to the Mortgage to the Covered Bond Guarantor or in accordance with the Mortgage Sale Agreement, the Seller.  |
| <b>N Covered Bond</b>                       | means a Registered Covered Bond in definitive form made out in the name of a specified N Covered Bondholder issued or to be issued by the Issuer in accordance with the Principal Agency Agreement and in accordance with, and constituted by, the Bond Trust Deed in the form of a German " <i>Namensschuldverschreibung</i> " substantially in the form set out in schedule 6 to the Bond Trust Deed with such modifications (if any) as may be agreed between the Issuer, the Covered Bond Guarantor, the Bond Trustee, the N Covered Bond Paying Agent, the N Covered Bond Registrar and the relevant N Covered Bondholder and having the N Covered Bond Conditions applicable to it annexed thereto and subject to the provisions of the N Covered Bond Agreement relating thereto. |
| <b>N Covered Bond Agreement</b>             | means an agreement relating to an N Covered Bond incorporating, inter alia, certain provisions of the Bond Trust Deed and made between the initial N Covered Bondholder, the Issuer, the Covered Bond Guarantor and the Bond Trustee substantially in the form set out in schedule 6 part 2 of the Bond Trust Deed.  |
| <b>N Covered Bond Assignment Agreement</b>  | means the assignment agreement attached to each N Covered Bond, substantially in the form set out in schedule 6 part 1 to the Bond Trust Deed.   |
| <b>N Covered Bond Certificate</b>           | means the N covered bond certificate representing the N Covered Bond substantially in the form set out in schedule 6 part 1 to the Bond Trust Deed.  |
| <b>N Covered Bond Conditions</b>            | means the terms and conditions of each N Covered Bond annexed thereto as set out in schedule 6 part 1 to the Bond Trust Deed, as modified and/or supplemented by the provisions of the relevant N Covered Bond Agreement.  |
| <b>N Covered Bond Paying Agent</b>          | means Deutsche Bank AG, Frankfurt or any other person from time to time appointed to perform the role of the paying agent in relation to the N Covered Bonds under the Principal Agency Agreement, including any successor or additional paying agent, or, if so specified in the applicable N Covered Bond Conditions of a Series of N Covered Bonds, any other person appointed by the Issuer under a supplemental agency agreement to perform the duties of the paying agent in relation to such Series of N Covered Bonds.   |

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| <b>N Covered Bond Register</b>                  | means the register of holders of the N Covered Bonds maintained by the N Covered Bond Registrar   |
| <b>N Covered Bond Registrar</b>                 | means Deutsche Bank AG, Frankfurt or any other person from time to time appointed to perform the role of the registrar in relation to the N Covered Bonds under the Principal Agency Agreement, including any successor registrar, or, if so specified in the applicable N Covered Bond Conditions of a Series of N Covered Bonds, any other person appointed by the Issuer under a supplemental agency agreement to perform the duties of the registrar in relation to such Series of N Covered Bonds  |
| <b>N Covered Bondholder</b>                     | means the registered holder of an N Covered Bond.   |
| <b>nab</b>                                      | means National Australia Bank Limited (ABN 12 004 044 937) incorporated with limited liability in the Commonwealth of Australia and having its registered office at Level 4, (UB 4440) 800 Bourke Street, Docklands, Victoria 3008, Australia.  |
| <b>nab Group</b>                                | means nab and the group of companies of which it is the parent company.   |
| <b>National Consumer Credit Protection Laws</b> | means: <ul style="list-style-type: none"> <li>(a) the National Consumer Credit Protection Act 2009 (Cth) (including the National Credit Code set out in schedule 1 to that Act);</li> <li>(b) the National Consumer Credit Protection (Fees) Act 2009 (Cth);</li> <li>(c) the National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009 (Cth) (<b>Transitional Act</b>);</li> <li>(d) regulations made under any of the legislation described at paragraphs (a) through (c) above; and</li> <li>(e) Division 2 of Part 2 of the Australian Securities and Investment Commission Act 2001 (Cth), so far as it relates to obligations in respect of an Australian Credit Licence issued under the National Consumer Credit Protection Act 2009 (Cth) or registration as a registered person under the Transitional Act.</li> </ul> |
| <b>Negative Carry Factor</b>                    | has the meaning given in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.   |
| <b>Net Taxable Income</b>                       | means, in respect of a Fiscal Period of the Trust the "net income" (as defined in Section 95(l) of the Tax Act) of the Trust for that Fiscal Period.  |
| <b>Net Trust Income</b>                         | means, in respect of a Fiscal Period of the Trust, the income of the Trust for that Fiscal Period as determined by the Trust Manager under the Establishment Deed.  |
| <b>New Mortgage Loan Portfolio</b>              | means a portfolio of Mortgage Loans and the Related Security (other than any Mortgage Loans and the Related Security included in such portfolio which have been redeemed in full prior to the relevant Transfer Date in respect of such portfolio), particulars of which are set out in, or attached to, a New  |

Mortgage Loan Portfolio Notice, and all right, title, interest and benefit of the Seller in and to the rights and assets set out in paragraphs (a) to (g) (inclusive) below:

- (a) all sums of principal and interest (including, for the avoidance of doubt, all Accrued Interest, Arrears of Interest, Capitalised Expenses and Capitalised Arrears) and any other sum due or to become due under or in respect of such Mortgage Loans and the Related Security on or after the Transfer Date in respect of such Mortgage Loans and including the right to demand, sue for, recover and give receipts for all such principal, interest or other amounts, the right to sue on all covenants and undertakings made or expressed to be made in favour of the Seller under the applicable Mortgage Conditions;
- (b) the benefit of all other securities for such principal, interest and other sums payable (including any interest of the Seller in any life policy), any guarantee in respect of such Mortgage Loans or any other collateral security for the repayment of the relevant Mortgage Loans secured by the Related Security;
- (c) the right to exercise all the powers of the Seller in relation thereto subject to and in accordance with the relevant Mortgage Conditions;
- (d) all the estate, title and interest in the Properties in relation thereto vested in the Seller;
- (e) to the extent they are assignable or capable of being put into trust, each certificate of title and valuation report and any right of action of the Seller against any solicitor, valuer or other person in connection with any report, valuation, opinion, certificate or other statement of fact or opinion given in connection with any such Mortgage Loans and the Related Security, or any part thereof affecting the decision of the Seller to make or offer to make such Mortgage Loans or part thereof;
- (f) the benefit of certain Insurance Policies, in each case so far as they relate to such Mortgage Loans comprised in that portfolio of Mortgage Loans and the Related Security, including the right to receive the proceeds of all claims made or to be made by or on behalf of the Seller or to which the Seller is or may become entitled; and
- (g) any Associated Debt secured by any All Moneys Mortgage that relates to such Mortgage Loans.

**New Mortgage Loan  
Portfolio Notice**

means a notice in the form set out in schedule 4 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement.

**New Secured Creditor**

means any person which becomes a Secured Creditor after the date upon which the Security Deed was executed pursuant to and in accordance with the Security Deed.

**NIBOR**

has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.



