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This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither ANZ National Bank Limited, ANZ National (Int'l) Limited, acting through its London branch, Barclays Bank PLC nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from Barclays Bank PLC.



ANZ National (Int'l) Limited

(incorporated with limited liability in New Zealand under company number 328154 and registered as a branch in England & Wales under company number FC023994 and branch number BR006645)
as Issuer

ANZ National Bank Limited

(incorporated with limited liability in New Zealand under company number 35976)
as Issuer and Guarantor of Covered Bonds issued by ANZ National (Int'l) Limited

€5,000,000,000 ANZNZ Covered Bond Programme

unconditionally and irrevocably guaranteed as to payments of interest and principal by

ANZNZ Covered Bond Trust Limited

(incorporated in New Zealand with limited liability under company number 3220967)
as trustee of the ANZNZ Covered Bond Trust

Under the €5,000,000,000 ANZNZ Covered Bond Programme (**Programme**) established by ANZ National Bank Limited (**ANZNBL** and an **Issuer**) and ANZ National (Int'l) Limited (**ANZNIL** and an **Issuer**, and together with ANZNBL, the **Issuers**, and references to the "Relevant Issuer" shall, in relation to any Series or Tranche of Covered Bonds be references to the Issuer which is, or is intended to be, the Issuer of such Covered Bonds as indicated in the applicable Final Terms) on the Programme Date, the Issuers may from time to time issue bonds (**Covered Bonds**) denominated in any currency agreed between the Relevant Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) 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 Relevant Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) and the Relevant Dealer(s) at the time of issue in accordance with the prevailing market conditions. Any Covered Bonds issued under the Programme on or after the date of this Prospectus are issued subject to the provisions as described herein.

The payment of all amounts owing by ANZNIL in respect of the Covered Bonds issued by ANZNIL will be unconditionally and irrevocably guaranteed by ANZNBL (the **Guarantor**).

ANZNZ Covered Bond Trust Limited (the **Covered Bond Guarantor**) has guaranteed payments of interest and principal under the Covered Bonds pursuant to a guarantee which is secured over the Housing Loans and the Related Security (as defined below) and its other assets. Recourse against the Covered Bond Guarantor under its guarantee is limited to the Housing Loans and the Related Security and its other assets.

The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed €5,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Covered Bonds may be issued on a continuing basis to the Dealers specified under "Summary of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuers (each, a **Dealer** and together, the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the **Relevant Dealers** shall, 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.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" on pages 22 to 56 of this Prospectus. This Prospectus does not describe all of the risks of an investment in the Covered Bonds.

Prospective investors in Covered Bonds should ensure that they understand the nature of the relevant Covered Bonds and the extent of their exposure to risks and that they consider the suitability of the relevant Covered Bonds as an investment in the light of their own circumstances and financial condition. CERTAIN ASPECTS OF COVERED BONDS INVOLVE A DEGREE OF RISK AND INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT. It is the responsibility of prospective investors to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Covered Bonds and are not relying on the advice of the Issuers, the Guarantor, the Covered Bond Guarantor, the Trust Manager (as defined herein), the Security Trustee (as defined herein) or Bond Trustee (as defined herein) or the Relevant Dealer in that regard.

This Prospectus constitutes a base prospectus for the purposes of the Prospectus Directive - Directive 2003/71/EC. Application has been made to the Financial Services Authority (the **FSA**) which is the United Kingdom competent authority under the Financial Services and Markets Act 2000 (the **FSMA**) for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom (the **UK Listing Authority**) for approval of this Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Covered Bonds issued under the Programme to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Covered Bonds to be admitted to trading on the regulated market of the London Stock Exchange which is a "regulated market" for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) (the **regulated market of the London Stock Exchange**) during the period of 12 months from the date of this Prospectus. References in this Prospectus to Covered Bonds being "listed" (and all related references) shall, unless the context otherwise requires, mean that such Covered Bonds have been admitted to trading on the regulated market of the London 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 Tranche (as defined under the Terms and Conditions of the Covered Bonds) of Covered Bonds will be set out in a separate document containing the final terms for that Tranche (each, a **Final Terms**) which, with respect to Covered Bonds to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of such Tranche 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 Relevant Issuer, the Guarantor (if ANZNIL is the Issuer), the Covered Bond Guarantor and the Relevant Dealer(s). The Issuers may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any regulated or unregulated market.

