



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.

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 the 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 any other terms and conditions not contained herein which are applicable to each Series (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, the applications for registration under the CRA Regulation of Fitch Ratings Limited and Moody's Investors Service Ltd, which are established in the European Union and are registered under the CRA Regulation (and, as such are included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with such Regulation), disclosed the intention to endorse credit ratings of Fitch and Moody's, respectively. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012). 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

Dealers for the Programme

The date of this Prospectus is 15 November 2011

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) 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 (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; (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 U.S. Internal Revenue Code and the regulations 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 Treasury Regulation 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*).

TABLE OF CONTENTS

Notice to U.S. Investors.....	6
Notice to New Hampshire Residents.....	6
Available Information	6
Principal Characteristics of the Programme	10
Documents Incorporated by Reference	12
Structure Overview.....	14
General Description of the Programme	21
Risk Factors	31
Form of the Covered Bonds	71
Form of Final Terms in respect of Covered Bonds to be Issued under the Programme.....	75
Conditions of the Covered Bonds.....	100
Use of Proceeds	150
National Australia Bank Limited.....	151
The nab Covered Bond Trust	158
National Australia Bank Limited Residential Mortgage Loan Origination.....	161
Summary of the Principal Documents.....	167
Credit Structure	210
Cashflows	214
The Mortgage Loan Portfolio	230
Description of the Covered Bond Provisions of the Australian Banking Act	231
Book-Entry Clearance Systems	234
Taxation.....	239
Exchange Controls and Limitations	257
Subscription and Sale and Transfer and Selling Restrictions	259
ERISA Considerations.....	270
General Information	272
Glossary	276

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*".

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.
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, as trustee of the nab Covered Bond Trust.
Nature of eligible property:	Residential Mortgage Loans and the Related Security, Substitution Assets and Authorised Investments.
Location of eligible residential property securing Mortgage Loans:	Australia.
Maximum Asset Percentage:	95%.
Asset Coverage Test:	Yes, see " <i>Credit Structure</i> " and " <i>Summary of the Principal Documents – the Establishment Deed – Asset Coverage Test</i> ".
Amortisation Test:	Yes, see " <i>Credit Structure</i> " and " <i>Summary of the Principal Documents – the Establishment Deed – Amortisation Test</i> ".
Legislated Collateralisation Test:	Yes, see " <i>Structure Overview – Structure Overview – Legislated Collateralisation Test</i> ."
Pre-Maturity Test:	Yes, see " <i>Credit Structure– Pre-Maturity Test</i> ".
Reserve Fund:	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.
Extendable Maturities:	Available.
Hard Bullet Maturities:	Available.
Cover Pool Monitor:	Ernst & Young, having an office at 8 Exhibition Street, Melbourne VIC 3000, Australia.
Asset Segregation:	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.

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 the 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.

Option to issue

Namensschuldverschreibungen:

Subject to the consent of the Bond Trustee (which must be given if certain conditions are met), the Issuer may amend the Programme to allow for the issue of registered bonds in the form of German law governed *Namensschuldverschreibungen* (**N Covered Bonds**). N Covered Bonds will not be listed on any stock exchange and the certificate evidencing the N Covered Bonds will be kept in the custody of the custodian of the N Covered Bonds. N Covered Bonds will rank *pari passu* with all other Covered Bonds and, upon entry of the N Covered Bondholder into an accession agreement to the Bond Trust Deed, all payments of principal and interest payable under the N Covered Bonds will be guaranteed by the Covered Bond Guarantor pursuant to the terms of the Covered Bond Guarantee.

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 in, and form part of, this Prospectus:

- (a) nab's Annual Financial Reports for the financial years ended 30 September 2010 (**2010 nab Annual Report**) and 30 September 2011 (**2011 nab Annual Report**), and together with the 2010 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 2010 and 30 September 2011); and
- (b) nab's Luxembourg Transparency Law - Annual Financial Report dated 14 November 2011, pages 2-6.

Any statement contained herein or in a document and/or information which is incorporated by reference herein will be modified or superseded for the purpose of the Prospectus to the extent that a statement contained in any such subsequent document and/or information which is incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided that such modifying or superseding statement is made by way of supplement to the Prospectus pursuant to Article 16 of the Prospectus Directive.

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.

The Covered Bond Guarantor has not produced any financial statements as at the date of this Prospectus.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus inaccurate or misleading, or in the event of any material mistake or inaccuracy which is capable of affecting the assessment of any Covered Bonds, a supplement to this Prospectus or a new Prospectus will be prepared for use in connection with any subsequent issue of Covered Bonds.

Cross Reference Table

Balance Sheet	2010 nab Annual Report Page 52
	2011 nab Annual Report Page 58
Income Statement	2010 nab Annual Report Page 50
	2011 nab Annual Report Page 56
Cash Flow Statement	2010 nab Annual Report Page 53

	2011 nab Annual Report Page 59
Accounting Policies and Explanatory Notes (in each case referred to as the "Notes to and forming part of the Financial Statements")	2010 nab Annual Report Pages 56 to 151 2011 nab Annual Report Page 62-160
Auditor's Report	2010 nab Annual Report Page 153 to 154 2011 nab Annual Report Page 162-163
Legal and Arbitration Proceedings	2010 nab Annual Report Page 119 to 120 2011 nab Annual Report Page 122-123

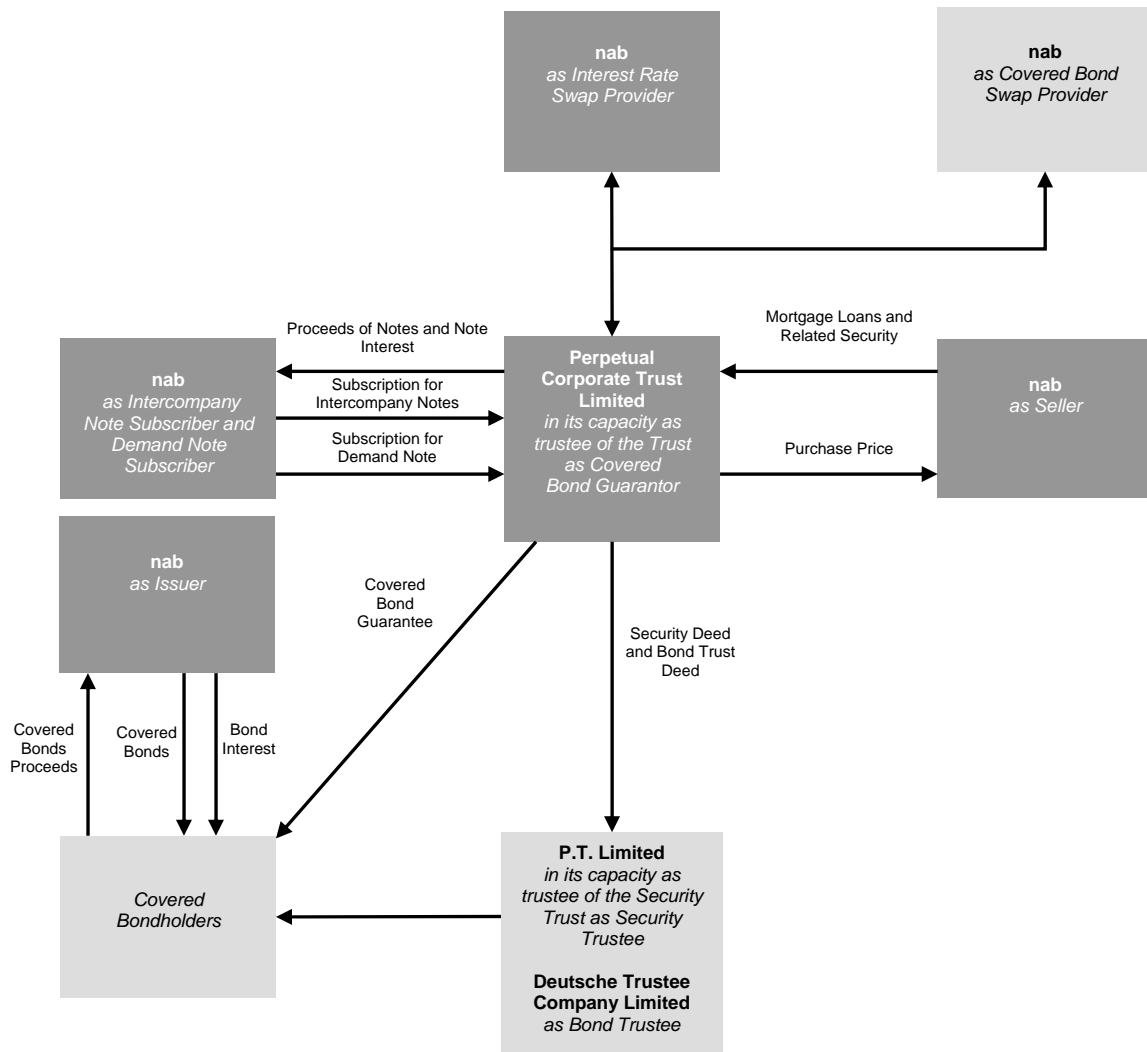
Any information not listed in the cross reference table but included in the documents is given for information purposes only.

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 does 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, Receiptholders 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) 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.

The Trust:	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.
Initial Residual Capital Unitholder:	nab.
Initial Residual Income Unitholder:	nab.
Trust Manager:	nab.
Seller:	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.
Servicer:	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.
Principal Paying Agent and Exchange Agent:	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.
Transfer Agent and Registrar:	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.
A\$ Registrar:	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.
Bond Trustee:	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, Receiptholders 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, Receiptholders and the Couponholders pursuant to the Bond Trust Deed.
Security Trustee:	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.

Cover Pool Monitor:	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.
Covered Bond Swap Providers:	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).
Interest Rate Swap Provider:	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.
Account Bank:	nab has been appointed the initial Account Bank to the Covered Bond Guarantor pursuant to the terms of the Account Bank Agreement.
Programme Description:	Global Covered Bond Programme.
Co-Arrangers:	nab and Deutsche Bank Aktiengesellschaft in respect of any issuance of Covered Bonds.
Dealers:	<p>In respect of any issuance of Covered Bonds (other than Rule 144A Covered Bonds), nab, Deutsche Bank Aktiengesellschaft 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.</p> <p>In respect of any issuance of Rule 144A Covered Bonds, nabSecurities, LLC, Deutsche Bank Aktiengesellschaft 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.</p>

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 " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " 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 " <i>Subscription and Sale and Transfer and Selling Restrictions</i> " 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:	<p>The Covered Bonds will be issued in bearer or registered form as described in the section of this Prospectus entitled "<i>Form of the Covered Bonds</i>" below. Registered Covered Bonds and AS Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and <i>vice versa</i>.</p> <p>Interest on Covered Bonds in bearer form will only be payable outside the United States and its possessions.</p> <p>Covered Bonds may be Fixed Rate Covered Bonds, Floating Rate Covered Bonds, Zero Coupon Covered Bonds, Dual Currency Interest Covered Bonds, Dual Currency Redemption Covered Bonds, Partly Paid Covered Bonds or a combination of any of the foregoing, depending on the Applicable Final Terms, and subject, in each case, to issuance of a Rating Affirmation Notice by the Issuer.</p>

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:	<p>Floating Rate Covered Bonds will bear interest at a rate determined:</p> <ul style="list-style-type: none"> (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), <p>in each case as set out in the Applicable Final Terms.</p> <p>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.</p>
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.
Dual Currency Covered Bonds:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Covered Bonds will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as set out in the Applicable 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.
Partly-Paid Covered Bonds:	Covered Bonds may be issued on a partly-paid basis in which case interest will accrue on the paid-up nominal amount of such Covered Bonds or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as set out 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.

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. If any such deduction or withholding is made by the Issuer, the Issuer will, only in the limited circumstances provided in Condition 7, 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. 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. 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.

Unless otherwise disclosed in such Final Terms, each credit rating applied for in relation to a Series of Covered Bonds will be issued by a credit rating agency which has not applied for registration under the CRA Regulation. However, the applications for registration under the CRA Regulation of Fitch Ratings Limited and Moody's Investors Service Ltd, which are established in the European Union and are registered under the CRA Regulation (and, as such are included in the list of credit rating agencies published by ESMA on its website in accordance with such Regulation), disclosed the intention to endorse credit ratings of Fitch and Moody's, respectively. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).

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, unless the credit rating is provided by a European Entity which has submitted an

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 the 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.

Governing Law:

The Programme Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and will be 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), the Receipts, 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).

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*".

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 three main sections – General Risk Factors, Risk Factors relating to the Issuer and Risk Factors relating to the Covered Bond Guarantor.

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.

General Risk Factors

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 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) 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 does not include the assets in a Cover Pool.

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.

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 nab 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.

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.

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, Receiptholder 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, Receiptholder 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 Receipts, the Coupons or the Security.

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:

- nab (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.

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, Receiptholders 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, Receiptholder 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, Receiptholders or Couponholders, except to the extent already provided for in Condition 7.

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.

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 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) 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 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.

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.

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 nab 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 nab 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, the applications for registration under the CRA Regulation of Fitch Ratings Ltd and Moody's Investors Service Ltd, which are established in the European Union and are registered under the CRA Regulation (and, as such are included in the list of credit rating agencies published by ESMA on its website in accordance with such Regulation), disclosed the intention to endorse credit ratings of Fitch and Moody's, respectively. While notification of the final corresponding endorsement decision has not yet been provided by the relevant competent authority, ESMA has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).

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 cooperation 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.

Each potential investor in the Covered Bonds must determine the suitability of that 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.

Some 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.

Covered Bonds not in physical form

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.

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, Receiptholders 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, Receiptholders 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.

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, the Australian Prudential Regulation Authority (**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 which is held by the Covered Bond Guarantor to the extent that, at the time the direction is given, that asset 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 the Issuer determines and notifies the Covered Bond Guarantor and the Trust Manager that 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 held by it 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, Receiptholders and Couponholders under the applicable Priority of Payments.

The formulation of this power gives rise to some issues.

Firstly, assets owned by the Covered Bond Guarantor as trustee of the Trust are not specifically referable to the various liabilities of the Covered Bond Guarantor. A charge is granted by the Covered Bond Guarantor over the assets in the Trust to the Security Trustee in order to secure all of the obligations of the Covered Bond Guarantor, including (amongst other things) under the Covered Bond Guarantee and the Demand Note. Accordingly, it is difficult to foresee how a direction under this power will be practically implemented.

Further, there is a risk that the relevant provisions of the Australian Banking Act give APRA wide discretion in exercising this power to identify the assets referable to certain liabilities. There is a potential for APRA to seek the most creditworthy assets, when giving any such direction, rather than taking a representative cross section of the Asset Pool. This could result in the remaining assets in the Asset Pool being of lesser quality than they otherwise would have been.

Finally, the basis upon which APRA would value such assets in exercising this power is not set out in the Australian Banking Act. There is a potential for APRA to attribute a value less than the best price reasonably available in the market or the principal outstanding of the relevant Mortgage Loan to any such asset and accordingly, in effect direct the return to the Issuer of a larger proportion of the Asset Pool.

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.

Accordingly, 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 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.

APRA's intention to introduce a Covered Bond prudential standard

On 8 November 2011, APRA released a discussion paper and a draft prudential standard (Prudential Standard APS 121 Covered Bonds). The discussion paper and the standard set out the proposed prudential requirements to apply to ADIs in relation to any covered bonds issued by them and their capital treatment. APRA has indicated that, following a consultation process, it intends to issue a final version of the prudential standard by early 2012 with a view to implementation in early 2012. APRA has also clarified that this timetable does not prevent an ADI from issuing covered bonds prior to the finalisation of the prudential standard. If there are material differences between the final version of the prudential standard to be introduced in early 2012 and the draft prudential standard that was released, the Issuer may be required to amend its Programme in order to satisfy, comply with or obtain the benefit of that standard. Refer to "*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*" as regards to the rights of the Issuer to effect amendments to the Programme and the Programme Documents without the consent of Covered Bondholders or other Secured Creditors.

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 Receiptholders and/or the 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 Receipts and/or 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 Receiptholders and/or the 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 Receipts and/or 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 Receipts and/or 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 Receipts and/or 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; (d) enable N Covered Bonds to be issued under the Programme if certain conditions are met (including written certification from the Issuer to the Bond Trustee and the Security Trustee that in the opinion of the Issuer the requested amendments are not materially prejudicial to the interests of any Covered Bondholders or any Secured Creditor); or (e) 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 (f) 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.

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 Receipts or 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.

Legal investment considerations may restrict certain investments

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.

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 will be 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 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 has 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.

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, nab 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.

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.

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.

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. 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, 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.

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.

Risk Factors related to the structure of a particular issue of 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.

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.

Dual Currency Redemption Covered Bonds and Dual Currency Interest Covered Bonds

The Issuer may issue Covered Bonds with principal and/or interest payable in one or more currencies which may be different from the currency in which the Covered Bonds are denominated. Potential investors should be aware that:

- the market price of such Covered Bonds may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency from that expected; and
- they may lose all or a substantial portion of their principal.