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| <b>Non-Cash Redraw</b>               | means a Payment Holiday under a Mortgage Loan included in the Mortgage Loan Portfolio.  |
| <b>Notice to Pay</b>                 | means the notice to pay (substantially in the form set out in schedule 3 to the Bond Trust Deed) served by the Bond Trustee on the Covered Bond Guarantor (and copied to the Security Trustee and the Trust Manager) pursuant to the Covered Bond Guarantee which requires the Covered Bond Guarantor to make payments of Guaranteed Amounts when they become Due for Payment in accordance with the terms of the Covered Bond Guarantee.   |
| <b>Note Certificate</b>              | means a certificate issued by the Covered Bond Guarantor to the Noteholder recorded in the Instrument Register in relation to an Intercompany Note or a Demand Note.  |
| <b>Offset Mortgage Loan</b>          | means a Mortgage Loan which allows the relevant Borrower to link the Mortgage Loan with certain deposit and/or current accounts that are held by the Seller for the purpose of offsetting interest.   |
| <b>Original Due for Payment Date</b> | means, in respect of the payment of Guaranteed Amounts, prior to the occurrence of a Covered Bond Guarantor Event of Default and following the delivery of a Notice to Pay on the Covered Bond Guarantor, the date on which the Scheduled Payment Date in respect of such Guaranteed Amounts occurs or, if later, the day which is two Business Days following the date of service of a Notice to Pay on the Covered Bond Guarantor in respect of such Guaranteed Amounts, or, if the Applicable Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Scheduled Payment Date falling on the Final Maturity Date of such Series of Covered Bonds as if such date had been the Extended Due for Payment Date.   |
| <b>Outstanding or outstanding</b>    | <p>means, in relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:</p> <ul style="list-style-type: none"> <li>(a) those Covered Bonds which have been redeemed in full and cancelled pursuant to the Bond Trust Deed and/or the Programme Conditions and/or, in the case of an N Covered Bond, the N Covered Bond Conditions;</li> <li>(b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Programme Conditions and/or, in the case of an N Covered Bond, the N Covered Bond Conditions (if applicable) has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Principal Paying Agent or, as the case may be, the N Covered Bond Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Covered Bondholders in accordance with Condition 13 of the Programme Conditions and/or Condition 13 of the N Covered Bond Conditions and remain available for payment against presentation of the relevant Covered Bonds and/or Coupons;</li> <li>(c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 6(h) and 6(i) of the Programme</li> </ul> |

Conditions and any equivalent provision in the N Covered Bond Conditions;

- (d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under Condition 8 of the Programme Conditions and/or Condition 8 of the N Covered Bond Conditions;
- (e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 10 of the Programme Conditions and/or Condition 10 of the N Covered Bond Conditions;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 10 of the Programme Conditions and/or Condition 8 of the N Covered Bond Conditions;
- (g) any Global Covered Bond to the extent that it has been exchanged for definitive Covered Bonds or another Global Covered Bond pursuant to its provisions, the provisions of the Bond Trust Deed and the Agency Agreement; and
- (h) those Legended Covered Bonds which have been exchanged for Unlegended Covered Bonds and those Unlegended Covered Bonds which have been exchanged for Legended Covered Bonds, in each case pursuant to their provisions, the provisions of the Bond Trust Deed and the Principal Agency Agreement,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the holders of the Covered Bonds of any Series, to give instruction or direction to the Bond Trustee and for the purposes of a resolution in writing as envisaged by paragraph 20 of schedule 4 to the Bond Trust Deed;
- (ii) the determination of how many and which Covered Bonds of any Series are for the time being outstanding for the purposes the Bond Trust Deed, Conditions 9 and 14 of the Programme Conditions and paragraphs 2, 5, 6, and 9 of schedule 4 to the Bond Trust Deed;
- (iii) any discretion, power or authority (whether contained in the Bond Trust Deed or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds of any Series; and
- (iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds of any Series,

(A) those Covered Bonds of the relevant Series (if any) which are for the time

being held by or on behalf of or for the benefit of the Issuer or the Covered Bond Guarantor, any Subsidiary or holding company of any of them or any other Subsidiary of any such holding company, in each case as beneficial owner and (B) those N Covered Bonds held by an N Covered Bondholder who has not entered into and delivered to the Issuer the related N Covered Bond Agreement or agreed to be bound by the related N Covered Bond Agreement by way of an N Covered Bond Assignment Agreement, will (unless and until ceasing to be so held) be deemed not to remain outstanding except in the case of the Issuer or the Covered Bond Guarantor, any Subsidiary or holding company of any of them or any other Subsidiary of any such holding company (each a **Relevant Person**) holding, by itself or together with any other Relevant Person, all of the Covered Bonds then outstanding or, in respect of a Series of Covered Bonds holds all Covered Bond of such Series.

**Overpayment**

means in respect of a Mortgage Loan in the Mortgage Loan Portfolio, any additional amounts of Mortgage Loan Principal Receipts received above the regular Mortgage Loan Scheduled Payments due in respect of such Mortgage Loan, paid by the relevant Borrower which:

- (a) is permitted by the terms of such Mortgage Loan or by agreement with the Borrower; and
- (b) reduces the Current Principal Balance of such Mortgage Loan.

**Partial Portfolio**

means part of any portfolio of Selected Mortgage Loans offered for sale to purchasers by the Covered Bond Guarantor, or the Trust Manager on its behalf.

**Paying Agents**

means the Principal Paying Agent, the N Covered Bond Paying Agent and any other paying agent appointed pursuant to the Principal Agency Agreement, including any additional or successor paying agents.

**Payment Day**

has the meaning given to it in Condition 5(g) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 5.3 of the relevant N Covered Bond Conditions (if applicable).

**Payment Holiday**

means the right of a Borrower, under the applicable Mortgage Conditions, to not make a monthly payment for one or more months in certain circumstances and, in respect of any Mortgage Loan in the Mortgage Loan Portfolio, a period of one or more scheduled payment dates under the Mortgage Loan when the relevant Borrower is permitted by the Seller in accordance with the relevant Mortgage Conditions not to make the payments due on such scheduled payments dates.

**Penalty Payment**

means:

- (a) any amount (including any civil or criminal penalty for which the Covered Bond Guarantor is liable under the Consumer Credit Code or the National Consumer Credit Protection Laws and legal costs and other expenses payable or incurred by the Covered Bond Guarantor in relation to such liability;
- (b) any other liability payable by the Covered Bond Guarantor, or legal costs or other expenses payable or incurred by the Covered Bond Guarantor, in relation to such liability;

- (c) any amount which the Covered Bond Guarantor agrees to pay to a Borrower, a Mortgage Guarantor or other person in settlement of any liability or alleged liability or application for an order under the Consumer Credit Code or the National Consumer Credit Protection Laws;
- (d) any legal costs or other costs and expenses payable or incurred by the Covered Bond Guarantor in relation to that application or settlement; and
- (e) any other losses incurred by the Covered Bond Guarantor as a result of any breach of the Consumer Credit Code or the National Consumer Credit Protection Laws,

to the extent to which a person can be indemnified for that liability, money or amount under the Consumer Credit Code or the National Consumer Credit Protection Laws and includes all amounts ordered by a court or other judicial, regulatory or administrative body to be paid by the Covered Bond Guarantor in connection with paragraphs (a) through (e) above.

**Permanent Bearer  
Global Covered Bond**

means a global bearer covered bond in the form or substantially in the form set out in Part 2 of schedule 2 to the Bond Trust Deed together with the copy of the Applicable Final Terms annexed thereto and with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Covered Bonds of the same Series, issued by the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed in exchange for the whole or part of any Temporary Bearer Global Covered Bond issued in respect of such Covered Bonds.

**Permitted Investments**

means:

- (a) Mortgage Loans and the Related Security;
- (b) Substitution Assets;
- (c) Authorised Investments; and
- (d) amounts deposited in the Trust Accounts,

in each case acquired in accordance with the Programme Documents, and **Permitted Investment** means any of them.

**Personal Information**

has the meaning given to it in the Privacy Act.

**Post-Enforcement  
Priority of Payments**

has the meaning given to it in the section "*Cashflows – Post-Enforcement Priority of Payments*" of this Prospectus.

**Potential Issuer Event of  
Default**

means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Issuer Event of Default.