Partly-paid Covered Bonds

The Issuer may issue Covered Bonds where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable Interest Covered Bonds with a multiplier or other leverage factor

Covered Bonds with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

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, Receiptholders 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, Receiptholders or Couponholders in respect of the Covered Bonds and may affect the market value of those Covered Bonds.

Risk Factors Which Are Material For The Purpose Of Assessing The Market Risks Associated With Covered Bonds Issued Under The Programme

Risk factors relating to the Issuer, including the ability of the Issuer to fulfil its obligations under the Covered Bonds

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.

General economic activity

The business activities of nab (as Issuer and Seller) are dependent on the level of banking, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economy and market interest rates at the time. As nab conducts its businesses in various locations its performance is influenced by the level and cyclical nature of business activity in those locations, which is, in turn, affected by both domestic and international economic and political events. There can be no assurance that a weakening in the economies in which nab operates will not have a material effect on its future results.

Risks related to the business of nab

As a result of its business activities, nab (as Issuer and Seller) is exposed to a variety of risks, the most significant of which are credit risk, market risk, operational risk, liquidity risk and the impact of regulatory changes. Failure to control these risks could result in material adverse effects on the financial performance and reputation of nab.

Credit risk

Credit risk is the potential that a counterparty or customer will fail to meet its obligations to nab in accordance with agreed terms. Bank lending activities account for most of nab's credit risk. However, other sources of credit risk also exist throughout the activities of nab. 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 nab to the increased risk that those customers will fail to meet their obligations in accordance with agreed terms. Major sub-segments within nab's portfolio include households and businesses and specifically residential loan borrowers and commercial real estate borrowers. A significant downturn in either the housing markets or the commercial real estate markets in any of the economies in which the major businesses of nab operate could have an adverse impact on the nab's financial performance and position. Other factors that could have an adverse impact include, but are not limited to, declines in the Australian economy, which would impact nab's small and medium sized customer base, or further financial market dislocation which leads to falling confidence, increasing re-financing risk and contagion risk amongst market participants, counterparties and customers. nab 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 prove to be inaccurate, the provisions made for credit impairment may need to be revised, which could have an adverse impact on nab's financial performance and position.

Credit rating risk

Ratings agencies regularly conduct review activity. Recent activity has included reviewing sovereign and global bank ratings and, in many cases, downgrading these ratings (typically due to solvency or liquidity considerations). There is the potential for this ongoing review activity to continue, particularly in periods of increased market volatility.

A reduction in the long-term credit ratings of nab or the sovereign rating of the countries in which nab operates may increase the Group'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, in turn, adversely impact the Group's financial performance and position.

Interest rate risk

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

Foreign exchange and translation risk

This risk arises from the impact of changes in foreign currency exchange rates on the value of nab'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 nab's ownership structure, including investment in overseas subsidiaries or associates, and issue of capital in foreign currency. It also includes any currency positions in the banking book emanating from transactions with customers, banks and other counterparties. If nab was to suffer substantial losses due to any adverse movement in foreign exchange rates, its financial performance and position could be adversely impacted.

Also, as nab conducts business in different currencies, mainly Australian, New Zealand and U.S. dollars, British pounds sterling and euros, nab'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. Additionally, as nab's financial statements are prepared and presented in Australian dollars, any further appreciation in the Australian dollar against other currencies in which nab earns revenues may adversely impact its financial performance and position.

Non-traded equity risk

nab carries various 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 business and operating risk, economic risk, political risk, legal and regulatory risk, currency risk, price risk and market risk. A material reduction in the fair value of an equity investment in nab's banking book could have an adverse impact on the financial performance and position of nab.

Traded market risk

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

Operational and technology risks

Operational risks arise from the day-to-day operational activities of nab, which may result in direct or indirect losses. These losses may result from both internal and external events and risks, including process error or failure, inadequate processes, fraud, system failure, cyber-attacks, aging infrastructure and systems, security and physical protection, customer services, deficiencies in employees' skills and performance, poor product development and maintenance, operational failures by third parties (including offshoring and outsourced providers), natural disasters, extreme weather events, political, security and social events and failings in the financial services sector. Operational risks can directly impact nab's reputation and result in financial losses, which could adversely impact its financial performance and position.

For example, nab has a high dependency on its information systems and technology (both from a system stability, data quality and information security perspective) which, if they fail or are otherwise compromised (and cannot be restored or recovered in acceptable timeframes, or adequately protected), could adversely impact nab's ability to conduct its daily operations at the expected standard, resulting in direct or indirect losses.

Compliance risks

nab is subject to compliance risk across 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, licence conditions, supervisory requirements, self regulatory industry codes of conduct and related internal policies, procedures and organisational frameworks and standards.

The high level of regulatory reform occurring across the global financial services industry has become a key challenge for nab. Proactive and effective implementation of regulatory reforms is critical to avoid the risk of additional costs from fines and/or penalties for non-compliance and any associated reputation damage.

Capital risk

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

Changes have been proposed to minimum required levels of capital that nab is required to hold which, when fully implemented, may adversely impact nab's financial performance and position.

Funding and liquidity risk

Funding risk represents the risk that nab is unable to raise funding to support its strategic plans and objectives (such as refinancing and core asset growth). The Australian banking sector accesses global capital markets to help fund its businesses. Any dislocation in global capital markets could adversely affect nab's ability to access funds (including at a reasonable cost) to meet its strategic plans and objectives and impact nab's financial performance.

Liquidity risk is the risk that nab 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. The implementation of changes to the levels of liquidity that nab is required to hold, and any significant deterioration in nab's liquidity position, could adversely impact nab's financial performance and position.

Financial services policy and regulatory change risk

nab is regulated in Australia and in the other countries in which it has operations, trades or raises funds, or in respect of which it 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.

nab's financial performance and position could be affected by changes in the legal, regulatory, fiscal, monetary or other policies required by various regulatory authorities of Australian and foreign governments, and international agencies. A number of changes are currently being influenced by public opinion (including banking sentiment) and changing stakeholder expectations of transparency, social responsibility and environmental impacts. The precise nature and impact of future changes in such policies are not predictable and will be beyond nab's control. Changes in regulations or regulatory policy could adversely affect one or more of nab's businesses and could result in nab incurring substantial costs to comply. Any significant change to taxation law could also have an adverse effect on the results of nab's operations.

Australian regulatory change risk

APRA is a member of the Basel Committee on Banking Supervision (the **Basel Committee**) and the RBA is a member of the Financial Stability Board (**FSB**). Both APRA and the RBA are working together to implement the revised capital and liquidity principles (**Basel III**) of the Basel Committee. Subsidiary regulators (e.g. the Reserve Bank of New Zealand and the United Kingdom's Financial Services Authority) are also undertaking Basel III reforms in their respective jurisdictions. The more substantial of these proposed regulatory changes require an increase in the quality and amount of capital and liquidity nab is required to maintain. These changes may individually, or in aggregate, have a material impact on nab's financial performance and position. APRA has indicated that it will consult broadly on the proposed changes, and in September 2011 released a discussion paper outlining its proposed approach to the implementation of Basel III capital reforms in Australia. The RBA and APRA have also announced a committed liquidity facility with the RBA, which will facilitate Australian banks' compliance with the liquidity proposals.

The International Accounting Standards Board and the Australian Accounting Standards Board are in the process of making changes to accounting standards which govern the accounting for financial instruments, insurance and leases. Exposure drafts have been issued which, after consideration of feedback, may be finalised as accounting standards. There is no certainty as to the effective date for these changes, and until such time as the accounting standards are issued, whether these changes will have a significant impact on nab's financial performance and position.

U.S. regulatory change risk

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law (the **Dodd-Frank Act**), which will result in substantial changes to financial regulation in the United States. The Dodd-Frank Act imposes heightened supervisory requirements and prudential standards on "systemically important" financial entities, currently defined to include, among other things, all bank holding companies with total consolidated assets of at least US\$50 billion (which would include nab). The legislation will also subject these institutions to, amongst other things, heightened risk-based capital, leverage, liquidity and risk-management requirements, including periodic stress tests and living will requirements, as well as limitations on credit exposures. Other provisions include without limitation prohibitions on proprietary trading; sponsorship of, and investment in, hedge and private equity funds by banking entities; and conducting significant swap-related activities through U.S. branches or depository institutions, such as nab's New York branch or its subsidiary, Great Western Bank.

The specific impact of the Dodd-Frank Act on nab'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 and the reaction of market participants to these regulatory developments. It is anticipated that this process of

rulemaking and the development of related market practices and structures will continue for several years. The Dodd-Frank Act may cause changes that adversely impact the financial performance and position of nab.

In March 2010, the United States passed legislation that would require non-U.S. banks to provide information to the United States Internal Revenue Service (**IRS**) about certain U.S. account holders beginning in 2013. If this information is not provided in a form satisfactory to the IRS, a foreign financial institution will be subject to a 30% withholding tax with respect to certain amounts derived from U.S. sources. At this time, it is not possible to quantify the costs of complying with the new legislation as the final rules are still to be determined.

United Kingdom regulatory change risk

The United Kingdom's Independent Commission on Banking (**ICB**) was established by the U.K. government in June 2010 to consider reforms to the United Kingdom banking sector in order to promote financial stability and competition. The ICB published its final recommendations in September 2011. These include proposals to 'ring-fence' retail banks from investment (and wholesale) banking operations and capitalising each separately, as well as introducing an approach to 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 U.K. government will decide which of the recommendations to act on before the end of the 2011 year, with any necessary legislation expected to be introduced before the end of the current parliamentary term in 2015 ahead of implementation by the start of 2019. These changes could adversely impact the financial performance and position of nab.

Competition and consolidation

There is substantial competition for the provision of financial services in the markets in which nab operates. Competitive market conditions may adversely impact the financial performance and position of nab. 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 during the global financial crisis that began in 2007. Specialist providers are also targeting specific business lines.

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

Pending proceedings or arbitration

Various actions, disputes, arbitrations and legal proceedings, arising from the normal course of business to which members of the nab Group are a party, are presently pending. As at the date of this Prospectus there are no pending proceedings or arbitrations concerning any member of the nab Group that may have a material adverse effect on nab or the nab Group.

General acquisitions and divestment risk

nab 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 strategies and are able to enhance its financial performance and position.

The United Kingdom financial services market is undergoing a period of change. As previously announced, nab's primary focus in the United Kingdom has been, and remains, organic growth, however nab would

consider opportunities in the United Kingdom that are in the interests of nab shareholders, including acquisitions, divestments or entering into joint arrangements with other parties.

In the United States, nab (through its U.S. subsidiary, Great Western Bank) is continuing to explore and selectively execute limited inorganic growth opportunities in areas of strategic interest with a focus on those that are financially accretive to nab.

In certain regions of strategic interest in Asia, nab is continuing to explore opportunities for joint ventures or alliances relevant to its core banking and wealth businesses.

nab's direct asset management business is seeking acquisition and start-up opportunities, particularly in (but not necessarily limited to) the asset classes of global equities, infrastructure and direct property.

Any corporate opportunity that is pursued could change nab's risk profile. There are also risks associated with the external approval process and integration of any new acquisition into nab. Acquisition may need to be funded by the issue of additional debt. These factors, combined with a possible negative sentiment in relation to an acquisition, could have an adverse impact on nab's financial performance and position.

Current Market Volatility and Recent Market Developments

The businesses, earnings and financial condition of nab have been and will continue to be affected by the recent crisis in the global financial markets and the global economic outlook. The earnings and financial condition of nab have been, and its future earnings and financial condition are likely to continue to be, affected by depressed asset valuations resulting from poor market conditions. The actual or perceived failure or worsening credit of other financial institutions and counterparties could adversely affect nab.

The global financial system has been experiencing difficulties since approximately mid-2007 and financial markets deteriorated dramatically after the bankruptcy filing of Lehman Brothers in September 2008 and more recently the financial crisis affecting Greece and other European countries. Measures taken by governments and central banks to stabilise the financial markets, the volatility and disruption of the capital and credit markets have seen mixed results. The significant declines in the property markets in various countries over the past two years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major retail, commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions, to be nationalised and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced and, in some cases, stopped their funding to borrowers, including other financial institutions.

Market conditions have produced downward pressure on stock prices and credit capacity for certain issuers. The resulting lack of credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could continue to materially and adversely affect nab's business, financial condition and results of operations.

Potential investors in Covered Bonds should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a severe lack of liquidity in the secondary market for instruments similar to the Covered Bonds. As a result there exist significant additional risks to nab and the investors which may affect the returns on the Covered Bonds to potential investors.

In addition, ongoing liquidity conditions have adversely impacted the primary market for a number of financial products including instruments similar to the Covered Bonds. While it is possible that the current conditions may alleviate for certain sectors of the global credit markets, there can be no assurance that the market for securities similar to the Covered Bonds will recover at the same time or to the same degree as such other recovering global credit market sectors.

Soundness of other financial institutions

nab is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose nab to credit risk in the event of default of a counterparty or client. In addition, nab's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by nab also involve transactions with financial services counterparties. The weakness of these counterparties may impair the effectiveness of nab's hedging and other risk management strategies. nab operates single party large exposure limits to mitigate this risk.

Risk factors relating to the Covered Bond Guarantor, including the ability of the Covered Bond Guarantor to fulfil its obligations in relation to the Covered Bond Guarantee

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. 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), 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.

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, Receipts 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 "*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.

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.

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.

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 6 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

nab'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 fallen by around 1.9 per cent. since mid-2010, after increasing by 16 per cent. over the previous year. Since the beginning of 2000, established house prices have risen by more than 150 per cent. across Australia's eight capital cities. 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 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, which has already been sold to the Covered Bond Guarantor, to another person and that person acted in good faith and did not have notice of the interests of the Covered Bond Guarantor in the Mortgage Loan and the Related Security, then such person might obtain good title to the Mortgage Loan and the Related Security, free from the interests of the Covered Bond Guarantor. If this occurred then the Covered Bond Guarantor would not have good title to the affected Mortgage Loan and the Related Security. 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;
- (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; 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.

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*".

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. 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. The Basel Committee is also considering introducing additional capital requirements for systemically important institutions 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 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.

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.

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 will shortly commence 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 as at the date of this Prospectus has operational effect from 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. Once the PPSA starts to apply, it will have a 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 will transition 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 provide that security interests registered on certain existing registers will be migrated to the PPSA Register (for example, charges registered on the ASIC Register of Company Charges). Security interests which will not be migrated, or which are not currently registered on any existing registers, will need to be registered on the PPSA Register (or otherwise perfected) before the end of the two year transitional period to preserve priority. This means that transactions which are not regarded as securities under current law but may be security interests under the PPSA, either because they are "in substance"

security interests or deemed security interests, will need to be registered. The Programme Documents may contain one or more 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 will 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.

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

- (a) The legislative and regulatory framework for implementing the new scheme is not necessarily finalised. While the PPSA has been passed, it is possible that further amendments could be made to the PPSA and other legislation.
- (b) The PPSA significantly alters 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.

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 depositary (the **Common Depositary**) 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 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, Talons or Receipts 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 for U.S. federal tax purposes), 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

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 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*").

Subject to the consent of the Bond Trustee, the Issuer may issue Registered Covered Bonds in the form of N Covered Bonds (*Namensschuldverschreibungen*) governed by German law and evidenced by a certificate made out in the name of the holder of the N Covered Bond, as further specified in the Applicable Final Terms for the relevant Series.

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 Depositary 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) 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 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 10 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.

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, Receiptholder 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, subject to any necessary amendment, will be completed for each Tranche of Covered Bonds issued under the Programme. Text in this section appearing in italics does not form part of the Final Terms but denotes directions for completing the Final Terms.

[Date]

National Australia Bank Limited

**Issue of [Aggregate Nominal Amount of Tranche]
under the US\$20 billion nab Covered Bond Programme**

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 [●date] [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) (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. Pursuant to Article 14(2) of the Prospectus Directive, the Prospectus is 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 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 [original date] [and the supplement to the Prospectus dated [insert date]] which are incorporated by reference in the Base Prospectus dated [current date] and are attached to these Final Terms. 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 [●] [and the supplement to the Prospectus dated [insert date]] which [together] constitute[s] 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 [●]. 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 [●].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). The numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1. (a) Issuer: National Australia Bank Limited

- (b) Covered Bond Guarantor: Perpetual Corporate Trust Limited in its capacity as trustee of the Covered Bond Trust
- (c) A\$ Registrar: [Austraclear Services Limited ABN 28 003 284 419 /specify other]
- (d) Calculation Agent: [The Issuer/specify other]
2. (a) Series Number: []
- (b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Covered Bonds become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount of Covered Bonds admitted to trading:
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
6. (a) Specified Denominations: []
(Covered Bond – where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:

"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Covered Bonds in definitive form will be issued with a denomination above [€199,000].")

(N.B. If an issue of Covered Bonds is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.)

[In the case of 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) (or, if the Covered Bonds are denominated in a currency other than Australian Dollars, at least the equivalent amount in such currency).]

(b) Calculation Amount: []
(If only one Specified Denomination, insert the Specified Denomination.

If more than one Specified Denomination, insert the highest common factor. There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: []

(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]

(c) A\$ Record Date: [specify/Not Applicable — only applies to A\$ Registered Covered Bonds]

8. Final Maturity Date: [Fixed rate—specify date/undated
Floating rate—Interest Payment Date falling in or nearest to [specify month and year]

9. Extended Due for Payment Date: [specify month and year, in each case falling one year after the Maturity Date]

[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)].]

10. Interest Basis: [13.4.8] per cent. per annum Fixed Rate]

[[LIBOR/EURIBOR] +/- [] per cent. per annum Floating Rate]

[[AUD-BBR-BBSW] +/- [] per cent. per annum Floating Rate] [**NAB to confirm**]

[Zero Coupon]

[Dual Currency Interest]

[specify other]

(further particulars specified below)

11. Redemption/Payment Basis: [Redemption at par]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]

(N.B. If the Final Redemption Amount is more or less than 100 per cent. of the nominal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of

Annex XII to the Prospectus Directive Regulation will apply.)

12. Change of Interest Basis or Redemption/Payment Basis:

[Specify details of any provision for change of Covered Bonds into another Interest Basis or Redemption/Payment Basis]

13. Put/Call Options:

[Investor Put]
[Issuer Call]

[Not Applicable] [(further particulars specified below)]

14. (a) Status of the Covered Bonds:

Senior

(NB: The depositor protection provisions of Division 2 of Part II of the Banking Act do not apply to the Issuer. However, under section 11F of the Banking Act, if the Issuer (whether in or outside Australia) suspends payment or becomes unable to meet its obligations, the assets of the Issuer in Australia are to be available to meet its liabilities in Australia (including where those liabilities are in respect of the Covered Bonds) in priority to all other liabilities of the Issuer. Further, under section 86 of the Reserve Bank Act, debts due by the Issuer to the Reserve Bank of Australia shall in a winding-up of the Issuer have priority over all other debts of the Issuer other than debts due to the Commonwealth of Australia.)

(b) Date Board approval for issuance of Covered Bonds and Covered Bond Guarantee obtained:

[] [and [], respectively]]

(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Covered Bonds)

15. Method of distribution:

[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Covered Bond Provisions:

[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate[(s)] of Interest:

[] per cent. per annum [payable [annually/semi-annually/quarterly/other (specify)] in arrear] *(If payable other than annually, consider amending Condition 4(b)(ii))*

(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]/ [specify other]
(N.B. This will need to be amended in the case of long or short coupons)

- (c) Fixed Coupon Amount(s): [] per Calculation Amount
(Applicable to Covered Bonds in definitive form)
- (d) Broken Amount(s): [] per Calculation Amount payable on the Interest Payment Date falling [in/on] []
(Applicable to Covered Bonds in definitive form)
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or *[specify other]*]
(See Condition [4(b)(iv)] for alternatives)
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*[specify other]*]
- Adjusted: [Applicable/Not Applicable]
 - Non-Adjusted: [Applicable/Not Applicable]
- (g) Additional Business Centres: [] *[If there are Business Centre(s) applicable to the Covered Bonds by operation of the Conditions which are not referenced here, add the following: "For the avoidance of doubt, in accordance with the Conditions these Additional Business Centres are in addition to []"]*
- (h) Determination Date(s): [] in each year

(Insert regular interest payment dates, ignoring issue date or final maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA).)
- (i) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [None/Give details]
17. Floating Rate Covered Bond Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (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]/ *[specify other]*
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*[specify other]*]
- (c) Additional Business Centre(s): [] *[If there are Business Centre(s) applicable to the Covered Bonds by operation of the Conditions*

*which are not referenced here, add the following:
"For the avoidance of doubt, in accordance with the
Conditions these Additional Business Centres are in
addition to []"]*

- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): []
(If there is a calculation agent responsible for calculating the Rate of Interest and Interest Amount, include the name and address of such calculation agent)
- (f) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR, AUD-BBR-BBSW or other, although additional information is required if other—including fallback provisions in relevant Agency Agreement.)
 - Interest Determination Date(s): []
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or Euro LIBOR), first day of each Interest Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR and the first day of each Interest Period if BBSW.)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)

(It is anticipated that ISDA determination will be used on an issue by issue basis, unless otherwise agreed between the Relevant Issuer and the relevant dealer or the relevant managers on the launch of a particular issue.)
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum

- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition [4(b)(iv)] for alternatives)
- (l) Interest Amounts Non-Adjusted: [Applicable/Not Applicable]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions: []
18. Zero Coupon Covered Bond Provisions: [Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Any other formula/basis of determining amount payable: []
- (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 6(f) and 6(k) apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
- (e) Business Day(s) []
- (f) Additional Business Centre(s) []
19. Dual Currency Interest Covered Bond Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (NB: If the Final Redemption Amount is other than 100 per cent. of the nominal value the Covered Bonds, will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest payable (if not the Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other]
- (c) If redeemable in part:
 - (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 [number of days in words (number)] [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. Condition 6 shall be deemed to be amended accordingly.]

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

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution)

of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Bond Trustee.)

21. Investor Put:

[Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Optional Redemption Date(s): []

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

(c) Notice period (if other than as set out in the Conditions): []

(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Bond Trustee.)

22. Final Redemption Amount:

[[] per Calculation Amount/specify other]
(N.B. If the Final Redemption Amount is more or less than 100 per cent. of the nominal value the Covered Bonds will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

23. 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/specify other]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

24. 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, Receipts 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.]

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

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

(Ensure that this is consistent with the wording in the "Form of the Covered Bonds" section in the Prospectus and the Covered Bonds themselves. NB: The exchange event upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Covered Bonds in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples

of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Covered Bonds which is to be represented on issue by a Temporary Global Covered Bond exchangeable for a Definitive Covered Bond.)

26. Additional Financial Centre(s) or other special provisions relating to Payment Days: [] [If there are Financial Centre(s) applicable to the Covered Bonds by operation of the Conditions which are not referenced here, add the following: "For the avoidance of doubt, in accordance with the Conditions these Additional Financial Centres are in addition to []"]
- (Covered Bond that this item relates to the place of payment and not Interest Period end dates to which items 17(c) and 19(g) relate.)
27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Covered Bonds: [Yes/No. If yes, give details]
28. Details relating to Partly Paid Covered Bonds: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay including any right of the Issuer to forfeit the Covered Bonds and interest due on late payment: [Not Applicable/give details. N.B. a new form of Temporary Bearer Global Covered Bond and/or Permanent Bearer Global Covered Bond may be required for Partly Paid issues]
29. Details relating to Instalment Covered Bonds:
- (a) [Instalment Amount(s): [Not Applicable/give details]]
- (b) [Instalment Date(s): [Not Applicable/give details]]
30. Redenomination applicable: Redenomination [not] applicable
- (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates).)
31. Consolidation provisions: [Not Applicable/The provisions in [Condition []] [annexed to these Final Terms] [apply]
32. Additional U.S. Federal Tax Considerations: [Not Applicable/give details]
33. Other final terms: [Not Applicable/give details]

(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)

DISTRIBUTION

34. (a) If syndicated, names [and addresses] of Managers [and underwriting commitments]: [Not Applicable/give names [and addresses and underwriting commitments]]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as Managers.)
- (b) Date of Subscription Agreement []
- (c) Stabilising Manager (if any): [Not Applicable/give name]
35. If non-syndicated, name [and address] of Dealer: [Not Applicable/give name [and address]*]
36. U.S. Selling Restrictions : [Reg S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable/Specify other]
- (TEFRA D rules should apply to issues of Covered Bonds unless it is agreed by the Issuer at the time of completion of the applicable Final Terms that TEFRA C rules should apply or that TEFRA rules should not be applied to a particular issue of Covered Bonds.)
37. ERISA [Employee benefit plans subject to ERISA can buy - Yes/No]
38. Additional selling restrictions: [Not Applicable/Regulation S/Rule 144A/give details]
39. Additional United States Tax Considerations [Not Applicable/give details]

[LISTING APPLICATION

These Final Terms comprise the final terms required for the issue and admission to trading on the Regulated Market of the Luxembourg Stock Exchange and listing on the official list of the Luxembourg Stock Exchange of the Covered Bonds described herein pursuant to the US\$20 billion nab Covered Bond Programme of National Australia Bank Limited.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[*Relevant third party information*] has been extracted from [*specify source*]. 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 [*specify source*], 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.]

(When documenting a fungible issue, need to indicate that original Covered Bonds are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading:

[]

2. RATINGS

Ratings:

The Covered Bonds to be issued have been rated:

[Fitch: []]

[Moody's: []]

[[Other]: []]

(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).] [As such [*insert the legal name of the relevant credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of the relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]

[Insert the legal name of the relevant non-EU credit

rating agency entity] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 31 January 2012 (which may be extended to 30 April 2012).]

[[*Insert the legal name of the relevant non-EU CRA entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The credit ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered CRA entity*] in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU CRA entity*] is established in the European Union and registered under the CRA Regulation.] [As such [*insert the legal name of the relevant EU credit rating agency entity*] 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.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with such the CRA Regulation [[*EITHER:*] and it 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] [*OR:*] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency*

entity] is not 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]]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not 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]]

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulations unless the rating is provided by a credit rating agency established and operating in the European Union before 7 June 2010 and which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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

[Save for any fees payable to the Managers/Dealers, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer.—*Amend as appropriate if there are other interests*]

[When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

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

- [(i) Reasons for the offer []]
- [(ii)] Estimated net proceeds: []]
- [(iii)] Estimated total expenses: [] (N.B.: Delete unless the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i) disclosure of net proceeds and total expenses at (ii), and (iii) above are also required.)]

5. YIELD (Fixed Rate Covered Bonds only)

Indication of yield: []]

^{A12.4.2.2}
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. [PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT (Dual Currency Covered Bonds only)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]]*

[The Issuer does not intend to provide post-issuance information]*

7. 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, DTC, the Austraclear System and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (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 AS 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:

8. [SELECTED STATISTICAL INFORMATION]

The statistical and other information contained in these Final Terms has been compiled by reference to the Mortgage Loans in the Mortgage Loan Portfolio on [●] (the **Cut Off Date**). Columns stating percentage amounts may not add up to 100 per cent. due to rounding. The Seller has not revalued any of the mortgaged properties since the date of origination of the related Mortgage Loans for the purposes of the issue of the Covered Bonds, other than in respect of a Borrower that has remortgaged his Property or in relation to any Property in relation to which the Seller has made a Further Advance. Monthly information in respect of the Mortgage Loans in the Mortgage Loan Portfolio is available to investors as set out in paragraph 3 under "*General Information*" in the Base Prospectus.

[Summary of Provisional Asset Pool Characteristics]

Total Pool Size	[●]
Number of Loans	[●]
Weighted average original LVR (by value)	[●]
Weighted average current LVR (by value)	[●]
Weighted average current LVR (index)	[●]
Weighted average seasoning (by value) Months ¹	[●]
Percentage of Loans that are Principal and Interest (by value)	[●]%
Percentage of Loans that are Full Doc	[●]%

The following tables show the distribution of Mortgaged Properties securing the Mortgage Loans throughout each State and Territory of Australia as of the Cut Off Date, as well as the distribution between metropolitan and non-metropolitan locations. No Property is situated outside of Australia.

Geographical Distribution

Region	Total Loan Balance (A\$)	% Total No. Of Loans (%)	Number of Accounts	Average Loan Balance
Australian Capital Territory	[●]	[●]%	[●]	[●]%
New South Wales	[●]	[●]%	[●]	[●]%
Northern Territory	[●]	[●]%	[●]	[●]%
Queensland	[●]	[●]%	[●]	[●]%
South Australia	[●]	[●]%	[●]	[●]%
Victoria	[●]	[●]%	[●]	[●]%
Western Australia	[●]	[●]%	[●]	[●]%
Tasmania	[●]	[●]%	[●]	[●]%
	[●]	[●]%	[●]	[●]%

Geographical Distribution

Region	Total Loan Balance (A\$)	% Total No. Of Loans (%)	Number of Accounts	Average Balance	Loan
Metropolitan	[●]	[●]%	[●]	[●]	[●]%
Non-metropolitan	[●]	[●]%	[●]	[●]	[●]%
	[●]	[●]%	[●]	[●]	[●]%

¹ Seasoning is the length of time since the Mortgage Loans were originated as of the Cut Off Date.

The following table shows the range of current loan to value ratios, or LVR, which express the Current Principal Balance of a Mortgage Loan as at the Cut Off Date divided by the value of the Property securing that Mortgage Loan at the same date. The Seller has not revalued any of the Properties since the date of the origination of the related Mortgage Loan, [other than in respect of a Property of a related Borrower that has remortgaged its property or to which the Seller has made a Further Advance].

Balance Outstanding

	Number of Accounts	Total Loan Balance (A\$)	% Total No. Of Loans	Average Loan Balance
≤\$30,000	[●]	[●]	[●]%	[●]
>\$30,000 and ≤\$50,000	[●]	[●]	[●]%	[●]
>\$50,000 and ≤\$100,000	[●]	[●]	[●]%	[●]
>\$100,000 and ≤\$150,000	[●]	[●]	[●]%	[●]
>\$150,000 and ≤\$200,000	[●]	[●]	[●]%	[●]
>\$200,000 and ≤\$250,000	[●]	[●]	[●]%	[●]
>\$250,000 and ≤\$300,000	[●]	[●]	[●]%	[●]
>\$350,000 and ≤\$400,000	[●]	[●]	[●]%	[●]
>\$400,000 and ≤\$450,000	[●]	[●]	[●]%	[●]
>\$450,000 and ≤\$500,000	[●]	[●]	[●]%	[●]
>\$500,000 and ≤\$550,000	[●]	[●]	[●]%	[●]
>\$550,000 and ≤\$600,000	[●]	[●]	[●]%	[●]
>\$600,000 and ≤\$650,000	[●]	[●]	[●]%	[●]
>\$650,000 and ≤\$700,000	[●]	[●]	[●]%	[●]
>\$700,000 and ≤\$750,000	[●]	[●]	[●]%	[●]
>\$750,000 and ≤\$800,000	[●]	[●]	[●]%	[●]
>\$800,000 and ≤\$850,000	[●]	[●]	[●]%	[●]
>\$850,000 and ≤\$900,000	[●]	[●]	[●]%	[●]
>\$950,000 and ≤\$1,000,000	[●]	[●]	[●]%	[●]
>\$1,000,000	[●]	[●]	[●]%	[●]
	[●]	[●]	[●]%	[●]

Seasoning

Seasoning – Months	Number of Accounts	Total Loan Balance (A\$)	% Total No. Of Loans	Average Loan Balance
≤0	[●]	[●]	[●]%	[●]
>0 and ≤3	[●]	[●]	[●]%	[●]
>3 and ≤6	[●]	[●]	[●]%	[●]
>6 and ≤12	[●]	[●]	[●]%	[●]
>12 and ≤18	[●]	[●]	[●]%	[●]
>18 and ≤24	[●]	[●]	[●]%	[●]
>24 and ≤36	[●]	[●]	[●]%	[●]
>36 and ≤48	[●]	[●]	[●]%	[●]
>48 and ≤60	[●]	[●]	[●]%	[●]
>60 and ≤360	[●]	[●]	[●]%	[●]
>360	[●]	[●]	[●]%	[●]
	[●]	[●]	[●]%	[●]

Current LVR

Current LVR (%)	Total Loan Balance (A\$)	Total No. Of Loans (%)	Number of Accounts	By Loan Balance (%)
≤ 0.00	[●]	[●]%	[●]	[●]%
>0.00 and ≤ 50.00	[●]	[●]%	[●]	[●]%
>50.00 and ≤ 55.00	[●]	[●]%	[●]	[●]%
>55.00 and ≤ 60.00	[●]	[●]%	[●]	[●]%
>60.00 and ≤ 65.00	[●]	[●]%	[●]	[●]%
>65.00 and ≤ 70.00	[●]	[●]%	[●]	[●]%
>70.00 and ≤ 75.00	[●]	[●]%	[●]	[●]%
>75.00 and ≤ 80.00	[●]	[●]%	[●]	[●]%
>80.00 and ≤ 85.00	[●]	[●]%	[●]	[●]%
>85.00 and ≤ 90.00	[●]	[●]%	[●]	[●]%
>90.00 and ≤ 95.00	[●]	[●]%	[●]	[●]%
>95.00 and ≤ 100.00	[●]	[●]%	[●]	[●]%
>100.00	[●]	[●]%	[●]	[●]%
	[●]	[●]%	[●]	[●]%