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| <b>Potential Covered Bond Guarantor Event of Default</b> | means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Covered Bond Guarantor Event of Default.   |
| <b>PPSA</b>  | means the Personal Property Securities Act 2009 (Cth).   |
| <b>PPS Law</b>   | means: <ul style="list-style-type: none"> <li>(a) the PPSA;</li> <li>(b) any regulations made at any time under the PPSA;</li> <li>(c) any provision of the PPSA or regulations referred to in paragraph (b) above; or</li> <li>(d) any amendment made at any time to any other legislation as a consequence of the PPS Law referred to in paragraphs (a) to (c) above.</li> </ul>   |
| <b>PPSR</b>  | means the Personal Property Securities Register established under section 147 of the PPSA.   |
| <b>Pre-Acceleration Principal Priority of Payments</b>   | has the meaning given to it in the section " <i>Cashflows – Pre-Acceleration Principal Priority of Payments</i> " of this Prospectus.  |
| <b>Pre-Acceleration Priority of Payments</b>             | means the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments.   |
| <b>Pre-Acceleration Revenue Priority of Payments</b>     | has the meaning given to it in the section " <i>Cashflows – Pre-Acceleration Revenue Priority of Payments</i> " of this Prospectus.  |
| <b>Preceding Business Day Convention</b>                 | has the meaning given to it in Condition 4(b) of the Programme Conditions.   |
| <b>Pre-Maturity Demand Note Funding</b>                  | means, in relation to when on a Pre-Maturity Test Date there is a breach of the Pre-Maturity Test, where: <ul style="list-style-type: none"> <li>(a) the Covered Bond Guarantor may request the Demand Note Subscriber either subscribe for the Demand Note; or</li> <li>(b) if the Demand Note has previously been Issued, fund an Increase in the Demand Note (as applicable) in a principal amount (determined by the Trust Manager) not exceeding the amount necessary to rectify such breach of the Pre-Maturity Test.</li> </ul> |
| <b>Pre-Maturity Ledger</b>                               | means the ledger in relation to the GIC Account maintained by the Trust Manager pursuant to the Management Agreement to record the credits and debits of moneys available to repay any Series of Hard Bullet Covered Bonds on the Final Maturity Date thereof if the Pre-Maturity Test in respect of such Series of Hard Bullet Covered Bonds has been breached.   |

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| <b>Pre-Maturity Test</b>            | has the meaning given to it in the section " <i>Credit Structure – Pre-Maturity Test</i> " of this Prospectus.  |
| <b>Pre-Maturity Test Date</b>       | means each AU Business Day during the Pre-Maturity Test Period prior to the occurrence of an Issuer Event of Default and/or the occurrence of a Covered Bond Guarantor Event of Default.  |
| <b>Pre-Maturity Test Period</b>     | means, in relation to a Series of Hard Bullet Covered Bonds, in respect of: <ul style="list-style-type: none"> <li>(a) the Issuer's long-term credit rating from Moody's, the period commencing on the day six months prior to the Final Maturity Date of the Series and ending on the Final Maturity Date of the relevant Series; or</li> <li>(b) the Issuer's short-term credit rating from Moody's or from Fitch, the period commencing on the day 12 months prior to the Final Maturity Date of the Series and ending on the Final Maturity Date of the relevant Series.</li> </ul> |
| <b>Principal Agency Agreement</b>   | means the agency agreement dated on or about the Programme Date (such agency agreement as amended and/or supplemented and/or restated from time to time) and made between the Issuer, the Covered Bond Guarantor, the Trust Manager, the Bond Trustee, the Principal Paying Agent, the N Covered Bond Paying Agent, the Exchange Agent, the Transfer Agent, the Registrar and the N Covered Bond Registrar.   |
| <b>Principal Amount Outstanding</b> | has the meaning given to it in Condition 4(a) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 4.4 of the relevant N Covered Bond Conditions (if applicable).   |
| <b>Principal Ledger</b>             | means the ledger of the GIC Account with such name maintained by the Trust Manager pursuant to the Management Agreement to record the credits and debits of Mortgage Loan Principal Receipts and the other amounts described in paragraph (b) of the definition of Available Principal Receipts in accordance with the terms of the Establishment Deed.   |
| <b>Principal Paying Agent</b>       | means Deutsche Bank AG, London Branch, or any other person from time to time appointed to perform the role of principal paying agent under the Principal Agency Agreement.  |
| <b>Priorities of Payments</b>       | means the orders of priority for the allocation and distribution of amounts standing to the credit of the Trust Accounts in different circumstances including: <ul style="list-style-type: none"> <li>(a) the Pre-Acceleration Revenue Priority of Payments;</li> <li>(b) the Pre-Acceleration Principal Priority of Payments;</li> <li>(c) the Post-Enforcement Priority of Payments; and</li> <li>(d) the Guarantee Priority of Payments,</li> </ul> each a <b>Priority of Payments</b> .   |

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| <b>Privacy Act</b>          | means the Privacy Act 1988 (Cth).  |
| <b>Privacy Laws</b>         | means: <ul style="list-style-type: none"> <li>(a) the Privacy Act;</li> <li>(b) any approved privacy code (as defined in the Privacy Act) which binds any of the parties to the Programme Documents or the transactions contemplated by them; and</li> <li>(c) any other law, code, guideline or policy relating to the collection, use, disclosure or storage of, or granting of access rights to, Personal Information which binds any of the parties to the Programme Documents or the transactions contemplated by them.</li> </ul>  |
| <b>Product Switch</b>       | means a variation, from time to time, in the Mortgage Conditions applicable to a Borrower's Mortgage Loan and/or moving a Borrower to an alternative mortgage product which, in either case, means that the Mortgage Loan would no longer be a Qualifying Mortgage Loan.   |
| <b>Programme</b>            | means the covered bond programme established by the Issuer pursuant to the Programme Agreement.  |
| <b>Programme Agreement</b>  | means the agreement dated on the Programme Date, entered into by the Issuer, the Covered Bond Guarantor, the Trust Manager, the Seller, the Co-Arranger and the Dealers to agree a basis upon which the Dealer(s) may from time to time agree to purchase Covered Bonds.   |
| <b>Programme Conditions</b> | means the terms and conditions of the Covered Bonds (as set out in schedule 1 of the Bond Trust Deed) as completed by the Final Terms in relation to a particular Series or Tranche of Covered Bonds, as the same may be modified from time to time in accordance with the Bond Trust Deed.  |
| <b>Programme Date</b>       | means 15 November 2011.  |
| <b>Programme Documents</b>  | means the following documents: <ul style="list-style-type: none"> <li>(a) Mortgage Sale Agreement (and any documents entered into (including but not limited to any document setting out particulars of each New Mortgage Loan Portfolio) pursuant to the Mortgage Sale Agreement);</li> <li>(b) Servicing Agreement;</li> <li>(c) Cover Pool Monitor Agreement;</li> <li>(d) Intercompany Note Subscription Agreement;</li> <li>(e) Demand Note Subscription Agreement;</li> <li>(f) Establishment Deed;</li> <li>(g) Management Agreement;</li> <li>(h) Interest Rate Swap Agreement;</li> </ul> |

- (i) each Covered Bond Swap Agreement;
- (j) Account Bank Agreement;
- (k) Security Deed (and any documents entered into pursuant to the Security Deed, including each Deed of Accession);
- (l) Bond Trust Deed;
- (m) Programme Agreement;
- (n) each Agency Agreement;
- (o) each Subscription Agreement;
- (p) Seller's Power of Attorney;
- (q) Definitions Schedule; and
- (r) Deed of Amendment in relation to the Establishment Deed, the Definitions Schedule and the Security Deed,

and each document, agreement or deed ancillary or supplemental to any of such documents and each a **Programme Document**.

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| <b>Programme Limit</b>      | means US\$20 billion, subject to increase as provided in the Programme Agreement.   |
| <b>Programme Resolution</b> | has the meaning given to it in Condition 14 of the Programme Conditions.  |
| <b>Property</b>             | means Land which is subject to a Mortgage.  |
| <b>Prospectus</b>           | means this prospectus.  |
| <b>Prospectus Directive</b> | means Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU (the <b>2010 PD Amending Directive</b> ) to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area). |
| <b>Purchase Price</b>       | means, in relation to a New Mortgage Loan Portfolio being sold by the Seller to the Covered Bond Guarantor, an amount equal to the aggregate of the Current Principal Balances of the Mortgage Loans in the New Mortgage Loan Portfolio.                          |
| <b>Purchaser</b>            | means the Seller or any third party to whom the Covered Bond Guarantor offers to sell Selected Mortgage Loans.  |
| <b>Put Notice</b>           | has the meaning given to it in Condition 6(d) of the Programme Conditions.  |
| <b>QIB</b>                  | has the meaning given to it in Condition 2(i) of the Programme Conditions.  |



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| <b>Qualified Institution</b>     | means an ADI: <ul style="list-style-type: none"> <li>(a) which pays any relevant interest in the ordinary course of its business; and</li> <li>(b) whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's, or F1 by Fitch (or, if Fitch has placed the ADI on ratings watch negative at the relevant time, F1+ by Fitch); and</li> <li>(c) whose long term unsecured, unsubordinated and unguaranteed debt obligations are rated at least A by Fitch (or, if Fitch has placed the ADI on ratings watch negative at the relevant time, A+ by Fitch).</li> </ul>   |
| <b>Qualifying Borrower</b>       | means a Borrower which is not a Borrower in respect of a Defaulted Mortgage Loan and any other person which, notwithstanding this definition, the Covered Bond Guarantor approves and notifies in writing to the Seller as being a "Qualifying Borrower".   |
| <b>Qualifying Mortgage Loan</b>  | has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Qualifying Mortgage Loans</i> " of this Prospectus.  |
| <b>Rate of Interest</b>          | has the meaning given to it in Condition 5(j) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 4.1 of the relevant N Covered Bond Conditions (if applicable).   |
| <b>Rating Agencies</b>           | means Moody's and Fitch or their successors, to the extent they provide ratings in respect of the Covered Bonds, and each a <b>Rating Agency</b> .  |
| <b>Rating Affirmation Notice</b> | means in relation to an event or circumstances, a notice in writing from the Issuer to the Covered Bond Guarantor confirming that it has notified the Rating Agencies of the event or circumstances and that: <ul style="list-style-type: none"> <li>(a) the Issuer is satisfied, for the purposes of the Programme Documents, following discussions with the Rating Agencies, that the event or circumstances, as applicable, will not result in a reduction, qualification or withdrawal of the ratings then assigned by the Rating Agencies; or</li> <li>(b) the relevant Rating Agency has indicated to the Issuer that, notwithstanding that a Rating Agency confirmation may be stated in a Programme Document to be required in respect of the relevant event or circumstance, it does not consider such confirmation necessary. In such a case, the Issuer will be entitled to assume that the then current rating of the Covered Bonds from that Rating Agency will not be downgraded or withdrawn by such Rating Agency as a result of such event or circumstance.</li> </ul> |
| <b>RBA</b>                       | means the Reserve Bank of Australia.  |
| <b>RBA Bond Basis</b>            | has the meaning given to it in Condition 4(a)(iii) of the Programme Conditions.   |

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| <b>Receiver</b>                           | means any person or persons appointed (and any additional person or persons appointed or substituted pursuant thereto) by the Security Trustee as a receiver, manager, or receiver and manager of the property charged or secured under the Security Deed.  |
| <b>Record Date</b>                        | has the meaning given to it in Condition 5(d) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in the relevant Condition of the relevant N Covered Bond Conditions (if applicable).  |
| <b>Redeemed Covered Bonds</b>             | has the meaning given to it in Condition 6(c) of the Programme Conditions.  |
| <b>Redenomination Date</b>                | has the meaning given to it in Condition 5(j) of the Programme Conditions.  |
| <b>Redraw</b>                             | means either of a Cash Redraw or a Non-Cash Redraw.   |
| <b>Reference Banks</b>                    | means nab, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Westpac Banking Corporation and/or such other ADI as determined by the Trust Manager from time to time.   |
| <b>Reference Price</b>                    | in respect of a Zero Coupon Covered Bond, has the meaning given in the Applicable Final Terms.  |
| <b>Register</b>                           | means the register of holders of the Registered Covered Bonds maintained by the Registrar.  |
| <b>Registered Covered Bonds</b>           | means Covered Bonds (other than A\$ Registered Covered Bonds and N Covered Bonds) issued in registered form (being Registered Global Covered Bonds and/or Registered Definitive Covered Bonds, as the case may be).   |
| <b>Registered Definitive Covered Bond</b> | has the meaning given to it in the Programme Conditions.  |
| <b>Registered Global Covered Bond</b>     | has the meaning given to it in Condition 2(a) of the Programme Conditions.  |
| <b>Registrar</b>                          | means Deutsche Bank Trust Company Americas, or any other person from time to time appointed to perform the role of registrar under the Principal Agency Agreement.  |
| <b>Regulated Market</b>                   | means the regulated market of the Luxembourg Stock Exchange.  |
| <b>Regulation S</b>                       | means Regulation S under the Securities Act.  |
| <b>Regulation S Global Covered Bond</b>   | has the meaning given to it in the Programme Conditions.  |
| <b>Regulatory Event</b>                   | means that the value of assets in cover pools securing covered bonds issued by the Issuer exceeds 8%, or such other percentage as is prescribed by the regulations made under the Australian Banking Act, of the value of the Issuer's assets in Australia for the purposes of sections 28 and 31D(2) of the Australian Banking Act or such other event as determined by the Issuer and notified to the Covered Bond Guarantor and the Trust Manager. |

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| <b>Related Entity</b>                            | has the meaning given to it in the Corporations Act.   |
| <b>Related Security</b>                          | means in relation to a Mortgage Loan, the security for the repayment of that Mortgage Loan including the relevant Mortgage and all other documents, matters and things related thereto and which constitute all or part of the security for the payment of all sums due in respect of the Mortgage Loan, including for the avoidance of doubt, guarantees, security over life policies, and any replacement security for a Mortgage Loan that is transferred to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement, and with respect to any Related Security that constitutes an All Moneys Mortgage, the beneficial interest of the Covered Bond Guarantor in the Seller Trust declared in respect of that Mortgage. |
| <b>Relevant Acquired Covered Bonds</b>           | means Covered Bonds which, having been purchased or otherwise acquired by the Covered Bond Guarantor, are cancelled in accordance with Condition 6(h) or Condition 6(i) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in the relevant Condition of the relevant N Covered Bond Conditions (if applicable).   |
| <b>Relevant Covered Bonds</b>                    | means, together with any Relevant Acquired Covered Bonds, any Covered Bonds in respect of which the Covered Bond Guarantor makes, or there is made on its behalf, a payment under the Covered Bond Guarantee.  |
| <b>Relevant Date</b>                             | means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Bond Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 13 of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 7.1 of the relevant N Covered Bond Conditions (if applicable).   |
| <b>Representations and Warranties</b>            | means the representations and warranties made by the Seller in relation to the Mortgage Loans and the Related Security set out in schedule 2 of the Mortgage Sale Agreement.   |
| <b>Required Current Principal Balance Amount</b> | has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Method of Sale of Selected Mortgage Loans</i> " of this Prospectus.  |
| <b>Required Redemption Amount</b>                | means, in respect of a Series of Covered Bonds, the amount calculated in accordance with the following formula:  |

$$A \times \left( 1 + \left( B \times \frac{C}{365} \right) \right)$$

where,

**A** = the Principal Amount Outstanding of the relevant Series of Covered Bonds;

**B** = the Negative Carry Factor; and

C = days to maturity of the relevant Series of Covered Bonds.