Current LVR (Indexed)

Current LVR (%)	Total Loan Balance (A\$)	Total No. Of Loans (%)	Number of Accounts	By Loan Balance (%)
≤ 0.00	[●]	[●]%	[●]	[●]%
>0.00 and ≤ 50.00	[●]	[●]%	[●]	[●]%
>50.00 and ≤ 55.00	[●]	[●]%	[●]	[●]%
>55.00 and ≤ 60.00	[●]	[●]%	[●]	[●]%
>60.00 and ≤ 65.00	[●]	[●]%	[●]	[●]%
>65.00 and ≤ 70.00	[●]	[●]%	[●]	[●]%
>70.00 and ≤ 75.00	[●]	[●]%	[●]	[●]%
>75.00 and ≤ 80.00	[●]	[●]%	[●]	[●]%
>80.00 and ≤ 85.00	[●]	[●]%	[●]	[●]%
>85.00 and ≤ 90.00	[●]	[●]%	[●]	[●]%
>90.00 and ≤ 95.00	[●]	[●]%	[●]	[●]%
>95.00 and ≤ 100.00	[●]	[●]%	[●]	[●]%
>100.00	[●]	[●]%	[●]	[●]%
	[●]	[●]%	[●]	[●]%

Mortgage Insurance

Insurer	Total Loan Balance (A\$)	% Total No. Of Loans (%)	Number of Accounts	Average Loan Balance
Genworth Financial	[●]	[●]%	[●]	[●]%
QBE Lender's Mortgage Insurance	[●]	[●]%	[●]	[●]%
Uninsured	[●]	[●]%	[●]	[●]%
	[●]	[●]%	[●]	[●]%

The following table summarises, 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. In this table, 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 table expresses 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-06				Sep-07			
	By No. Of Loans	A\$ Dollar Amount	% by No. of Loans	% by Dollar Amount	By No. of Loans	A\$ Dollar Amount	% by No. of Loans	% by Dollar Amount
Period of Arrears:								
31-60	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
61-90	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
91-120	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
121-150	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
151-180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
>180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total >30 days	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Non Accrual	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total in Arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total Portfolio	[●]	[●]			[●]	[●]		

	Sep-08				Sep-09			
	By No. of Loans	A\$ Dollar Amount	% by No. of Loans	%by Dollar Amount	By No. of Loans	A\$ Dollar Amount	%by No. of Loans	%by Dollar Amount
Period of Arrears:								
31-60	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
61-90	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
91-120	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
121-150	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
151-180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
>180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total >30 days	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Non Accrual	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total in Arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total Portfolio	[●]	[●]			[●]	[●]		

	Sep-10				Sep-11			
	By No. of Loans	A\$ Dollar Amount	%by No. of Loans	%by Dollar Amount	By No. of Loans	A\$ Dollar Amount	%by No. of Loans	%by Dollar Amount
Period of Arrears:								
31-60	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
61-90	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
91-120	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
121-150	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
151-180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
>180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total >30 days	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Non Accrual	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total in Arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total Portfolio	[●]	[●]			[●]	[●]		

Arrears – Interest Only								
	Sep-06				Sep-07			
	By No. Of Loans	A\$ Dollar Amount	% by No. of Loans	% by Dollar Amount	By No. of Loans	A\$ Dollar Amount	% by No. of Loans	% by Dollar Amount
Period of Arrears:								
31-60	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
61-90	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
91-120	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
121-150	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
151-180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
>180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total >30 days	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Non Accrual	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total in Arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total Portfolio	[●]	[●]			[●]	[●]		

	Sep-08				Sep-09			
	By No. of Loans	A\$ Dollar Amount	% by No. of Loans	%by Dollar Amount	By No. of Loans	A\$ Dollar Amount	%by No. of Loans	%by Dollar Amount
Period of Arrears:								
31-60	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
61-90	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
91-120	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
121-150	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
151-180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
>180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total >30 days	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Non Accrual	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total in Arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total Portfolio	[●]	[●]			[●]	[●]		

	Sep-10				Sep-11			
	By No. of Loans	A\$ Dollar Amount	%by No. of Loans	%by Dollar Amount	By No. of Loans	A\$ Dollar Amount	%by No. of Loans	%by Dollar Amount
Period of Arrears:								
31-60	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
61-90	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
91-120	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
121-150	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
151-180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
>180	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total >30 days	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Non Accrual	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total in Arrears	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Total Portfolio	[●]	[●]			[●]	[●]		

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.

Write-Offs – Principal and Interest

	Total Write- Offs A\$	Write-Offs as a Percentage of Total Outstanding Portfolio Balance	Total Recoveries A\$	Recoveries as a Percentage of Total Outstanding Portfolio Balance	Net Write Offs	Total Outstanding Portfolio Balance A\$
At Fiscal year ended:						
September 30, 2006	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2007	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2008	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2009	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2010	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2011	[●]	[●]	[●]	[●]	[●]	[●]

Write-Offs – Interest only

	Total Write- Offs A\$	Write-Offs as a Percentage of Total Outstanding Portfolio Balance	Total Recoveries A\$	Recoveries as a Percentage of Total Outstanding Portfolio Balance	Net Write Offs	Total Outstanding Portfolio Balance A\$
At Fiscal year ended:						
September 30, 2006	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2007	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2008	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2009	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2010	[●]	[●]	[●]	[●]	[●]	[●]
September 30, 2011	[●]	[●]	[●]	[●]	[●]	[●]

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 Covered Bond Trust:

By:
.....

Duly authorised

By:
.....

Duly authorised

CONDITIONS OF THE COVERED BONDS

The following are the Conditions of the Covered Bonds which will be incorporated by reference into 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 in relation to any Series or Tranche of Covered Bonds may specify other terms and conditions which will, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Covered Bonds. 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), the Receipts (as defined below) 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).

The Final Terms may specify any other agency agreement that applies to Covered Bonds, Receipts and Coupons issued by the Issuer.

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. Bearer Definitive Covered Bonds repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. 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 Receipts, 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 Receipts (the **Receiptholders**) and 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, the Receiptholders 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, a Zero Coupon Covered Bond, a Dual Currency Interest Covered Bond or a combination of any of the foregoing, 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.

This Covered Bond may be a Dual Currency Redemption Covered Bond, a Partly Paid Covered Bond or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the Applicable Final Terms and subject, in each case, to confirmation from the Rating Agencies that the then current rating 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.

Bearer Definitive Covered Bonds are issued with Receipts.

Subject as set out below, title to the Bearer Covered Bonds, Receipts 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, Receipt 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 Cedcom 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 €199,000.

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 5.00pm 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 Receipts and 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:*

- (i) 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**);*
- (ii) 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;*
- (iii) third, the ADI's liabilities (if any) in Australia in relation to protected accounts that accountholders keep with the ADI;*
- (iv) fourth, the ADI's debts (if any) to the Reserve Bank of Australia (the **RBA**);*
- (v) fifth, the ADI's liabilities (if any) under an industry support contract that is certified under section 11CB of the Australian Banking Act; and*
- (vi) 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 an other liability under paragraph (vi) 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 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, Receipts 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 Melbourne 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.

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**) or the Euro-zone inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period; or (ii) 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 (A) Floating Rate, Floating Rate Option, Designated Maturity and Reset Date have the meanings given to those terms in the ISDA Definitions.

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) 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) 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.

The Principal Agency Agreement contains provisions for determining the Rate of Interest pursuant to this subparagraph 0 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 AUD-BBR-BBSW, LIBOR or

EURIBOR, 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, if they are Partly Paid Covered Bonds, the aggregate amount paid up); 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)0 or 0 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, Receiptholders 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, the Receiptholders 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) *Interest on Dual Currency Interest Covered Bonds*

In the case of Dual Currency Interest Covered Bonds where the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest will be determined in the manner specified in the Applicable Final Terms.

(d) *Interest on Partly Paid Covered Bonds*

In the case of Partly Paid Covered Bonds (other than Partly Paid Covered Bonds which are Zero Coupon Covered Bonds), interest will accrue on the paid up nominal amount of such Covered Bonds or as otherwise specified in the Applicable Final Terms.

(e) *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. References to Specified Currency will include any successor currency under applicable law.

(b) *Presentation of Bearer Definitive Covered Bonds, Receipts 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)).

Payments of instalments (if any) of principal in respect of Bearer Definitive Covered Bonds other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5(a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Covered Bond in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Bearer Definitive Covered Bond to which it appertains. If any Bearer Definitive Covered Bond is redeemed or becomes repayable prior to the stated maturity thereof, principal will be payable only on surrender of such Bearer Definitive Covered Bond together with all unmatured Receipts appertaining thereto. Receipts presented without the Bearer Definitive Covered Bond to which they appertain and unmatured Receipts do not constitute valid obligations of the Issuer or the Covered Bond Guarantor. Upon the

date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) will become void and no payment will be made in respect thereof.

Fixed Rate Covered Bonds in definitive bearer form (other than Dual Currency Covered Bonds or 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 10 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, Dual Currency 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 (other than instalments of principal prior to the final instalment) 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 and payments of instalments of principal (other than the final instalment) 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) and instalments of principal (other than the final instalment) 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 and the final instalment of principal 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 (other than instalments of principal prior to the final instalment) 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 and payments of instalments of principal (other than the final instalment) 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 and the final instalment of principal 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, Receipt 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;
- (vii) in relation to Dual Currency Covered Bonds, the principal payable in any relevant Specified Currency; and
- (viii) 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, the Receiptholders 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 and any Receipts will be deemed to be redenominated in Euro in the denomination of Euro 0.01 with a nominal amount for each Covered Bond and Receipt equal to the nominal amount of that Covered Bond or Receipt 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, Receipts 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, Receipts and Coupons so issued will also become void on that date although those Covered Bonds, Receipts and Coupons will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Covered Bonds, Receipts and Coupons will be issued in exchange for Covered Bonds, Receipts 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, the Receipts 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 its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Final Terms 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 nor a Dual Currency Interest Covered Bond) or on any Interest Payment Date (if this Covered Bond is a Floating Rate Covered Bond or a Dual Currency Interest 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, or determined in the manner 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 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. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the Applicable Final Terms.

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 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 but including a Partly Paid 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) *Partly Paid Covered Bonds*

Partly Paid Covered Bonds will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the Applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 6(f) above.

(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, all unmatured Receipts, 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, all unmatured Receipts, 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, all unmatured Receipts, 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, Receiptholders and Couponholders.

7. *Taxation*

All payments of principal and interest (if any) in respect of the Covered Bonds, Receipts 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, Receiptholders 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, Receipts 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, Receipt or Coupon;
- (b) which is payable by reason of the Covered Bondholder, Receiptholder 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, Receipts 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, Receiptholder'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, Receiptholder 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, Receiptholder or Couponholder or beneficial owner of such Covered Bond, Receipt 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, Receipts and Coupons presented for payment by or on behalf of a Covered Bondholder, Receiptholder or Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Covered Bond, Receipt 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, Receipts and Coupons by the Issuer to any Covered Bondholder, Receiptholder 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, Receipts and Coupons; or
- (k) any combination of (a) through (j) above.

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, Receipts 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.

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.

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, Receipts and Coupons will become void unless presented for payment within 10 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, Receipts 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:
 - (i) ten AU Business Days from the date that the Seller is notified of that breach; and
 - (ii) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

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, Receipts 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, the Receipts 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, the Receipts 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, Receiptholder 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 Receipts, 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, Receiptholder 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, Receipts and Coupons and/or the Bond Trust Deed).

10. Replacement of Covered Bonds, Receipts, Coupons and Talons

Should any Covered Bond (other than any A\$ Registered Covered Bond), Receipt, 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, Receipts 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), Receipts, 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, Receiptholders 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, Receiptholders, 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 Receiptholders and 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 Receiptholders and 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 Receiptholders and/or the 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 Receipts and/or 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 Receipts and/or 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 Receiptholders and/or 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 Receiptholders and/or the 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, Receiptholders 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, Receiptholders 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 Receiptholders and the 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, Receiptholders 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 Receiptholders, 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, Receiptholder 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, Receiptholders 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; (d) enable N Covered Bonds to be issued under the Programme subject to receipt by the Bond Trustee and the Security Trustee of a certificate signed by two Authorised Signatories of the Issuer and a certificate of an Authorised Signatory of the Trust Manager, each certifying to the Bond Trustee and the Security Trustee: (i) that the requested amendments are to be made solely for the purpose of inclusion in the Programme Documents and the issuance of N Covered Bonds including any associated waiver of Set-Off by the Issuer; and (ii) that the requested amendments are not, in the opinion of the Issuer or the Trust Manager, materially prejudicial to the interests of any Covered Bondholders or any Secured Creditor; or (e) 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.

For the purposes of Paragraph (d) above:

N Covered Bond 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 the form of a German "*Namenschuldverschreibung*" 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;

N Covered Bond Agreement means, in respect of any N Covered Bond, an agreement between the Issuer, the Covered Bond Guarantor, the Trust Manager and the Bond Trustee;

N Covered Bond Conditions means the terms and conditions of each N Covered Bond annexed thereto; and

N Covered Bondholder means the holder of an N Covered Bond.

Substitution

The Bond Trust Deed provides that the Bond Trustee may, without the consent or sanction of the Covered Bondholders, Receiptholders 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, Receipts, 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, Receiptholders 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, the Receiptholders 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, Receipts 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, Receiptholders 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.

16. Further Issues

The Issuer will be at liberty from time to time without the consent of the Covered Bondholders, the Receiptholders 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), the Receipts, 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 4.5 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 2,900 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, Financial Solutions Centres, direct banking and brokers.
- *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.
- *MLC & nab Wealth* provides superannuation, investments, insurance and private wealth solutions to retail, corporate and institutional clients. MLC & NAB Wealth operates one of the largest networks of retail financial advisers in Australia.

- *Great Western Bank* with 195 locations through the Midwest United States, Great Western Bank (**GWB**) is a regional bank maintained core community banking values. When coupled with the strength of the Group, this provides a compelling distinction between the large US mega-banks and the smaller community banks with fewer capital resources.
- *Specialised Group Assets*: the Specialised Group Assets (SGA) portfolios comprise nonfranchise assets with A\$15.0 billion of Risk Weighted Assets.

These assets are primarily domiciled in the UK and the U.S. and consist of nine portfolios:

- Structured Asset Management (SAM).
- Credit Wrapped Bonds.
- Private Equity and Real Estate Investment Funds USA.
- Infrastructure Finance USA.
- Corporate Lending USA.
- Corporate and Non Bank Financial Institution (NBFI) Lending UK.
- Commercial Property UK.
- Leverage 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, the decision whether to proceed has been put on hold pending the finalisation of APRA's regulatory capital framework.

TREND INFORMATION

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
Executive Director, Group Chief Executive Officer
- Mark A Joiner
Executive Director, Finance
- Michael A Chaney
Non-Executive Director & Chairman and Chairman of the Nomination Committee
- Patricia A Cross
Non-Executive Director, Chairman of the Remuneration Committee, a member of the Risk Committee and a member of the Nomination Committee
- Daniel T Gilbert
Non-Executive Director, a member of the Remuneration Committee and a member of the Nomination Committee
- Paul J Rizzo
Non-Executive Director, Chairman of the Risk Committee, a member of the Audit Committee and a member of the Nomination Committee
- 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
- John G Thorn
Non-Executive Director, Chairman of the Audit Committee and a member of the Nomination Committee
- Geoffrey A Tomlinson
Non-Executive Director, a member of the Nomination Committee and a member of the Remuneration 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)
- John A Waller
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, a subsidiary of nab

- Sir Malcolm Williamson

Non-Executive Director, a member of the Risk Committee, a member of the Nomination Committee and Chairman and Non-Executive Director of National Australia Group Europe Limited and Clydesdale Bank PLC (each, a subsidiary of nab)
- 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
- Ken Henry

Non-Executive Director, a member of the Audit Committee and a member of the Nomination Committee

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 2011, the following shareholders each held more than 1 per cent. of the issued share capital of nab:

- HSBC Custody Nominees (16.93 per cent.)
- JP Morgan Nominees Australia Limited (12.86 per cent.)
- National Nominees Limited (12.07 per cent.)
- Citicorp Nominees Pty Limited (3.80 per cent.)
- Citicorp Nominees Pty Limited, Colonial First State Inv A/C (1.79 per cent.)
- Cogent Nominees Pty Limited (1.63 per cent.)
- National Australia Trustees (1.27 per cent.)
- AMP Group (1.00 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 2010 and 30 September 2011 are contained in its Annual Reports for the years ending 30 September 2010 and 30 September 2011 (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 153-154 of the Annual Report for the year ended 30 September 2010 and at pages 162-163 of the Annual Report for the year ended 30 September 2011, 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 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 action / Potential class action

On 18 November 2010, Maurice Blackburn Lawyers (an Australian law firm) commenced a class action proceeding against nab in the Supreme Court of Victoria in relation to its exposure to certain Collateralised Debt Obligations (CDOs) in nabCapital sponsored conduits. nab announced a provision of A\$181 million against an approximate US\$1.1 billion exposure to the CDOs when it released its half year result to March 2008, and increased its provision by A\$830 million in July 2008. Maurice Blackburn allege that in 2008 nab contravened certain misleading and deceptive conduct and continuous disclosure provisions of the Corporations Act in relation to its exposure to the CDOs. The loss claimed by class members has not yet been identified in the proceeding. The proceeding is being vigorously defended.