**Reserve Fund**

means the reserve fund that the Covered Bond Guarantor will be required to establish in the GIC Account which will be credited with the proceeds of Available Revenue Receipts or proceeds from the issue of the Intercompany Note up to an amount equal to the Reserve Fund Required Amount.

**Reserve Fund Required Amount**

means:

- (a) if, and for so long as, the Issuer's credit ratings are equal to or higher than the Moody's Specified Rating and the Fitch Specified Rating, nil or such other amount as the Issuer will direct the Covered Bond Guarantor from time to time; or
- (b) if, and for so long as, the Issuer's credit ratings are less than the Moody's Specified Rating but are higher than or equal to the Fitch Specified Rating, an amount equal to the Australian Dollar Equivalent of amounts of: (i) in relation to each Series of Covered Bonds where a Covered Bond Swap is in place, the aggregate amounts due to each relevant Covered Bond Swap Provider in the immediately following month; and/or (ii) in relation to each Series of Covered Bonds where a Covered Bond Swap is not in place, the aggregate amount of interest due in respect of each such Series of Covered Bonds in the immediately following month; and (iii) an amount equal to one quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (d), and if applicable (e), of the Pre-Acceleration Revenue Priority of Payments provided that in determining the amount of the Reserve Fund Required Amount where any amount in respect of the Covered Bonds or the Covered Bond Swaps is by reference to a floating rate, the rate will be at the then current floating rate as at the date on which the amount is calculated; or
- (c) if, and for so long as, the Issuer's credit ratings are less than the Fitch Specified Rating but are equal to or higher than the Moody's Specified Rating, an amount equal to the Australian Dollar Equivalent of: (i) in relation to each Series of Covered Bonds where a Covered Bond Swap is in place and is provided by a party other than the Issuer (or a related party), the aggregate amounts due to each relevant Covered Bond Swap Provider in the immediately following three months; and/or (ii) in relation to each Series of Covered Bonds where a Covered Bond Swap is not in place and/or is provided by the Issuer (or a related party) or is guaranteed by a third party with an appropriate rating, the aggregate amount of interest due in respect of each such Series of Covered Bonds in the immediately following three months; and, the aggregate amount of interest due in respect of each such Series of Covered Bonds in the immediately following three months; and (b) an amount equal to one quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (d) and if applicable (e), of the Pre-Acceleration Revenue Priority of Payments provided that in determining the amount of the Reserve Fund Required Amount where any amount in respect of the Covered Bonds or the Covered Bond Swaps is by reference to a floating rate,

the rate will be at the then current floating rate as at the date on which the amount is calculated; or

- (d) if, and for so long as, the Issuer's credit ratings are less than both the Moody's Specified Rating and the Fitch Specified Rating, the higher of the amounts determined in accordance with paragraphs (b) and (c) above.

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| <b>Reserve Ledger</b>                    | means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement, to record the crediting of Mortgage Loan Revenue Receipts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Establishment Deed.   |
| <b>Residual Capital Unit</b>             | means a Unit in the Trust which is designated as a "Residual Capital Unit" in the Instrument Register.  |
| <b>Residual Capital Unitholder</b>       | means a person registered as the holder of a Residual Capital Unit in the Trust in the Instrument Register.   |
| <b>Residual Income Unit</b>              | means the Unit in the Trust which is designated as the "Residual Income Unit" in the Instrument Register.   |
| <b>Residual Income Unitholder</b>        | means the person registered as the holder of the Residual Income Unit in the Trust in the Instrument Register.  |
| <b>Residual Income Unitholder Ledger</b> | means the ledger of such name maintained by the Trust Manager in accordance with the Management Agreement.  |
| <b>Revenue Ledger</b>                    | means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record credits and debits of Mortgage Loan Revenue Receipts and the other amounts described in paragraph (b) of the definition of Available Revenue Receipts in accordance with the terms of the Establishment Deed.  |
| <b>Rule 144A</b>                         | means Rule 144A under the Securities Act.   |
| <b>Rule 144A Global Covered Bond</b>     | has the meaning given to it in the Programme Conditions.  |
| <b>Sale Proceeds</b>                     | means the cash proceeds realised from the sale of Selected Mortgage Loans and the Related Security.   |
| <b>Scheduled Balance</b>                 | means in relation to a Mortgage Loan means the amount that would be owing on that Mortgage Loan at the date of determination if the mortgagor had made prior to that date the minimum payments required on that Mortgage Loan.  |
| <b>Scheduled Interest</b>                | means an amount equal to the amount in respect of interest which would have been due and payable under the Covered Bonds on each Interest Payment Date as specified in Condition 4 of the Programme Conditions and Condition 6.2 of the N Covered Bond Conditions (but excluding any additional amounts relating to premiums, default interest or interest upon interest ( <b>Excluded Scheduled Interest Amounts</b> ) payable by the Issuer following service of an Issuer Acceleration Notice but including such amounts (whenever the same arose) following service of a Covered Bond Guarantee Acceleration Notice) as |

if the Covered Bonds had not become due and repayable prior to their Final Maturity Date or, if the Final Terms specified that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date (but taking into account any principal repaid in respect of such Covered Bonds or any Guaranteed Amounts paid in respect of such principal prior to the Extended Due for Payment Date), less any additional amounts the Issuer would be obliged to pay are as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7 of the Programme Conditions or Condition 7 of the N Covered Bond Conditions.

**Scheduled Payment Date** means in relation to payments under the Covered Bond Guarantee, each Interest Payment Date or the Final Maturity Date as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date.

**Scheduled Principal** means an amount equal to the amount in respect of principal which would have been due and repayable under the Covered Bonds on each Interest Payment Date or the Final Maturity Date (as the case may be) as specified in Condition 6(a) and Condition 6(e) of the Programme Conditions and Condition 4.1 of the N Covered Bond Conditions (but excluding any additional amounts relating to prepayments, early redemption, broken funding indemnities, penalties, premiums or default interest (**Excluded Scheduled Principal Amounts**) payable by the Issuer following service of an Issuer Acceleration Notice but including such amounts (whenever the same arose) following service of a Covered Bond Guarantee Acceleration Notice) as if the Covered Bonds had not become due and repayable prior to their Final Maturity Date or, if the Final Terms specify that an Extended Due for Payment Date is applicable to the relevant Covered Bonds, as if the maturity date of the Covered Bonds had been the Extended Due for Payment Date unless any additional amounts the issuer would be obliged to pay as a result of any gross-up due to any withholding or deduction made under the circumstances set out in Condition 7 of the Programme Conditions or Condition 7 of the N Covered Bond Conditions.

**SEC** means the United States Securities and Exchange Commission.

**Secured Creditors** means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Covered Bond Guarantor (in its own capacity), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Couponholders, the Issuer, the Seller, the Servicer, the Intercompany Note Subscriber, each Intercompany Noteholder, the Demand Note Subscriber, each Demand Noteholder, the Account Bank, the Swap Providers, the Trust Manager, the Cover Pool Monitor, the Agents and any other person who becomes a Secured Creditor pursuant to the Security Deed, and each a **Secured Creditor**.

**Secured Obligations** means all amounts (whether actual or contingent, present or future) which at any time for any reason or circumstance in connection with any Programme Document that relates to, or applies to, the Trust or the Security Deed or any transactions contemplated by any of them (insofar as such transactions relate to, or apply to, the Trust), whatsoever whether at law, in equity, under statute or otherwise:

(a) are payable, are owing but not currently payable, are contingently

owing, or remain unpaid by the Covered Bond Guarantor to the Security Trustee on its own account or for the account of the Secured Creditors or to any Secured Creditor or to any Receiver;

- (b) have been advanced or paid by the Security Trustee on its own account or for the account of the Secured Creditors or by any Secured Creditor:
  - (i) at the express request of the Covered Bond Guarantor; and
  - (ii) on behalf of the Covered Bond Guarantor;
- (c) which the Security Trustee on its own account or for the account of the Secured Creditors or any Secured Creditor is liable to pay by reason of any act or omission of the Covered Bond Guarantor or has paid or advanced in the protection or maintenance of the Charged Property or the Security and the charge created by the Security Deed following an act or omission by the Covered Bond Guarantor; or
- (d) are reasonably foreseeable as likely, after that time, to fall within any of paragraphs (a), (b) or (c) above,

and references to Secured Obligations includes references to any of them but excludes Liability Payments.

This definition applies:

- (i) irrespective of the capacity in which the Covered Bond Guarantor, the Security Trustee or any Secured Creditor became entitled or is liable in respect of the amount concerned;
- (ii) whether the Covered Bond Guarantor, the Security Trustee or any Secured Creditor is liable as principal debtor or surety or otherwise;
- (iii) whether the Covered Bond Guarantor is liable alone or jointly, or jointly and severally with another person;
- (iv) whether the Security Trustee or any Secured Creditor is the original obligee or an assignee or a transferee of the Secured Obligations and whether or not:
  - (A) the assignment or transfer took place before or after the delivery of the Security Deed; or
  - (B) the Covered Bond Guarantor consented to or was aware of the assignment or transfer; or
  - (C) the assigned or transferred obligation was secured; or
- (v) whether the Security Trustee or any Secured Creditor is the original Security Trustee or an original Secured Creditor or an assignee or a transferee of the original Security Trustee or an original Secured Creditor, and whether or not the Covered Bond Guarantor consented to or was aware of the assignment or transfer.

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| <b>Securities Act</b>                               | means the United States Securities Act of 1933, as amended.  |
| <b>Security</b>                                     | means the Security Interests over the Charged Property granted pursuant to the Security Deed.  |
| <b>Security Deed</b>                                | means the security deed dated on 10 November 2011 (such security deed as amended and/or supplemented and/or restated from time to time) and made between, among others, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.  |
| <b>Security Interest</b>                            | means any mortgage, security interest, charge, encumbrance, pledge, lien, hypothecation, assignment by way of security or other security interest or title retention arrangement and any agreement, trust or arrangement having substantially the same economic or financial effect as any of the foregoing (other than a lien arising in the ordinary course of business or by operation of law). |
| <b>Security Trust</b>                               | means the trust formed under the Security Deed.  |
| <b>Security Trustee</b>                             | means P.T. Limited ABN 67 004 454 666, in its capacity as security trustee under the Establishment Deed and the Security Deed together with any additional security trustee appointed from time to time in accordance with the terms of the Security Deed.   |
| <b>Selected Mortgage Loan Extinguishment Notice</b> | means a notice from the Covered Bond Guarantor served on the Seller offering to extinguish its interest in, or transfer, Selected Mortgage Loans and the Related Security in favour of, or to, the Seller.   |
| <b>Selected Mortgage Loans</b>                      | means Mortgage Loans and the Related Security the Covered Bond Guarantor's interest in which is to be extinguished in favour of the Seller, or transferred to the Seller, pursuant to the terms of the Establishment Deed having in aggregate the Required Current Principal Balance Amount.   |
| <b>Selection Date</b>                               | has the meaning given to it in Condition 6(c) of the Programme Conditions.   |
| <b>Seller</b>                                       | means nab in its capacity as seller pursuant to the Mortgage Sale Agreement.   |
| <b>Seller's Power of Attorney</b>                   | has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of Title to the Mortgage Loans to the Covered Bond Guarantor</i> " in this Prospectus.   |
| <b>Seller Trust</b>                                 | has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Seller Trust</i> " of this Prospectus.  |
| <b>Seller Trustee</b>                               | means, in respect of a Seller Trust, the Covered Bond Guarantor as bare trustee of that Seller Trust.  |
| <b>Seller Trust Assets</b>                          | has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Seller Trust</i> " of this Prospectus.  |
| <b>Senior Demand Note Component</b>                 | has the meaning given to it in the section " <i>Summary of the Principal Documents – Demand Note Subscription Agreement</i> " of this Prospectus.  |



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| <b>Series</b>                     | means (i) with respect to N Covered Bonds, each N Covered Bond made out in the name of a Specific N Covered Bondholder and (ii) in any other case, a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: <ul style="list-style-type: none"> <li>(a) expressed to be consolidated and form a single series; and</li> <li>(b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.</li> </ul>  |
| <b>Series Reserved Matter</b>     | has the meaning given to it in Condition 14 of the Programme Conditions.   |
| <b>Servicer</b>                   | means nab, or any other person from time to time appointed to perform the role of servicer under the Servicing Agreement.  |
| <b>Servicer Termination Event</b> | has the meaning given to it in the section " <i>Summary of the Principal Documents – Servicing Agreement – Removal or resignation of the Servicer</i> " of this Prospectus.  |
| <b>Services</b>                   | means the services which the Servicer agrees to provide in accordance with the Servicing Agreement.  |
| <b>Servicing Agreement</b>        | means the servicing agreement entered into on 11 November 2011, between the Covered Bond Guarantor, the Trust Manager, the Servicer and the Security Trustee.  |
| <b>Servicing Procedures</b>       | means the guidelines relating to the servicing and collection procedures (including enforcement) as agreed by the Trust Manager, the Seller and the Servicer and provided to the Covered Bond Guarantor (as such guidelines may be amended by the Trust Manager and Servicer from time to time in accordance with the Servicing Agreement).  |
| <b>SIBOR</b>                      | has the meaning given to it in Condition 4(b)(ii)(A)(3) of the Programme Conditions.   |
| <b>Specified Currency</b>         | means subject to any applicable legal or regulatory restrictions, Australian Dollars, Euro, Sterling, U.S. dollars, Yen, Swiss Franc and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the Applicable Final Terms.  |
| <b>Specified Denomination</b>     | means in respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the Applicable Final Terms.  |
| <b>Specified Time</b>             | means 11.00 am (London time, in the case of determination of LIBOR or Brussels time, in the case of determination of EURIBOR or Hong Kong time, in the case of determination of HIBOR, or Singapore time, in the case of determination SIBOR), 10.30 a.m. (Sydney time, in the case of determination of BBSW), 10.00 a.m. (Toronto time in the case of determination BA-CDOR), 10.45 a.m. (Auckland time in the case of determination of BKBM) or as at 12.00 a.m. (Oslo time in the case of determination of NIBOR) or as specified |

in the Applicable Final Terms.

**Stock Exchange**

means the Luxembourg Stock Exchange or any other or further stock exchange(s) on which any Covered Bonds may from time to time be listed or admitted to trading and references to the relevant Stock Exchange will, in relation to any Covered Bonds, be references to the Stock Exchange on which such Covered Bonds are, from time to time, or are intended to be, listed or admitted to trading.

**Subsidiary**

has the meaning given in the Corporations Act.

**Substitute Servicer**

at any given time means the entity then appointed as Servicer in accordance with the Servicing Agreement.

**Substituted Debtor**

has the meaning given to it in Condition 14 of the Programme Conditions.