On 12 May 2010, Maurice Blackburn Lawyers announced it was preparing 12 class actions against banks operating in Australia, including nab, in relation to the payment of exception fees. On 22 September 2010, an exception fee class action was issued against Australia and New Zealand Banking Group Limited. To date an exception fees class action has not been issued by Maurice Blackburn Lawyers against nab. If an exception fees class action is issued by Maurice Blackburn Lawyers against nab, it will be vigorously defended.

United Kingdom Financial Services Compensation Scheme

The 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, 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. These borrowings are anticipated to be repaid from the realisation of the assets of the institutions. In the interim, the FSCS has estimated levies due to 31 March 2012 and an accrual is presently held for the nab Group's calculated liability for this period. If the assets of the failed institutions are insufficient to repay the Government loan, additional levies will become payable in future periods.

Claims for potential mis-selling of Payment Protection Insurance

Market wide issues relating to the UK banking industry Payment Protection Insurance (PPI) issue are ongoing. In May 2011, the British Bankers' Association announced that it does not intend to pursue the judicial review process and provisions were announced by some of the largest British banks.

A provision of £102 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 uncertain factors, 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 nab Group continues to keep the matter under review.

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 2011.

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 account-holder, 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 17 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
- Ivan Douglas Holyman, 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 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. Reliance is not placed on irregular income (such as over-time 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), 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).

A valuation is not considered mandatory:

- (i) when the value of the property is confirmed by sighting a contract of sale no more than 12 months old or council rates less than 12 months old;
- (ii) with lower loan-to-value ratios and lower customer risk;
- (iii) when a Mortgage Loan is not originated via a third party who is registered as an "introducer" who is paid a one-off commission and it is not a "low doc" loan; and
- (iv) where the total borrowings do not exceed six hundred and fifty thousand dollars (A\$650,000).

When required, valuations are generally undertaken by nab security inspections officers.

If any doubt exists as to the market value of a property a physical inspection is to be completed by nab. For Building in the Course of Erection (**BICOE**) 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 over-time 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. BICOE) 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).

A valuation is not considered mandatory:

- (a) when the value of the property is confirmed by sighting a contract of sale or council rates less than 12 months old; and
- (b) when the loan-to-value ratio is less than 70%, in the case of non-owner occupied inner city apartments, and 80%, in the case of other properties; and
- (c) where the total borrowings do not exceed four hundred thousand dollars (A\$400,000).

When required, valuations are undertaken by nab's Third Party Channel's own panel of independent external valuers. In addition, if any doubt exists as to the market value of a property a physical inspection is to be completed by nab. For BICOE 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 be verified by pay slips, salary deposits to nab bank accounts, recent tax returns or the most recent financial statements for self-employed applicants.

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 10 hectares), or vacant land (less than 2.2 hectares).

Applications with loan-to-value ratios outside 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, bi-weekly 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.

Unlike conventional Australian mortgage loans, scheduled payments for many of nab's Retail Channel variable rate Mortgage Loans are calculated on the basis of a "reference rate". The reference rate is not the *per annum* interest rate applicable to the Mortgage Loan, but is a rate designed to produce scheduled payments that reflect the customer's preference and capacity to pay the loan. On each anniversary of the Mortgage Loan, scheduled payments are generally increased by the difference between the prevailing loan interest rate and the reference rate, provided the Mortgage Loan rate is higher than the reference rate. For example, if on the first anniversary of a Mortgage Loan, its interest rate is 10% *per annum* and the reference rate is 8% *per annum*, then scheduled payments would increase by two percent. Thus, if the initial scheduled payment is A\$800 per month, then the payment would increase on the first anniversary to A\$816 per month. If the Mortgage Loan interest rate is equal to or below the reference rate, scheduled payments do not change.

Such reference rate is agreed to by nab and the customer at the time the Mortgage Loan is entered into and is set at a rate between a minimum (currently 5%) and the prevailing interest rate.

While interest on the Mortgage Loan is calculated daily at the prevailing interest rate, the actual scheduled payments do not change with changes to interest rates. The only change in required scheduled payments is as a result of the annual loan review, which may include a reference rate adjustment, or as a result of a Redraw by the customer or an agreed variation. See "*National Australia Bank Residential Mortgage Loan Origination-Redraw Mortgage Loans*" below.

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.

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, Receipholders 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), 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, Receipts 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, Receiptholders 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, Receipts 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), 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, Receiptholders 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, Receiptholders 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:

- first*, to reduce and discharge interest (including accrued interest) due and unpaid on the principal amount outstanding of the Demand Note;
- second*, to reduce and discharge the principal amount outstanding of the Demand Note;
- 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:

- (a) *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;
- (b) *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
- (c) *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 as 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 10 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 10 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:

- (a) 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
- (b) 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

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) 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)(ii), (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, Receiptholders 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, Receiptholders 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, Receiptholders 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 relating to the Covered Bond Guarantor including the ability of the Covered Bond Guarantor to fulfil its obligations in relation to the Covered Bond Guarantee – Limited description of the Portfolio, Risk Factors relating to the Covered Bond Guarantor including the ability of the Covered Bond Guarantor to fulfil its obligations in relation to the Covered Bond Guarantee– 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**). It 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 8 November 2011, APRA released, for consultation, a discussion paper and draft prudential standard (Prudential Standard APS 121 Covered Bonds) setting out proposed prudential requirements to apply to ADIs that issue covered bonds in accordance with the Covered Bonds Provisions. APRA has indicated that the requirements under the standard are aimed at ensuring ADIs adopt prudent practices when issuing covered bonds and managing 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. It is APRA's intention to issue a final version of Australian Prudential Standard 121 by early 2012 for implementation in early 2012.

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**). 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 2 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 - 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 "*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 6 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 6 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.

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 subcustodians. 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 depositaries 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 Participants' 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

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 10 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 in any relevant Final Terms (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)).

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).

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 will accede 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 proposed further changes will cause the Covered Bond Guarantor to become subject to any 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 current United Kingdom law and 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 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 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 redemption of Covered Bonds where such amounts are paid on or before 5 April 2012. 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

Certain United States Federal Income Tax Considerations

The following summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Covered Bonds is based upon the United States Internal Revenue Code of 1986, as amended (the **Code**), Treasury regulations promulgated thereunder, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates and retroactive changes) or possible differing interpretations. It deals only with Covered Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, entities classified as partnerships, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons holding

Covered Bonds as a hedge against currency risks or as a part of a "straddle," "hedge," "conversion" or other integrated transaction for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than original purchasers who purchase Covered Bonds at the issue price (as defined below) of the Covered Bonds (except where otherwise specifically noted).

This discussion applies only to holders of Registered Covered Bonds. Bearer Covered Bonds are not being offered to U.S. Holders (as defined below). A U.S. Holder who owns a Bearer Covered Bond may be subject to limitations under United States federal income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Code.

This summary deals only with the United States federal income tax consequences of the acquisition, ownership, and disposition of Covered Bonds, in each case, which mature 30 years or less after their issue date. The United States federal income tax consequences of the purchase, ownership, and disposition of Covered Bonds that mature more than 30 years from their issue date will be discussed in the Applicable Final Terms. In addition, any special United States federal income tax considerations relevant to a particular issue of the Covered Bonds, such as Dual Currency Covered Bonds or Partly-Paid Covered Bonds, will be provided in the Applicable Final Terms. Accordingly, investors should also consult the Applicable Final Terms for any additional discussion regarding the United States federal income tax consequences applicable to a particular issuance of Covered Bonds.

As used herein, the term "U.S. Holder" means a beneficial owner of a Covered Bond that is for United States federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to United States federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (v) any other person whose income or gain in respect of a Covered Bond is effectively connected with the conduct of a United States trade or business. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts which were in existence on 20 August, 1996 and were treated as United States persons under the Code and applicable Treasury regulations thereunder prior to such date that elect to continue to be so treated also will be considered U.S. Holders. If a partnership (including for this purpose any entity treated as a partnership for United States federal income tax purposes) is the beneficial owner of any Covered Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership.

Persons considering the purchase of the Covered Bonds should consult their own tax advisors concerning the application of United States federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Covered Bonds arising under the laws of any other taxing jurisdiction.

U.S. Holders

Payments of Interest

Payments of interest on a Covered Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting), provided that the interest is "qualified stated interest" (as defined below).

The amount of interest taxable as ordinary interest income will include any amounts withheld in respect of foreign taxes and any additional amounts, if any, paid with respect to the Covered Bonds. Interest and original issue discount (as defined below), if any, on Covered Bonds will generally constitute foreign source income for United States federal income tax purposes, and will generally be considered passive category income for purposes of the United States foreign tax credit. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Foreign taxes withheld from interest

income on a Covered Bond may be eligible for credit against the U.S. Holder's United States federal income tax liability, subject to generally applicable limitations and conditions, including certain holding period requirements, or, at the election of the U.S. Holder, for deduction in computing the U.S. Holder's taxable income. The rules governing the United States foreign tax credit are complex. Holders are urged to consult their tax advisors regarding the availability of the United States foreign tax credit under their particular circumstances.

Original Issue Discount

The following summary is a general discussion of the United States federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Covered Bonds issued with original issue discount (**Discount Covered Bonds**) for federal income tax purposes. The following summary is based upon final Treasury regulations (the **OID Regulations**) released by the IRS under the original issue discount provisions of the Code.

For United States federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Covered Bond over its issue price, if such excess equals or exceeds a specified de minimis amount (generally 1/4 of 1% of the Covered Bond's stated redemption price at maturity (i) multiplied by the number of complete years to its maturity from its issue date or, (ii) in the case of a Covered Bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such Covered Bond). A Covered Bond's "weighted average maturity" is the sum of the following amounts determined for each payment on a Covered Bond (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Covered Bond's stated redemption price at maturity. The issue price of each Covered Bond in an issue of Covered Bonds equals the first price at which a substantial amount of such Covered Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Covered Bond is the sum of all payments provided by the Covered Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. In addition, under the OID Regulations, if a Covered Bond bears interest for one or more accrual periods at a rate below the rate applicable for the remaining term of such Covered Bond (e.g., Covered Bonds with teaser rates or interest holidays), and if the greater of either the resulting foregone interest on such Covered Bond or any "true" discount on such Covered Bond (i.e., the excess of the Covered Bond's stated principal amount over its issue price) equals or exceeds a specified de minimis amount, then the stated interest on the Covered Bond would be treated as original issue discount rather than qualified stated interest.

A U.S. Holder of a Discount Covered Bond must include original issue discount in income as ordinary interest for United States federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Covered Bond is the sum of the daily portions of original issue discount with respect to such Discount Covered Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Discount Covered Bond. The "daily portion" of original issue discount on any Discount Covered Bond is determined by allocating to each day in any accrual period a rateable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Discount Covered Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Covered Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated

interest payments allocable to such accrual period. Original issue discount allocable to a final accrual period is the difference between the amount payable at maturity (other than a payment of qualified stated interest) and the adjusted issue price at the beginning of the final accrual period. Special rules apply for calculating original issue discount for an initial short accrual period. The "adjusted issue price" of a Discount Covered Bond at the beginning of any accrual period is the sum of the issue price of the Discount Covered Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Covered Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods. In the case of a Covered Bond issued with de minimis original issue discount, a U.S. Holder generally must include such de minimis original issue discount in income as stated principal payments on the Covered Bonds are made in proportion to the stated principal amount of the Covered Bond. Any amount of de minimis original issue discount that has been included in income in accordance with the foregoing rule will be treated as capital gain upon the sale, exchange, redemption or retirement of the Covered Bonds.

A U.S. Holder who purchases a Discount Covered Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Discount Covered Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Discount Covered Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such Discount Covered Bond for any taxable year (or portion thereof in which the U.S. Holder holds the Discount Covered Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

Under the OID Regulations, Floating Rate Covered Bonds and certain indexed Covered Bonds (**Variable Covered Bonds**) are subject to special rules whereby a Variable Covered Bond will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Covered Bond by more than a specified de minimis amount and (b) it provides for stated interest, paid or compounded at least annually, at current values of (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "qualified floating rate" is any variable rate where variations in the value of such rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Covered Bond is denominated. Although a multiple of a qualified floating rate will generally not itself constitute a qualified floating rate, a variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35 will constitute a qualified floating rate. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, under the OID Regulations, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Covered Bond (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Covered Bond's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate under the OID Regulations unless such cap or floor is fixed throughout the term of the Covered Bond. An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and that is based on objective financial or economic information. A rate will not qualify as an objective rate if it is based on information that is within the control of the issuer (or a related party) or that is unique to the circumstances of the issuer (or a related party) such as dividends, profits, or the value of the issuer's stock (although a rate does not fail to qualify as an objective rate merely because it is based on the credit quality of the issuer). A "qualified inverse floating rate" is any objective rate which is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. The OID Regulations also

provide that if a Variable Covered Bond provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate and if the variable rate on the Variable Covered Bond's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

If a Variable Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument" under the OID Regulations, and if the stated interest on such Variable Covered Bond is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually, then all stated interest on the Variable Covered Bond will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" under the OID Regulations will generally not be treated as having been issued with original issue discount unless the Variable Covered Bond is issued at a "true" discount (i.e., at a price below the Covered Bond's stated principal amount) in excess of a specified de minimis amount. The amount of qualified stated interest and the amount of original issue discount, if any, that accrues during an accrual period on such a Variable Covered Bond is determined under the rules applicable to fixed rate debt instruments by assuming that the variable rate is a fixed rate equal to (i) 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 (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Covered Bond. The qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period pursuant to the foregoing rules.

In general, any other Variable Covered Bond that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of original issue discount and qualified stated interest on the Variable Covered Bond. The OID Regulations generally require that such a Variable Covered Bond be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Covered Bond with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Covered Bond's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Covered Bond is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Covered Bond. In the case of a Variable Covered Bond that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Covered Bond provides for a qualified inverse floating rate). Under such circumstances, 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 Covered Bond as of the Variable Covered Bond's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Covered Bond is then converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Covered Bond is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of original issue discount and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general original issue discount rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Covered Bond will account for such original issue discount and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. Each accrual period appropriate adjustments will be made to the amount of qualified stated interest or original issue discount assumed to have been accrued or paid with respect to the "equivalent"

fixed rate debt instrument in the event that such amounts differ from the actual amount of interest accrued or paid on the Variable Covered Bond during the accrual period.

If a Variable Covered Bond does not qualify as a "variable rate debt instrument" under the OID Regulations, then the Variable Covered Bond would be treated as a contingent payment debt obligation. The Treasury Department has issued final regulations (the **CPDI Regulations**) concerning the proper United States federal income tax treatment of contingent payment debt instruments. In general, the CPDI Regulations would cause the timing and character of income, gain or loss reported on a contingent payment debt instrument to substantially differ from the timing and character of income, gain or loss reported on a conventional noncontingent payment debt instrument under general principles of current United States federal income tax law. Specifically, the CPDI Regulations generally require a U.S. Holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule. Moreover, in general, under the CPDI Regulations, any gain recognised by a U.S. Holder on the sale, exchange, or retirement of a contingent payment debt instrument will be treated as ordinary income and all or a portion of any loss realised could be treated as ordinary loss as opposed to capital loss (depending upon the circumstances). The proper United States federal income tax treatment of Variable Covered Bonds that are treated as contingent payment debt obligations will be more fully described in the Applicable Final Terms. Furthermore, any other special United States federal income tax considerations, not otherwise discussed herein, which are applicable to any particular issue of Covered Bonds will be discussed in the Applicable Final Terms.

Certain of the Covered Bonds (i) may be redeemable at the option of the Issuer prior to their stated maturity (a "call option") and/or (ii) may be repayable at the option of the holder prior to their stated maturity (a "put option"). Covered Bonds containing such features may be subject to rules that differ from the general rules discussed above. Investors intending to purchase Covered Bonds with such features should consult their own tax advisors, since the original issue discount consequences will depend, in part, on the particular terms and features of the purchased Covered Bonds.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Short Term Covered Bonds

Covered Bonds that have a fixed maturity of one year or less (**Short-Term Covered Bonds**) will be treated as having been issued with original issue discount. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, any gain recognised by the U.S. Holder on the sale, exchange or maturity of the Short Term Covered Bond will be ordinary income to the extent of the original issue discount accrued on a straight line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short Term Covered Bond will be deferred until a corresponding amount of income is realised. U.S. Holders who report income for United States federal income tax purposes under the accrual method, and certain other U.S. Holders including banks and dealers in securities, are required to accrue original issue discount on a Short Term Covered Bond on a straight line basis unless an election is made to accrue the original issue discount under a constant yield method (based on daily compounding).