**Substitution Assets**

means:

- (a) Australian Dollar bank accepted bills and certificates of deposit held with a Qualified Institution, with a remaining period to maturity of 100 days or less, provided that such Qualified Institution accepted bills and certificates of deposit are not issued by nab and satisfy the requirements for eligible assets that may collateralise covered bonds in accordance with RBA repo eligibility requirements (if any);
- (b) Australian Dollar at call deposits held with a Qualified Institution and convertible into cash within two AU Business Days;
- (c) Australian Dollar denominated bonds, notes, debentures or other instruments issued or guaranteed by the Commonwealth of Australia or an Australian state or territory provided that such investments have certain minimum long-term and short-term ratings which will be at least:
  - (i) for so long as Moody's is rating the Covered Bonds, A2 or P-1 for exposures maturing within 30 days, Aa3 and P-1 for exposures maturing between 30 days and 365 days and Aaa and P-1 for exposures maturing after 365 days; and
  - (ii) for so long as Fitch is rating the Covered Bonds, AA- or F1+ for exposures maturing within 365 days and AAA (or the highest rating of the Covered Bonds then on issue) for exposures maturing after 365 days; and
- (d) any other asset of a kind prescribed in section 31(1) of the Australian Banking Act or by regulations for the purposes of section 31(1)(i) of the Australian Banking Act in respect of which the Issuer has issued a Rating Affirmation Notice.

**sub-unit**

has the meaning given to it in Condition 4(a) of the Programme Conditions.

**Swap Agreements**

means the Interest Rate Swap Agreement and the Covered Bond Swap Agreements and each, a **Swap Agreement**.

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| <b>Swap Agreement Credit Support Document</b> | means a credit support document entered into between the Covered Bond Guarantor and a Swap Provider in the form of the ISDA 1995 Credit Support Annex (Bilateral Form - Transfer) published by ISDA.  |
| <b>Swap Collateral</b>                        | means at any time, an amount of cash which is paid or transferred by a Swap Provider to the Covered Bond Guarantor as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such cash.  |
| <b>Swap Collateral Account Mandate</b>        | means the resolutions, instructions and signature authorities relating to the Swap Collateral Cash Accounts.  |
| <b>Swap Collateral Cash Account</b>           | means the account in the name of the Covered Bond Guarantor held with the Account Bank and maintained subject to the terms of the Account Bank Agreement and the relevant Swap Agreement Credit Support Document into which cash is deposited by a Swap Provider as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement.  |
| <b>Swap Collateral Excluded Amounts</b>       | means at any time, the amount of Swap Collateral which may not be applied under the terms of the relevant Swap Agreement at that time in satisfaction of the relevant Swap Provider's obligations to the Covered Bond Guarantor, including Swap Collateral, which is to be returned to the relevant Swap Provider from time to time in accordance with the terms of the Swap Agreements and ultimately upon termination of the relevant Swap Agreement. |
| <b>Swap Master Agreement</b>                  | means each agreement between the Covered Bond Guarantor, the Trust Manager, a Swap Provider and the Security Trustee governing Swaps entered into with such Swap Provider in the form of an ISDA 2002 Master Agreement, as published by ISDA, including the schedule thereto, and any relevant Swap Agreement Credit Support Document.  |
| <b>Swap Provider Default</b>                  | means, in relation to a Swap Agreement, the occurrence of an Event of Default or Termination Event (each as defined in such Swap Agreement) where the relevant Swap Provider is the Defaulting Party or sole the Affected Party (as defined in such Swap Agreement), as applicable, other than a Swap Provider Downgrade Event.   |
| <b>Swap Provider Downgrade Event</b>          | means, in relation to a Swap Agreement, the occurrence of an Additional Termination Event (as defined in such Swap Agreement) following a failure by the relevant Swap Provider to comply with the requirements of the ratings downgrade provisions set out in such Swap Agreement.   |
| <b>Swap Providers</b>                         | means the Interest Rate Swap Provider and the Covered Bond Swap Providers, and each a <b>Swap Provider</b> .  |
| <b>Swaps</b>                                  | means the Interest Rate Swap and the Covered Bond Swaps and each, a <b>Swap</b> .   |
| <b>Talons</b>                                 | means, if indicated in the Applicable Final Terms, talons for further Coupons on interest-bearing Bearer Definitive Covered Bonds.  |

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| <b>TARGET2 System</b>                       | has the meaning given to it in Condition 4(b)(i) of the Programme Conditions and/or, in the case of an N Covered Bond, the meaning given to it in Condition 4.4 of the relevant N Covered Bond Conditions (if applicable).  |
| <b>Taxes</b>                                | mean all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including income tax, corporation tax, GST or other tax in respect of added value, stamp duties, and any franchise, transfer, sales, gross receipts, use, business, occupation, excise, personal property, real property or other tax imposed by any national, local or supranational taxing or fiscal authority or agency together with any penalties, fines or interest thereon and <b>Tax</b> or <b>Taxation</b> is to be construed accordingly.                             |
| <b>Tax Act</b>                              | means the means the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as applicable.   |
| <b>Tax Authority</b>                        | means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world including the Australian Taxation Office.  |
| <b>Tax Consolidated Group</b>               | means a consolidated group or an MEC group (each as defined in the Tax Act).  |
| <b>Tax Sharing Agreement</b>                | means a tax sharing agreement which complies with the requirements set out in Part 3-90 of the Tax Act and any relevant regulations, and which is in accordance with any guidelines published by the Commissioner of Taxation concerning what is a reasonable allocation of the total amount of the Group Tax Liability of a Tax Consolidated Group among certain members of that group, or is otherwise accepted by the Commissioner of Taxation as being such a reasonable allocation.  |
| <b>Tax Resident in Australia</b>            | means resident in Australia for the purposes of the Tax Act.  |
| <b>Temporary Bearer Global Covered Bond</b> | means a temporary bearer global covered bond in the form or substantially in the form set out in Part 1 of schedule 2 to the Bond Trust Deed together with the copy of the Applicable Final Terms annexed thereto with such modifications (if any) as may be agreed between the Issuer, the Principal Paying Agent, the Bond Trustee and the relevant Dealer(s), comprising some or all of the Covered Bonds of the same series, issued by the Issuer pursuant to the Programme Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Agency Agreement and the Bond Trust Deed. |
| <b>Third Party Amounts</b>                  | means any of the following amounts which are identified by the Seller and notified to the Trust Manager and Covered Bond Guarantor in respect of: <ul style="list-style-type: none"> <li>(a) payments by a Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and</li> <li>(b) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service (including giving insurance cover) to any of that Borrower or the Seller or the Covered Bond Guarantor,</li> </ul>  |

which amounts may be paid daily from moneys on deposit in the GIC Account. It does not, for the avoidance of doubt, include interest payable on the Mortgage Loans.

**Title Documents**

in respect of a Mortgage Loan, includes the original of:

- (a) the certificate or other indicia of title (if any) in respect of the relevant Property;
- (b) any valuation report obtained in connection with the Mortgage Loan;
- (c) any deed of priority or similar document entered into in connection with that Mortgage Loan;
- (d) the relevant Mortgage Conditions;
- (e) all other documents required to evidence the interest of the lender of record in the relevant Property;
- (f) all other documents specified as such in the relevant New Mortgage Loan Portfolio Notice,

as applicable.

**Title Penalty Payment**

in relation to a Mortgage Loan and Related Security means:

- (a) any civil or criminal penalty incurred by the Covered Bond Guarantor in relation to a breach of Section 11A or Section 11B of the Land Title Act;
- (b) any money ordered by a court or other judicial body to be paid by the Covered Bond Guarantor in relation to any claim against the Covered Bond Guarantor under Section 11A or Section 11B of the Land Title Act; or
- (c) a payment by the Covered Bond Guarantor in settlement of a liability or alleged liability relating to a breach of Section 11A or Section 11B of the Land Title Act,

in each case in respect of a Mortgage Loan and Related Security and includes any legal costs incurred by the Covered Bond Guarantor or which the Covered Bond Guarantor is ordered by a court or other judicial body to pay in connection with paragraphs (a) through (c) above.