Market Discount

If a U.S. Holder purchases a Covered Bond, other than a Discount Covered Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in

the case of a Discount Covered Bond, for an amount that is less than its "revised issue price" as of the purchase date, such U.S. Holder will be treated as having purchased such Covered Bond at a "market discount", unless the amount of such market discount is less than a specified de minimis amount. For this purpose, the "revised issue price" of a Covered Bond generally equal its issue price, increased by the amount of any original discount that has accrued on the Covered Bond and decreased by the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of a Discount Covered Bond, any payment that does not constitute qualified stated interest) on, or any gain realised on the sale, exchange, retirement or other disposition of, a Covered Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realised gain or (ii) the market discount which has not previously been included in income and is treated as having accrued on such Covered Bond at the time of such payment or disposition. Market discount will be considered to accrue rateably during the period from the date of acquisition to the maturity date of the Covered Bond, unless the U.S. Holder elects to accrue market discount on a constant yield basis.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Covered Bond with market discount until the maturity of the Covered Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a rateable or a constant yield basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Covered Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest income for United States federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium

If a U.S. Holder purchases a Covered Bond for an amount that is greater than the sum of all amounts payable on the Covered Bonds after the purchase date other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Covered Bond with "amortisable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortise such premium using a constant yield method over the remaining term of the Covered Bond and may offset interest otherwise required to be included in respect of the Covered Bond during any taxable year by the amortised amount of such excess for the taxable year. Bond premium on a Covered Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognised on the disposition of the Covered Bonds. However, if the Covered Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortisation of some bond premium until later in the term of the Covered Bond. Any election to amortise bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Disposition of a Covered Bond

Except as discussed above, upon the sale, exchange, redemption or retirement of a Covered Bond, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, redemption or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Covered Bond. A U.S. Holder's adjusted tax basis in a Covered Bond generally will equal such U.S. Holder's initial investment in the Covered Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortisable bond premium taken with respect to such Covered Bond.

Such gain or loss generally will be treated as United States source passive category income for purposes of the United States foreign tax credit and will, except to the extent of Short-Term Covered Bonds or Covered Bonds subject to the CPDI Regulations described above, be long term capital gain or loss if the Covered Bond was held for more than one year. If the U.S. Holder is an individual, long-term capital gains will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Covered Bonds Denominated or on which Interest is Payable in a Foreign Currency

As used herein, "Foreign Currency" means a currency other than U.S. dollars.

Payments of Interest in a Foreign Currency - Cash Method

A U.S. Holder who uses the cash method of accounting for United States federal income tax purposes and who receives a payment of interest on a Covered Bond (other than original issue discount or market discount) will be required to include in income the U.S. dollar value of the Foreign Currency payment (determined at the spot rate on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at that time, and such U.S. dollar value will be the U.S. Holder's tax basis in such Foreign Currency. No exchange gain or loss will be recognised with respect to the receipt of such payment.

Payments of Interest in a Foreign Currency - Accrual Method

A U.S. Holder who uses the accrual method of accounting for United States federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount and reduced by amortisable bond premium to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a Covered Bond during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. A U.S. Holder may elect, however, to translate such accrued interest income using the rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate on the last day of the taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder may translate such interest using the spot rate on the date of receipt. The above election will apply to other debt obligations held by the U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder should consult a tax advisor before making the above election. A U.S. Holder will recognise exchange gain or loss (which will be treated as ordinary income or loss) with respect to accrued interest income on the date such income is received. The amount of ordinary income or loss recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined at the spot rate on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above).

Purchase, Sale and Retirement of Covered Bonds

A U.S. Holder who purchases a Covered Bond with previously owned Foreign Currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the Foreign Currency and the U.S. dollar fair market value of the Foreign Currency used to purchase the Covered Bond, determined on the date of purchase.

For purposes of determining the amount of any gain or loss recognised by a U.S. Holder on the sale, exchange, retirement or other disposition of a Covered Bond that is denominated in a Foreign Currency, the amount realised will be based on the U.S. dollar value of the Foreign Currency on the date the payment is received or the Covered Bond is disposed of. Subject to the discussion below, such gain or loss will generally be capital gain or loss as discussed in "*U.S. Holders – Disposition of a Covered Bond*". To the extent the amount realised upon the disposition of a Covered Bond represents accrued but unpaid interest, however, such amounts must be taken into account as interest income, with exchange gain or loss computed

as described in "*Payments of Interest in a Foreign Currency – Accrual Method*" above. In the case of a Covered Bond that is denominated in Foreign Currency and is traded on an established securities market as defined in the applicable Treasury regulations, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. dollar value of the amount realised by translating the Foreign Currency payment at the spot rate of exchange on the settlement date of the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. Holder's adjusted tax basis in a Covered Bond will equal the cost of the Covered Bond to such U.S. Holder, increased by the amounts of any market discount or original issue discount previously included in income by the U.S. Holder with respect to such Covered Bond and reduced by any amortised premium and any payments other than qualified stated interest received by the U.S. Holder. A U.S. Holder's tax basis in a Covered Bond, and the amount of any subsequent adjustments to such U.S. Holder's tax basis, will be the U.S. dollar value of the Foreign Currency amount paid for such Covered Bond, or of the Foreign Currency amount of the adjustment, determined on the date of such purchase or adjustment.

Gain or loss realised upon the sale, exchange or retirement of a Covered Bond that is attributable to fluctuations in currency exchange rates will be ordinary income or loss, which will not be treated as interest income or expense. Such gain or loss generally will be U.S. source gain or loss. Gain or loss attributable to fluctuations in exchange rates will equal the difference between the U.S. dollar value of the Foreign Currency principal amount of the Covered Bond, generally determined on the date such payment is received or the Covered Bond is disposed of, and the U.S. dollar value of the Foreign Currency principal amount of the Covered Bond, determined on the date the U.S. Holder acquired the Covered Bond. Such Foreign Currency exchange gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the Covered Bond.

Original Issue Discount

In the case of a Covered Bond or Short-Term Covered Bond, (i) original issue discount is computed in the Foreign Currency, (ii) accrued original issue discount is translated into U.S. dollars as described in "*Payments of Interest in a Foreign Currency - Accrual Method*" above and (iii) the amount of Foreign Currency exchange gain or loss on the accrued original issue discount is determined by comparing the amount of income received attributable to the discount (either upon payment, maturity or an earlier disposition), as translated into U.S. dollars at the rate of exchange on the date of such receipt, with the amount of original issue discount accrued, as translated above. For these purposes, all receipts on a Covered Bond will be viewed first, as the receipt of any qualified stated interest payments called for under the terms of the Covered Bond; second, as receipts of previously accrued original issue discount (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as the receipt of principal.

Market Discount and Premium

In the case of a Covered Bond with market discount, (i) market discount is computed in the Foreign Currency, (ii) accrued market discount taken into account upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Covered Bond (other than accrued market discount required to be taken into account currently) is translated into U.S. dollars at the exchange rate on the date of such partial principal payment or disposition date (and no part of such accrued market discount is treated as exchange gain or loss) and (iii) accrued market discount currently includible in income by a U.S. Holder for any accrual period is translated into U.S. dollars on the basis of the average exchange rate in effect during such accrual period, and the exchange gain or loss is determined upon the receipt of any partial principal payment or upon the sale, exchange, retirement or other disposition of the Covered Bond in the manner described in "*Payments of Interest in a Foreign Currency – Accrual Method*" above with respect to the computation of exchange gain or loss on accrued interest.

With respect to a Covered Bond acquired with amortisable bond premium, if an election is made to amortise the premium, such premium is computed in the relevant Foreign Currency and reduces interest income in units of the Foreign Currency. A U.S. Holder should recognise exchange gain or loss equal to the difference between the U.S. dollar value of the bond premium amortised with respect to a period, determined on the

date the interest attributable to such period is received, and the U.S. dollar value of the bond premium determined on the date of the acquisition of the Covered Bond. A U.S. Holder that does not elect to amortise bond premium will translate the bond premium, computed in the applicable Foreign Currency, into U.S. dollars at the spot rate on the maturity date and such bond premium will constitute a capital.

Exchange of Foreign Currencies

A U.S. Holder will have a tax basis in any Foreign Currency received as interest or on the sale, exchange or retirement of a Covered Bond equal to the U.S. dollar value of such Foreign Currency, determined at the time the interest is received or at the time of the sale, exchange or retirement. As discussed above, if the Covered Bonds are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. dollar value of the Foreign Currency by translating the Foreign Currency received at the spot rate of exchange on the settlement date of the sale, exchange or retirement. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accordingly, a U.S. Holder's basis in the Foreign Currency received would be equal to the U.S. dollar value of the Foreign Currency at the spot rate of exchange on the settlement date. Any gain or loss realised by a U.S. Holder on a sale or other disposition of Foreign Currency (including its exchange for U.S. dollars or its use to purchase Covered Bonds) will be ordinary income or loss and will generally be U.S. source income or loss.

Tax Return Disclosure Regulations

Pursuant to Treasury regulations (the **Disclosure Regulations**), any taxpayer that has participated in a "reportable transaction" and that is required to file a United States federal income tax return must generally attach a disclosure statement disclosing such taxpayer's participation in the reportable transaction to the taxpayer's tax return for each taxable year for which the taxpayer participates in the reportable transaction. A penalty in the amount of US\$10,000 in the case of a natural person and US\$50,000 in any other case is imposed on any taxpayer that fails to file a reportable transaction disclosure statement. The Disclosure Regulations provide that, in addition to certain other transactions, a "loss transaction" constitutes a "reportable transaction." A "loss transaction" is any transaction resulting in the taxpayer claiming a loss under section 165 of the Code in an amount equal to or in excess of certain threshold amounts. The Disclosure Regulations specifically provide that a loss resulting from a "section 988 transaction" (as defined in section 988(c)(1) of the Code relating to foreign currency transactions) will constitute a section 165 loss. In the case of individuals or trusts, whether or not the loss flows through from an S corporation or partnership, if the loss arises with respect to a section 988 transaction, the applicable threshold amount is US\$50,000 in any single taxable year. Higher threshold amounts apply depending upon the taxpayer's status as a corporation, partnership, or S corporation, as well as certain other factors. It is important to note, however, that the Disclosure Regulations provide that the fact that a transaction is a reportable transaction will not affect the legal determination of whether the taxpayer's treatment of the transaction is proper. Holders should consult their own tax advisors concerning the potential application of the Disclosure Regulations to the Covered Bonds.

Information Reporting and Backup Withholding

Information reporting and backup withholding of United States federal income tax may apply to payments made in respect of the Covered Bonds to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Covered Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.

In addition, upon the sale of a Covered Bond to (or through) a broker, the broker must report the sale and withhold on the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on an IRS Form W-8BEN under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the IRS in a timely manner.

Information with Respect to Foreign Financial Assets

Under recently enacted legislation, the Foreign Account Tax Compliance rules (**FATCA**), individuals that own "specified foreign financial assets" with an aggregate value in excess of US\$50,000 in taxable years beginning after 18 March, 2010 will generally be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities. Pursuant to a recent IRS notice, the IRS has suspended this filing requirement for tax returns filed before it issues the form on which to report the relevant information. However, once the IRS issues the form, taxpayers that were not required to report in prior years because of the suspension will nevertheless be required to report the relevant information for such prior years on such form. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Covered Bonds.

No comprehensive guidance implementing FATCA has been issued. It is possible under FATCA or a FATCA agreement, that the Covered Bondholders will have to provide tax information to the parties to the Programme Documents or persons holding interests in the Covered Bonds for their benefit. In addition, if any of the parties to the Programme Documents or any other person is required by FATCA to withhold amounts from any payments made in respect of the Covered Bonds, the Covered Bondholders will not be entitled to receive any gross-up or other additional amounts to compensate them for such withholding.

Medicare Tax

Recently enacted legislation requires certain U.S. Holders who are individuals, estates or trusts to pay a 3.8% Medicare surtax on "net investment income", including interest and capital gains, for taxable years beginning after 3 December, 2012, subject to certain exceptions. U.S. Holders are urged to consult their tax advisers regarding the effect, if any, of this legislation on their ownership and disposition of the Covered Bonds.

Luxembourg Taxation

The following summary is of a general nature and is included herein solely for information purposes. It 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 (the **Laws**) mentioned below, 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. Where withholding tax is applied, it is currently levied at a rate of 35 per cent. Responsibility for the withholding of the tax will be assumed by the Principal Paying Agent. Payments of interest under the Covered Bonds coming within the scope of the Laws would at present be subject to withholding tax 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**) mentioned below, 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 Principal Paying Agent. Payments of interest under the Covered Bonds coming within the scope of the Law would be subject to withholding tax 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. 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(i) 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

RBA Approval

Under Australian foreign exchange controls, which may change in the future, any payments by a person in Australia to, by order of, or on behalf of, the following payees may only be made with RBA approval:

- certain individuals and entities associated with the government of the former Federal Republic of Yugoslavia listed in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the RBA in the Commonwealth of Australia Gazette on 10 June 2009, 9 July 2008, 10 October 2007, 22 May 2002 and 24 October 2001;
- certain specified ministers and senior officials of the Government of Zimbabwe and certain persons associated with the Mugabe regime in Zimbabwe listed in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the RBA in the Commonwealth of Australia Gazette on 24 December 2008, 20 June 2007, 5 April 2006, 30 November 2005 and 11 December 2002;
- certain entities and an individual associated with the Democratic People's Republic of Korea (North Korea) listed in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the RBA in the Commonwealth of Australia Gazette No. S176 dated 19 September 2006;
- certain senior members of the Burmese regime and their associates and supporters listed in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the RBA in the Commonwealth of Australia Gazette on 22 October 2008 and 24 October 2007;
- certain Iranian entities and persons who contribute to Iran's proliferation activities but are not already listed by the United Nations Security Council in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the RBA in the Commonwealth of Australia Gazette on 21 July 2010, 25 August 2010 and 15 October 2008;
- certain individuals and entities associated with the Qadhafi regime in Libya listed in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the RBA in the Commonwealth of Australia Gazette on 3 August 2011, 22 June 2011 and 9 March 2011; or
- certain individuals and entities responsible for, or involved in, human rights abuses in Syria listed in instruments issued under the Australian Banking (Foreign Exchange) Regulations and published on behalf of the Reserve Bank of Australia in the Commonwealth of Australia Gazette on 3 August 2011 and 22 June 2011.

Australian Ministerial Approval

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.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a Programme Agreement dated on or about [15] November 2011 (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 REALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES 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 ease 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 Affiliates(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.

Each issue of Index Linked Covered Bonds or Dual Currency Covered Bonds will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Covered Bonds, which additional U.S. selling restrictions will be set out in the Applicable Final Terms. The relevant Dealer agrees that it will offer, sell and deliver such Covered Bonds only in compliance with such additional U.S. selling restrictions.

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) 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 under Section 274 of the Securities and Futures Act or to a relevant person or to any person pursuant to 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 specified in the Applicable Final Terms, 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.

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 15 November 2011.

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 2010 nab Annual Report and the 2011 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 Receipts, 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 supplementary prospectuses 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; and
- (vii) 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).

The Final Terms will contain the summary information on the Asset Pool, including:

- the "Total Pool Size", being the aggregate principal amount outstanding of the Mortgage Loans in the Asset Pool;
- "Number of Loans", being the total number of Mortgage Loans in the Asset Pool;

- "Weighted average original LVR (by value)", being the weighted average of the loan to value ratios of the Mortgage Loans in the Asset Pool at origination (by value);
- "Weighted average current LVR (by value)", being the weighted average of the loan to value ratios of the Mortgage Loans in the Asset Pool based on the current principal balance of a Mortgage Loan (by value), as determined on the relevant Cut-off Date;
- "Weighted average current LVR (index)", being the weighted average of the loan to value ratios of the Mortgage Loans in the Asset Pool based on the current principal balance of a Mortgage Loan and the Indexed Valuation;
- "Weighted average seasoning (by value) Months", being the number of months that a Mortgage Loan in the Asset Pool has been outstanding since origination;
- "Percentage of Loans that are Principal and Interest (by value)", being the percentage number of Mortgage Loans in the Asset Pool that are not interest only Mortgage Loans;
- "Percentage of Loans that are Full Doc", being the percentage number of Mortgage Loans in the Asset Pool that are not "low doc" Mortgage Loans.
- The Asset Pool information will be presented according to "Geographical Distribution", "Balance Outstanding", "Seasoning", "Current LVR", "Current LVR (Indexed)", "Arrears – Principal and Interest", "Arrears – Interest Only", "Write-Offs – Principal and Interest" and "Write-Offs – Interest Only" as set out (and described) in the Form of Final Terms on pages 75-99 of this Prospectus.

For more information on the Asset Pool, see also those parts of this Prospectus headed "*National Australia Bank Limited Residential Mortgage Loan Origination*" and "*The Mortgage Loan Portfolio*".

In addition, copies of this Prospectus, any documents incorporated by reference and each Final Terms relating to the Covered Bonds which are admitted to trading on the official list of the Luxembourg Stock Exchange will also be available for inspection on the website of the Luxembourg Stock Exchange at 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 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:

- 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
- 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.

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 2011 (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 2011 (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 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 2011 and 30 September 2010. The auditors of nab have no material interest in nab. 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.

Post-issuance information

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

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 depositary 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

30/360	has the meaning given to it in Condition 4(a).
30E/360	has the meaning given to it in Condition 4(b).
30E/360 (ISDA)	has the meaning given to it in Condition 4(b).
360/360	has the meaning given to it in Condition 4(b).
A\$ Registered Covered Bonds	means covered bonds denominated in A\$ issued in registered form by entry in the Register maintained by the A\$ Registrar.
A\$ Register	means the register of holders of the A\$ Registered Covered Bonds maintained by the A\$ Registrar.
A\$ Registrar	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.
A\$ Registry Agreement	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.
Account Bank	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.
Account Bank Agreement	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.
Account Bank Mandate	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).
Accrual Period	has the meaning given to it in Condition 4(a).
Accrual Yield	in relation to a Zero Coupon Covered Bond, has the meaning given in the Applicable Final Terms.
Accrued Interest	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.
Accrued Interest Adjustment	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.

Actual/Actual (ICMA)	has the meaning given to it in Condition 4(a).
Actual/Actual or Actual/Actual (ISDA)	has the meaning given to it in Condition 4(b).
Actual/365 (Fixed)	has the meaning given to it in Condition 4(b).
Actual/365 (Sterling)	has the meaning given to it in Condition 4(b).
Actual/360	has the meaning given to it in Condition 4(b).
Additional Business Centre	means, in relation to a Series of Covered Bonds, the Additional Business Centre as specified in the Applicable Final Terms.
ADI	means an Authorised Deposit-Taking Institution.
Adjusted Aggregate Mortgage Loan Amount	has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.
Adjusted Required Redemption Amount	<p>means in relation to a Series of Covered Bonds:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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 the Interest Rate Swap.
Agency Agreements	means the Principal Agency Agreement and the A\$ Registry Agreement, and each an Agency Agreement .
Agents	means the Paying Agents, each Exchange Agent, each Registrar and each Transfer Agent and the A\$ Registrar, each an Agent .
All Moneys Mortgage	means a Mortgage that secures or purports to secure the repayment of Associated Debt as well as a Mortgage Loan.

Amortisation Test	has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Amortisation Test</i> " of this Prospectus.
Amortisation Test Aggregate Mortgage Loan Amount	has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Amortisation Test</i> " of this Prospectus.
Amortisation Test Current Principal Balance	has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Amortisation Test</i> " of this Prospectus.
Amortised Face Amount	has the meaning given to it in Condition 6(f).
Annual Accounting Date	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.
Applicable Final Terms	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.
Appointee	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.
APRA	means the Australian Prudential Regulation Authority.
Arrears of Interest	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.
ASIC	Australian Securities and Investments Commission.
Asset Coverage Reports	means the monthly reports in a form agreed from time to time between the parties to the Management Agreement, and each an Asset Coverage Report .
Asset Coverage Test	has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.
Asset Coverage Test Breach Notice	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.
Asset Percentage	means the lowest of: <ul style="list-style-type: none"> (a) 95%; (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 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.

Auditors	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 Auditor .
Austraclear	means Austraclear Ltd ABN 94 002 060 773.
Austraclear Regulations	means the regulations established by Austraclear to govern the use of the Austraclear System.
Austraclear System	means the clearance and settlement system operated by Austraclear.
Australian Banking Act	means the Banking Act 1959 (Cth).
Australian Bureau of Statistics Index	means the quarterly index of increases or decreases in established house prices (determined on the basis of the weighted average of house prices in 8 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).
Australian Bureau of Statistics Indexed Valuation	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.
Australian Dollar Equivalent	means in relation to an amount which is denominated in: <ul style="list-style-type: none"> (a) a currency other than Australian Dollars, the Australian Dollar equivalent of such amount ascertained using the relevant Covered Bond Swap Rate; and (b) Australian Dollars, the applicable amount in Australian Dollars.
Australian Dollar Transaction Account	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.
Australian Dollar Transaction Account Mandate	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.
Authorised Deposit-Taking Institution	means an authorised deposit-taking institution as defined in the Australian Banking Act.
Authorised Investments	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.

Bank Bill Rate

means in relation to any period:

- (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

- (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
- (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).

Base Prospectus	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.
Basis Swap	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.
Bearer Covered Bonds	means Covered Bonds in bearer form.
Bearer Definitive Covered Bonds	has the meaning given to it in the Conditions.
Bearer Global Covered Bonds	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.
Beneficial Owner	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> ".
Bond Basis	has the meaning given to it in Condition 4(b).
Bond Trust Deed	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.
Bond Trustee	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.
Borrower	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.
Broken Amount	has the meaning given to it in Condition 4(a).
Buildings Policies	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.

Business Day

means any day (other than a Saturday, Sunday or public holiday) which is:

- (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
- (b) in the case of any sum payable, either:
 - (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
 - (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 **TARGET2**) is open.

Calculation Agency Agreement

means the agreement in substantially the form set out in schedule 1 of the Principal Agency Agreement.

Calculation Agent

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.

Calculation Date

means the date which is 5 AU Business Days prior to a Trust Payment Date.

Calculation Management Services

has the meaning given to it in the section "*Summary of the Principal Documents – Management Agreement*" of this Prospectus.

Calculation Period

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.

Capitalised Arrears

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).

Capitalised Expenses	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.
Cash Redraws	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 Cash Redraw .
Charged Property	means the assets of the Trust held by the Covered Bond Guarantor from time to time.
Clearing Systems	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.
Clearstream, Luxembourg	has the meaning given to it in Condition 1.
Co-Arrangers	in relation to any issuance of Covered Bonds means each of nab and Deutsche Bank Aktiengesellschaft.
Collections Account Interest Ledger	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.
Consumer Credit Code	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.
Conditions	means the terms and conditions of the Covered Bonds.
Corporations Act	means the Corporations Act 2001 (Cth).
Couponholders	has the meaning given to it in the Conditions.
Coupons	has the meaning given to it in the Conditions.
Cover Pool	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.
Cover Pool Monitor	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.

Cover Pool Monitor Agreement	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.
Cover Pool Monitor Report	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.
Covered Bond Guarantee	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.
Covered Bond Guarantee Acceleration Notice	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.
Covered Bond Guarantor	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).
Covered Bondholders	means the holders of the 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), which covered bonds may be represented by a Global Covered Bond or any Definitive Covered Bond and includes any replacements or a Covered Bond issued pursuant to Condition 10, 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 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.
Current Principal Balance	<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"> (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; (b) the amount of any Cash Redraws and Further Advances secured or purported to be secured by the Related Security; and (c) any Capitalised Arrears or Capitalised Expenses, <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>
Day Count Fraction	has the meaning given to it in Condition 4(b)(iv).
Dealer and Dealers	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.
Deed of Accession	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.
Defaulted Mortgage Loan	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.
Definitions Schedule	has the meaning given to it in the Conditions.
Definitive Covered Bond	means a Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond.
Demand Note	has the meaning given to it in the section " <i>Summary of the Principal Documents – Demand Note Subscription Agreement</i> " of this Prospectus.
Demand Noteholder	means at any given time the person then appearing in the Instrument Register

	as the holder of the Demand Note.
Demand Note Funding Date	means, in relation to a Demand Note, the date specified in the Demand Note Funding Request.
Demand Note Funding Request	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.
Demand Note Interest Period	means: <ul style="list-style-type: none"> (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 (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.
Demand Note Subscriber	means nab.
Demand Note Subscription Agreement	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.
Designated Account	has the meaning given to it in Condition 5(d).
Designated Bank	has the meaning given to it in Condition 5(d).
Determination Period	has the meaning given to it in Condition 4(a).
Disclosure Documents	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"> (a) in relation to each Series or Tranche of Covered Bonds, the Applicable Final Terms; and (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.
Distribution Compliance Period	has the meaning given to it in Condition 2(i).
DTC	has the meaning given to it in Condition 1.
DTC Covered Bonds	Covered Bonds accepted into DTC's book-entry settlement system.
Due for Payment	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"> (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, on the later of:

- (i) 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, 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)) 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).

Early Redemption Amount

in relation to a Series of Covered Bonds, means the early redemption amount determined in accordance with Condition 6(f).

Early Repayment Charges	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.
Established Rate	has the meaning given to it in Condition 5(j).
Establishment Deed	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.
EURIBOR	has the meaning given to it in Condition 4(b)(ii)(A)(3).
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 state of European economic and monetary union pursuant to the Treaty.
Eurobond Basis	has the meaning given to it in Condition 4(b).
Euroclear	has the meaning given to it in Condition 1.
Excess Proceeds	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.
Exchange Agent	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.
Exchange Date	means on or after the date which is 40 days after a Temporary Bearer Global Covered Bond is issued.
Exchange Notice	has the meaning given to it in Condition 5(i).
Excluded Scheduled Interest Amounts	has the meaning given to it in the definition of Scheduled Interest in this Definitions Schedule.
Excluded Scheduled Principal Amounts	has the meaning given to it in the definition of Scheduled Principal in this Definitions Schedule.
Excluded Swap Termination Amount	<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"> (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 (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider and such Swap Agreement.
Existing Covered Bonds	means, at any time, the Covered Bonds of all Series outstanding at such time.
Extendable Maturity Covered Bonds	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.

**Extended Due for
Payment Date**

has the meaning given to it in Condition 6(a).

**Extension Determination
Date**

has the meaning given to it in Condition 6(a).

Extinguishment Amount

means, in respect of a Mortgage Loan the subject of a Mortgage Loan Extinguishment Notice:

- (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
- (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:
 - (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
 - (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.

Extinguishment Date

means each date specified as such in a Mortgage Loan Extinguishment Notice and on which the Seller pays the relevant Extinguishment Amount.

**Extinguished Mortgage
Loan Rights**

has the meaning given to it in the section "*Summary of the Principal Documents – Mortgage Sale Agreement – Extinguishment and Transfer*" of this Prospectus.

**Extraordinary
Resolution**

has the meaning given to it in schedule 4 of the Bond Trust Deed.

Final Maturity Date

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 Conditions.

Final Redemption Amount	means, in relation to a Series of Covered Bonds, the meaning given in the Applicable Final Terms.
Final Terms	means 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).
Fiscal Period	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.
Fitch	means Fitch Australia Pty Ltd. and includes any successor to its ratings business.
Fitch Specified Rating	means a credit rating of short-term unsecured, unsubordinated and unguaranteed debt obligations of at least F1+ by Fitch.
Fixed Coupon Amount	has the meaning given to it in Condition 4(a).
Fixed Interest Period	has the meaning given to it in Condition 4(a).
Fixed Rate Mortgage Loans	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.
Fixed Rate Swap	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.
Floating Rate Convention	has the meaning given to it in Condition 4(b).
Following Business Day Convention	has the meaning given to it in Condition 4(b).
Further Advances	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 (Initial Advance) which is secured by the same Mortgage as the Initial Advance but does not include any Cash Redraw, and each a Further Advance .
GIC Account	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.

GIC Account Mandate	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.
Global Covered Bond	has the meaning given to it in the Conditions.
Governmental Authority	means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in any relevant jurisdiction.
Group Tax Liability	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).
GST	has the meaning given to it in the GST Act.
GST Act	means A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Guarantee Priority of Payments	has the meaning given to it in Condition 6(a).
Guaranteed Amounts	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 Conditions 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.
Hard Bullet Covered Bonds	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.
Higher Redemption Amount	means the amount (if any) specified in the Applicable Final Terms.
In Specie Failure	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.
In Specie Mortgage Loans	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.
Increase	means the funding of an increase in the principal amount outstanding of the Demand Note previously issued to the Demand Note Subscriber.
Indexed Valuation	means at any date in relation to any Mortgage Loan secured over any Property:

- (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
- (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.

Initial Advance

has the meaning given to it in the definition of **Further Advance**.

Insolvency Event

means:

- (a) in respect of a Transaction Party (other than the Trust Manager) (for the purposes of this paragraph (a) the **Relevant Entity**) the happening of any of these events:
 - (i) a statutory manager is appointed in respect of the Relevant Entity under the Australian Banking Act;
 - (ii) except for the purpose of a solvent reconstruction or amalgamation:
 - (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, 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 Manger; 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.

Insurance Policies means:

(a) the Buildings Policies; and

(b) the Lender's Mortgage Insurance Policies,

and each an **Insurance Policy**.

Intercompany Note 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.

Intercompany Noteholder means at any given time the person then appearing in the Instrument Register as the holder of an Intercompany Note.

Intercompany Note Interest Payment Date 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.

Intercompany Note Issue Date 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.

Intercompany Note Subscriber means nab.

Intercompany Note Subscription Agreement 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.

Intercompany Note Subscription Request means a request substantially in the form set out in the Intercompany Note Subscription Agreement.

Interest Amount has the meaning given to it in Condition 4(b)(iv).

Interest Commencement Date	has the meaning given to it in Condition 4(a).
Interest Payment Date	has the meaning given to it in Condition 4(b).
Interest Period	has the meaning given to it in Condition 4(b).
Interest Rate Shortfall	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.
Interest Rate Shortfall Test	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.
Interest Rate Swap Agreement	means the Interest Rate Swap Master Agreement, together with the confirmations thereunder evidencing the Interests Rate Swaps.
Interest Rate Swap Master Agreement	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.
Interest Rate Swap Provider	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.
Interest Rate Swap	means the Basis Swap and/or the Fixed Rate Swap.
ISDA	means the International Swaps and Derivatives Association, Inc.
ISDA 1995 Credit Support Annex	means the ISDA 1995 Credit Support Annex (Bilateral Form - Transfer) as published by ISDA.
ISDA Definitions	has the meaning given to it in Condition 4(b)(ii)(A).
ISDA Master Agreement	means the 2002 ISDA master agreement, as published by ISDA.
ISDA Rate	has the meaning given to it in Condition 4(b)(ii)(A).
Issue Date	means a date on which the Issuer issues Covered Bonds under the Programme.
Issue Price	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.
Issuer	means nab.
Issuer Acceleration Notice	has the meaning given to it in Condition 9(a).
Issuer Event of Default	has the meaning given to it in Condition 9(a).
Junior Demand Note Component	has the meaning given to it in the section " <i>Summary of the Principal Documents – Demand Note Subscription Agreement</i> " of this Prospectus.

Land	<p>means:</p> <ul style="list-style-type: none"> (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 expire not earlier than 5 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	<p>means, in relation to a Property, the value:</p> <ul style="list-style-type: none"> (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	<p>means each of the following ledgers established and maintained by the Covered Bond Guarantor or the Trust Manager on its behalf:</p> <ul style="list-style-type: none"> (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 " <i>Structure Overview – Structure Overview – Legislated Collateralisation Test</i> " 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.
LIBOR	has the meaning given to it in Condition 4(b)(ii)(A)(3).
listed	(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.
Long Maturity Covered Bond	has the meaning given to it in Condition 5(b).
Losses	means the realised losses on the Mortgage Loans which are in the Mortgage Loan Portfolio.
LVR	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.
LVR Adjusted Mortgage Loan Balance Amount	has the meaning given to it in the section " <i>Summary of the Principal Documents – Establishment Deed – Asset Coverage Test</i> " of this Prospectus.
Majority Secured Creditors	means Secured Creditors whose Secured Obligations amount in aggregate to more than 66% of the total Secured Obligations.
Management Agreement	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.
Minimum Redemption Amount	means the amount (if any) specified in the Applicable Final Terms.
Modified Following Business Day Convention	has the meaning given to it in Condition 4(b).
Moody's	means Moody's Investors Service Pty Limited and includes any successor to its rating business.
Moody's Specified Rating	means a credit rating of short-term, unsecured, unsubordinated and unguaranteed debt obligations of at least P-1 by Moody's.
Mortgage	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.

Mortgage Account	means as the context requires: <ul style="list-style-type: none"> (a) all Mortgage Loans secured on the same Property and thereby forming a single mortgage account; or (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.
Mortgage Conditions	means all the terms and conditions applicable to a Mortgage Loan at any time.
Mortgage Guarantor	means, in relation to a Mortgage Loan in the Mortgage Loan Portfolio, a guarantor of that Mortgage Loan.
Mortgage Loan	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.
Mortgage Loan Extinguishment Notice	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.
Mortgage Loan Files	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.
Mortgage Loan Portfolio	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.
Mortgage Loan Principal Receipts	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)).