**Title Perfection Event**

has the meaning given to it in the section "*Summary of the Principal Documents – Mortgage Sale Agreement – Transfer of Title to the Mortgage Loans to the Covered Bond Guarantor*" of this Prospectus.

**Total Demand Note Commitment**

means an amount as set out in the Demand Note Subscription Agreement, as may be increased or decreased from time to time in accordance with the Demand Note Subscription Agreement.

**Total Intercompany Note Commitment**

means an amount as set out in the Intercompany Note Subscription Agreement, as may be increased or decreased from time to time in accordance with the

Intercompany Note Subscription Agreement.

|  |  |
|--|--|
| <b>Tranche</b>                         | means Covered Bonds (other than N Covered Bonds) which are identical in all respects (including as to listing).  |
| <b>Transaction Accounts</b>            | means the accounts (other than the GIC Account) as may for the time being be in place with the prior consent of the Security Trustee and designated as such and <b>Transaction Account</b> will denote any one of the Transaction Accounts.  |
| <b>Transaction Party</b>               | means any person who is a party to a Programme Document and <b>Transaction Parties</b> means some or all of them.  |
| <b>Transfer Agent</b>                  | means Deutsche Bank Trust Company Americas, or any other person from time to time appointed to perform the role of transfer agent under the Principal Agency Agreement.  |
| <b>Transfer Certificate</b>            | has the meaning given to it in Condition 2(f) of the Programme Conditions.   |
| <b>Transfer Date</b>                   | means the date on which the Seller, subject to the fulfilment of certain conditions, sells a New Mortgage Loan Portfolio to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement.   |
| <b>Treaty</b>                          | has the meaning given to it in Condition 5(j) of the Programme Conditions.   |
| <b>Trust</b>                           | means the trust known as the "nab Covered Bond Trust" formed under the Establishment Deed.   |
| <b>Trust Accounts</b>                  | means each of the Transaction Accounts, the GIC Account, the Swap Collateral Cash Account or any other applicable currency transaction account held by the Covered Bond Guarantor with the Account Bank.   |
| <b>Trust Corporation</b>               | means a corporation (as defined in the Law of Property Act 1925 (UK)) or a corporation entitled to act as trustee pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction.  |
| <b>Trust Manager</b>                   | means nab, or any other person from time to time appointed to perform the role of trust manager under the Management Agreement.  |
| <b>Trust Manager Termination Event</b> | means an the occurrence of any of the following events: <ul style="list-style-type: none"><li>(a) the Trust Manager fails to make any payment it is required to make (including on behalf of the Covered Bond Guarantor) under the Management Agreement or any of the other Programme Documents and such failure is not remedied within a period of five AU Business Days after the date on which the Trust Manager is notified, or otherwise becomes aware, of the failure;</li><li>(b) the Trust Manager fails to comply with any of its other obligations under the Management Agreement or any of the other Programme Documents, which the Security Trustee considers acting on the directions of (for so long as there are any Covered Bonds outstanding) the Bond Trustee or (where no Covered Bonds are outstanding) the Majority Secured Creditors, is materially prejudicial to the Covered Bondholders and such failure is not remedied or waived within a</li></ul> |

period of 20 AU Business Days after the Trust Manager is notified, or otherwise becomes aware, of the failure; or

(c) an Insolvency Event occurs in relation to the Trust Manager.

**Trust Management Services**

has the meaning given to it in the Management Agreement.

**Trust Payment Date**

means the 15th day of each calendar month or, if such day is not a Business Day, the next Business Day.

**Trust Payment Period**

means the period from (and including) a Trust Payment Date (or the first Transfer Date in the case of the first Trust Payment Period) to (but excluding) the next Trust Payment Date.

**Unit**

means, in respect of the Trust, the Residual Income Unit and each Residual Capital Unit in that Trust.

**Unitholder**

means each person registered as the holder of a Unit in the Trust in the Instrument Register.

**Unlegended Covered Bonds**

means those of the Registered Covered Bonds which are not Legended Covered Bonds.

**Unpaid Interest**

means in relation to an Offset Mortgage Loan, the amount of interest which would, but for the offset arrangement in the Offset Mortgage Loan, have been payable in respect of the relevant Mortgage Loan on the relevant Scheduled Payment Date for such Mortgage Loan.

**US\$ or U.S. dollars**

means the lawful currency for the time being of the United States of America.

**U.S. Paying Agent**

means Deutsche Bank Trust Company Americas or any other person from time to time appointed to perform the role of U.S. paying agent under the Principal Agency Agreement.

**Vesting Date**

means, in relation to the Trust, the earliest of:

- (a) the day preceding the eightieth anniversary of the date upon which the Trust was established;
- (b) the date upon which the Trust terminates by operation of law or in accordance with the Establishment Deed; and
- (c) following the occurrence of a Covered Bond Guarantor Event of Default, the date on which the Security Trustee has notified the Covered Bond Guarantor in writing that it has enforced the Security and has distributed all of the amounts which it is required to distribute under the Security Deed.

**Written Resolution**

means a written resolution of Covered Bondholders passed as such under the terms of the Bond Trust Deed.

**Yield Shortfall**

has the meaning given to it the section "*Summary of the Principal Documents – Servicing Agreement – Yield Shortfall Test*" of this Prospectus.

|                                  |   |
|----------------------------------|---|
| <b>Yield Shortfall Test</b>      | has the meaning given to it in the section " <i>Summary of the Principal Documents – Servicing Agreement – Yield Shortfall Test</i> " of this Prospectus. |
| <b>Zero Coupon Covered Bonds</b> | means Covered Bonds which will be offered and sold at a discount to their nominal amount and which will not bear interest.                                |



**ISSUER**

**National Australia Bank Limited**

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Australia

**COVERED BOND GUARANTOR**

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Australia

**TRUST MANAGER**

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Melbourne Victoria 3000  
Australia

**CO-ARRANGERS**

**National Australia Bank Limited**

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**Deutsche Bank Aktiengesellschaft**

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60272 Frankfurt am Main Germany

**DEALERS**

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**Deutsche Bank Aktiengesellschaft**

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United Kingdom

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United States

**Citigroup Global Markets Inc.**

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United Kingdom

**HSBC France**

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France

**Merrill Lynch International**

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United Kingdom

**Morgan Stanley & Co. International plc**

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United Kingdom

**The Royal Bank of Scotland plc**

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United Kingdom

**RBC Capital Markets, LLC**

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**SECURITY TRUSTEE****P.T. Limited**

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**Goldman, Sachs & Co.**

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**Merrill Lynch, Pierce, Fenner & Smith  
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United States

**RBC Europe Limited**

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London EC4R 3BF  
United Kingdom

**BOND TRUSTEE****Deutsche Trustee Company Limited**

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1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**LISTING AGENT****Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-115 Luxembourg

**REGISTRAR AND TRANSFER AGENT**  
**Deutsche Bank Trust Company Americas**

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Andrew Place  
Santa Ana  
California 92705  
United States

**A\$ REGISTRAR**  
**Austraclear Services Limited**

20 Bridge Street  
Sydney NSW 2000  
Australia

**N COVERED BOND PAYING AGENT AND N COVERED BOND REGISTRAR**  
**Deutsche Bank AG, Frankfurt**

Grosse Gallusstrasse 10-14, 60272,  
Frankfurt am Main,  
Germany

**PRINCIPAL PAYING AGENT AND EXCHANGE AGENT**  
**Deutsche Bank A.G., London Branch**

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**COVER POOL MONITOR**

**Ernst & Young**  
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**LEGAL ADVISERS**

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Australia

*To the Co-Arrangers as to Australian law and English law*

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*To the Co-Arrangers as to U.S. Law*

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