Mortgage Loan Revenue Receipts	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).
Mortgage Loan Scheduled Payment	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.
Mortgage Loan Scheduled Payment Date	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.
Mortgage Sale Agreement	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.
Mortgage Transfer	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.
N Covered Bond	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 the form of a German "Namensschuldverschreibung" 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.
N Covered Bond Agreement	means, in respect of any N Covered Bond, an agreement between the Issuer, the Covered Bond Guarantor, the Trust Manager and the Bond Trustee.
N Covered Bond Conditions	means the terms and conditions of each N Covered Bond annexed thereto.
N Covered Bondholder	means the holder of an N Covered Bond.
nab	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.
nab Group	means nab and the group of companies of which it is the parent company.
National Consumer Credit Protection Laws	means: <ul style="list-style-type: none"> (a) the National Consumer Credit Protection Act 2009 (Cth) (including the National Credit Code set out in schedule 1 to that Act); (b) the National Consumer Credit Protection (Fees) Act 2009 (Cth); (c) the National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009 (Cth) (Transitional Act); (d) regulations made under any of the legislation described at paragraphs

(a) through (c) above; and

- (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.

Negative Carry Factor has the meaning given in the section "*Summary of the Principal Documents – Establishment Deed – Asset Coverage Test*" of this Prospectus.

Net Taxable Income means, in respect of a Fiscal Period of the Trust the "net income" (as defined in Section 95(1) of the Tax Act) of the Trust for that Fiscal Period.

Net Trust Income 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.

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 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.

Non-Cash Redraw means a Payment Holiday under a Mortgage Loan included in the Mortgage Loan Portfolio.

Notice to Pay 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.

Note Certificate 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.

Offset Mortgage Loan 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.

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.

Outstanding or outstanding means, in relation to the Covered Bonds of all or any Series, all the Covered Bonds of such Series issued other than:

- (a) those Covered Bonds which have been redeemed in full and cancelled pursuant to the Bond Trust Deed and/or the Conditions;
- (b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions 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 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 Conditions and remain available for payment against presentation of the relevant Covered Bonds and/or Receipts and/or Coupons;

- (c) those Covered Bonds which have been purchased and cancelled in accordance with Conditions 6(h) and 6(i) of the Conditions and any equivalent provision in the 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 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 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;
- (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 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,

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 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 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).

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.

**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.

PPSA

means the Personal Property Securities Act 2009 (Cth).

PPS Law	means: <ul style="list-style-type: none"> (a) the PPSA; (b) any regulations made at any time under the PPSA; (c) any provision of the PPSA or regulations referred to in paragraph (b) above; or (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.
PPSR	means the Personal Property Securities Register established under section 147 of the PPSA.
Pre-Acceleration Principal Priority of Payments	has the meaning given to it in the section " <i>Cashflows – Pre-Acceleration Principal Priority of Payments</i> " of this Prospectus.
Pre-Acceleration Priority of Payments	means the Pre-Acceleration Principal Priority of Payments and the Pre-Acceleration Revenue Priority of Payments.
Pre-Acceleration Revenue Priority of Payments	has the meaning given to it in the section " <i>Cashflows – Pre-Acceleration Revenue Priority of Payments</i> " of this Prospectus.
Preceding Business Day Convention	has the meaning given to it in Condition 4(b).
Pre-Maturity Demand Note Funding	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"> (a) the Covered Bond Guarantor may request the Demand Note Subscriber either subscribe for the Demand Note; or (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.
Pre-Maturity Ledger	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.
Pre-Maturity Test	has the meaning given to it in the section " <i>Credit Structure – Pre-Maturity Test</i> " of this Prospectus.
Pre-Maturity Test Date	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.

Pre-Maturity Test Period	<p>means, in relation to a Series of Hard Bullet Covered Bonds, in respect of:</p> <ul style="list-style-type: none"> (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 (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.
Principal Agency Agreement	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 Exchange Agent, the Transfer Agent and the Registrar.
Principal Amount Outstanding	has the meaning given to it in Condition 4(a).
Principal Ledger	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.
Principal Paying Agent	means Deutsche Bank A.G., London Branch, or any other person from time to time appointed to perform the role of principal paying agent under the Principal Agency Agreement.
Priorities of Payments	<p>means the orders of priority for the allocation and distribution of amounts standing to the credit of the Trust Accounts in different circumstances including:</p> <ul style="list-style-type: none"> (a) the Pre-Acceleration Revenue Priority of Payments; (b) the Pre-Acceleration Principal Priority of Payments; (c) the Post-Enforcement Priority of Payments; and (d) the Guarantee Priority of Payments, <p>each a Priority of Payments.</p>
Privacy Act	means the Privacy Act 1988 (Cth).
Privacy Laws	<p>means:</p> <ul style="list-style-type: none"> (a) the Privacy Act; (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

- (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.

Product Switch 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.

Programme means the covered bond programme established by the Issuer pursuant to the Programme Agreement.

Programme Agreement 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.

Programme Date means 15 November 2011.

Programme Documents means the following documents:

- (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);
- (b) Servicing Agreement;
- (c) Cover Pool Monitor Agreement;
- (d) Intercompany Note Subscription Agreement;
- (e) Demand Note Subscription Agreement;
- (f) Establishment Deed;
- (g) Management Agreement;
- (h) Interest Rate Swap Agreement;
- (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**.

Programme Limit means US\$20 billion, subject to increase as provided in the Programme Agreement.

Programme Resolution has the meaning given to it in Condition 14.

Property means Land which is subject to a Mortgage.

Prospectus means this prospectus.

Prospectus Directive means Directive 2003/71/EC, 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).

Purchase Price 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.

Purchaser means the Seller or any third party to whom the Covered Bond Guarantor offers to sell Selected Mortgage Loans.

Put Notice has the meaning given to it in Condition 6(d).

QIB has the meaning given to it in Condition 2(i).

Qualified Institution means an ADI:

- (a) which pays any relevant interest in the ordinary course of its business; and
- (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
- (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).

Qualifying Borrower 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".

Qualifying Mortgage Loan has the meaning given to it in the section "*Summary of the Principal Documents – Mortgage Sale Agreement – Qualifying Mortgage Loans*" of this

	Prospectus.
Rate of Interest	has the meaning given to it in Condition 5(j).
Rating Agencies	means Moody's and Fitch or their successors, to the extent they provide ratings in respect of the Covered Bonds, and each a Rating Agency .
Rating Affirmation Notice	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"> (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 (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.
RBA	means the Reserve Bank of Australia.
Receiptholders	has the meaning given to it in the Conditions.
Receipts	has the meaning given to it in the Conditions.
Receiver	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.
Record Date	has the meaning given to it in Condition 5(d).
Redeemed Covered Bonds	has the meaning given to it in Condition 6(c).
Redenomination Date	has the meaning given to it in Condition 5(j).
Redraw	means either of a Cash Redraw or a Non-Cash Redraw.
Reference Banks	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.
Reference Price	in respect of a Zero Coupon Covered Bond, has the meaning given in the Applicable Final Terms.
Register	means the register of holders of the Registered Covered Bonds maintained by the Registrar.

Registered Covered Bonds	means Covered Bonds (other than A\$ Registered Covered Bonds) issued in registered form (being Registered Global Covered Bonds and/or Registered Definitive Covered Bonds, as the case may be).
Registered Definitive Covered Bond	has the meaning given to it in the Conditions.
Registered Global Covered Bond	has the meaning given to it in Condition 2(a).
Registrar	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.
Regulated Market	means the regulated market of the Luxembourg Stock Exchange.
Regulation S	means Regulation S under the Securities Act.
Regulation S Global Covered Bond	has the meaning given to it in the Conditions.
Regulatory Event	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.
Related Entity	has the meaning given to it in the Corporations Act.
Related Security	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.
Relevant Acquired Covered Bonds	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).
Relevant Covered Bonds	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.
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 Covered Bondholders in accordance with Condition 13.

Representations and Warranties	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.
Required Current Principal Balance Amount	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.
Required Redemption Amount	<p>means, in respect of a Series of Covered Bonds, the amount calculated in accordance with the following formula:</p> $A \times \left(1 + \left(B \times \frac{C}{365} \right) \right)$ <p>where,</p> <p>A = the Principal Amount Outstanding of the relevant Series of Covered Bonds;</p> <p>B = the Negative Carry Factor; and</p> <p>C = days to maturity of the relevant Series of Covered Bonds.</p>
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	<p>means:</p> <ul style="list-style-type: none"> (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.

Reserve Ledger	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.
Residual Capital Unit	means a Unit in the Trust which is designated as a "Residual Capital Unit" in the Instrument Register.
Residual Capital Unitholder	means a person registered as the holder of a Residual Capital Unit in the Trust in the Instrument Register.
Residual Income Unit	means the Unit in the Trust which is designated as the "Residual Income Unit" in the Instrument Register.
Residual Income Unitholder	means the person registered as the holder of the Residual Income Unit in the Trust in the Instrument Register.
Residual Income Unitholder Ledger	means the ledger of such name maintained by the Trust Manager in accordance with the Management Agreement.
Revenue Ledger	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.
Rule 144A	means Rule 144A under the Securities Act.

Rule 144A Global Covered Bond	has the meaning given to it in the Conditions.
Sale Proceeds	means the cash proceeds realised from the sale of Selected Mortgage Loans and the Related Security.
Scheduled Balance	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.
Scheduled Interest	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 (but excluding any additional amounts relating to premiums, default interest or interest upon interest (Excluded Scheduled Interest 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 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 as a result of any gross-up in respect of any withholding or deduction made under the circumstances set out in Condition 7.
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) (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.
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 Receiptholders, 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.

Securities Act	means the United States Securities Act of 1933, as amended.
Security	means the Security Interests over the Charged Property granted pursuant to the Security Deed.
Security Deed	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.
Security Interest	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).
Security Trust	means the trust formed under the Security Deed.
Security Trustee	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.
Selected Mortgage Loan Extinguishment Notice	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.
Selected Mortgage Loans	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.
Selection Date	has the meaning given to it in Condition 6(c).
Seller	means nab in its capacity as seller pursuant to the Mortgage Sale Agreement.
Seller's Power of Attorney	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.
Seller Trust	has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Seller Trust</i> " of this Prospectus.
Seller Trustee	means, in respect of a Seller Trust, the Covered Bond Guarantor as bare trustee of that Seller Trust.

Seller Trust Assets	has the meaning given to it in the section " <i>Summary of the Principal Documents – Mortgage Sale Agreement – Seller Trust</i> " of this Prospectus.
Senior Demand Note Component	has the meaning given to it in the section " <i>Summary of the Principal Documents – Demand Note Subscription Agreement</i> " of this Prospectus.
Series	means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are: <ul style="list-style-type: none"> (a) expressed to be consolidated and form a single series; and (b) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.
Series Reserved Matter	has the meaning given to it in Condition 14.
Servicer	means nab, or any other person from time to time appointed to perform the role of servicer under the Servicing Agreement.
Servicer Termination Event	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.
Services	means the services which the Servicer agrees to provide in accordance with the Servicing Agreement.
Servicing Agreement	means the servicing agreement entered into on 11 November 2011, between the Covered Bond Guarantor, the Trust Manager, the Servicer and the Security Trustee.
Servicing Fee Letter	means the letter dated on or about the Programme Date between the Servicer, the Covered Bond Guarantor, the Trust Manager and the Security Trustee in relation to the payment of a servicing fee.
Servicing Procedures	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).
Specified Currency	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.
Specified Denomination	means in respect of a Series of Covered Bonds, the denomination or denominations of such Covered Bonds specified in the Applicable Final Terms.
Specified Time	means 11.00 am (London time, in the case of determination of LIBOR or Brussels time, in the case of determination of EURIBOR).
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.
Substitution Assets	<p>means:</p> <ul style="list-style-type: none">(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 2 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:<ul style="list-style-type: none">(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).
Swap Agreements	means the Interest Rate Swap Agreement and the Covered Bond Swap Agreements and each, a Swap Agreement .
Swap Agreement Credit Support Document	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.
Swap Collateral	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.

Swap Collateral Account Mandate	means the resolutions, instructions and signature authorities relating to the Swap Collateral Cash Accounts.
Swap Collateral Cash Account	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.
Swap Collateral Excluded Amounts	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.
Swap Master Agreement	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.
Swap Provider Default	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.
Swap Provider Downgrade Event	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.
Swap Providers	means the Interest Rate Swap Provider and the Covered Bond Swap Providers, and each a Swap Provider .
Swaps	means the Interest Rate Swap and the Covered Bond Swaps and each, a Swap .
Talons	means, if indicated in the Applicable Final Terms, talons for further Coupons on interest-bearing Bearer Definitive Covered Bonds.
TARGET2 System	has the meaning given to it in Condition 4(b)(i).
Taxes	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 **Tax** or **Taxation** is to be construed accordingly.

Tax Act	means the means the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as applicable.
Tax Authority	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.
Tax Consolidated Group	means a consolidated group or an MEC group (each as defined in the Tax Act).
Tax Sharing Agreement	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.
Tax Resident in Australia	means resident in Australia for the purposes of the Tax Act.
Temporary Bearer Global Covered Bond	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.
Third Party Amounts	<p>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:</p> <ul style="list-style-type: none">(a) payments by a Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and(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, <p>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.</p>
Title Documents	<p>in respect of a Mortgage Loan, includes the original of:</p> <ul style="list-style-type: none">(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.

Tranche means Covered Bonds which are identical in all respects (including as to listing).

Transaction Accounts 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 **Transaction Account** will denote any one of the Transaction Accounts.

Transaction Party means any person who is a party to a Programme Document and **Transaction Parties** means some or all of them.

Transfer Agent 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.

Transfer Certificate	has the meaning given to it in the Conditions.
Transfer Date	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.
Treaty	has the meaning given to it in Condition 5(j).
Trust	means the trust known as the "nab Covered Bond Trust" formed under the Establishment Deed.
Trust Accounts	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.
Trust Corporation	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.
Trust Manager	means nab, or any other person from time to time appointed to perform the role of trust manager under the Management Agreement.
Trust Manager Termination Event	<p>means an the occurrence of any of the following events:</p> <ul style="list-style-type: none">(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;(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 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: <ul style="list-style-type: none">(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 " <i>Summary of the Principal Documents – Servicing Agreement – Yield Shortfall Test</i> " of this Prospectus.
Yield Shortfall Test	has the meaning given to it in the section " <i>Summary of the Principal Documents – Servicing Agreement – Yield Shortfall Test</i> " of this Prospectus.
Zero Coupon Covered Bonds	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

4440 UB
800 Bourke Street
Docklands Victoria 3008
Australia

COVERED BOND GUARANTOR

Perpetual Corporate Trust Limited

Level 12
123 Pitt Street
Sydney NSW 2000
Australia

TRUST MANAGER

National Australia Bank Limited

Level 36
500 Bourke Street
Melbourne Victoria 3000
Australia

CO-ARRANGERS

National Australia Bank Limited

Level 27
500 Bourke Street
Melbourne Victoria 3000
Australia

Deutsche Bank Aktiengesellschaft

Grosse Gallusstrasse 10-14
60272 Frankfurt am Main Germany

DEALERS

National Australia Bank Limited

Level 27
500 Bourke Street
Melbourne Victoria 3000
Australia

Deutsche Bank Aktiengesellschaft

Grosse Gallusstrasse 10-14
60272 Frankfurt am Main Germany

nabSecurities, LLC

28th Floor, 245 Park Avenue
New York NY 10167
United States

SECURITY TRUSTEE

P.T. Limited

Level 12
123 Pitt Street
Sydney NSW 2000
Australia

BOND TRUSTEE

Deutsche Trustee Company Limited

Winchester House
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

1761 East St.
Andrew Place
Santa Ana
California 92705
United States

A\$ REGISTRAR

Austraclear Services Limited

20 Bridge Street
Sydney NSW 2000
Australia

PRINCIPAL PAYING AGENT AND EXCHANGE AGENT

Deutsche Bank A.G., London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

COVER POOL MONITOR

Ernst & Young

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000
Australia

LEGAL ADVISERS

To the Issuer as to English Law

Allen & Overy LLP

One Bishops Square
London E1 6AD
United Kingdom

To the Issuer as to Australian law

Allen & Overy

Level 7 Gold Fields House
1 Alfred Street
Sydney NSW 2000
Australia

To the Issuer as to U.S. Law

Sullivan & Cromwell

Level 32, 101 Collins Street
Melbourne Victoria 3008
Australia

*To the Covered Bond Guarantor and the Security Trustee as to
Australian law*

Blake Dawson

Level 36
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

To the Bond Trustee as to English law

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Co-Arrangers as to Australian law and English law

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Co-Arrangers as to U.S. Law

Sidley Austin LLP

787 Seventh Avenue
New York
New York 10019
United States of America

AUDITORS

Ernst & Young

Ernst & Young Building
8 Exhibition Street
Melbourne Victoria 3008
Australia