The Covered Bonds, the Guarantee 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**), and the Covered Bonds 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 Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Form of the Covered Bonds" for a description of the manner in which Covered Bonds will be issued.

The Relevant Issuer, the Guarantor (if ANZNIL is the Issuer) and the Covered Bond Guarantor may agree with any Dealer, the Bond Trustee and the Principal Paying Agent that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds herein, in which event a supplementary 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 Investors Service Pty Ltd (**Moody's**) and an "AAA" rating by Fitch Australia Pty Ltd (**Fitch** and, together with Moody's, the **Rating Agencies**). Fitch and Moody's are not established in the European Union and have not applied for registration under Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (**CRA Regulation**). However, Fitch Ratings Limited and Moody's Investors Service Ltd are established in the European Union and have applied for registration under the CRA Regulation. Although notification of the corresponding registration decision has not yet been provided by the relevant competent authority, the applications for registration have disclosed that each of Fitch Ratings Limited and Moody's Investors Service Ltd intend to endorse select public ratings issued by Fitch and select public ratings issued by Moody's respectively.

The rating of certain Series or Tranches of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series or Tranches of Covered Bonds will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the **CRA Regulation**) will be disclosed in the Final Terms. Please also refer to "Ratings of the Covered Bonds" in the Risk Factors section of this Prospectus. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Arrangers for the Programme

ANZ National Bank Limited

Barclays Capital

Dealers for the Programme

Australia and New Zealand Banking Group Limited

Barclays Capital

The date of this Prospectus is 25 May 2011.

This Prospectus has been approved by the UK Listing Authority as a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) and has been published in accordance with the prospectus rules made under the FSMA. 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 Issuers, the Guarantor and the Covered Bond Guarantor (the **Responsible Persons**) each accept responsibility for the information in this Prospectus. To the best of the knowledge and belief of each of the Responsible Persons (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.

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 shall, 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 Issuers, the Guarantor and the Covered Bond Guarantor, but no assurance can be given by the Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee 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 the Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuers, the Guarantor or the Covered Bond Guarantor in connection with the Programme. Neither the Arrangers nor the Dealers nor the Agents nor the Bond Trustee nor the Trust Manager nor the Security Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers, the Guarantor or the Covered Bond Guarantor in connection with the Programme.

No person has been authorised by the Issuers, the Guarantor, the Covered Bond Guarantor, any of the Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee to give any information or to make any representation not contained in 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 the Issuers, the Guarantor, the Covered Bond Guarantor, any of the Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee.

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 the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, any of the Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee 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 Issuers, the Guarantor 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 the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, any of the Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager or the Security Trustee 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 shall in any circumstances imply that the information contained herein concerning the Issuers and/or the Guarantor and/or the Covered Bond Guarantor and/or the Seller 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. The Arrangers, the Dealers, the Agents, the Bond Trustee, the Trust Manager and the Security Trustee expressly do not undertake to review the financial condition or affairs of the Issuers, the Guarantor, the Covered Bond Guarantor or the Seller 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.

As set forth in the applicable Final Terms, the Covered Bonds are being offered and sold in accordance with Regulation S under the Securities Act (**Regulation S**) to non-U.S. persons in offshore transactions. The Covered Bonds have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, Covered Bonds may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale and Selling Restrictions*").

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. The Issuers, the Guarantor, the Covered Bond Guarantor, the Arrangers, the Dealers, the Bond Trustee, the Trust Manager and the Security Trustee do not represent 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 the Issuers, the Guarantor, the Covered Bond Guarantor, the Arrangers, the Dealers, the Bond Trustee, the Trust Manager or the Security Trustee which would permit a public offering of any Covered Bonds outside the European Economic Area 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 New Zealand, Australia, the United States, the European Economic Area (including the United Kingdom and the Republic of France), Hong Kong, Singapore and Japan (see "*Subscription and Sale and Selling Restrictions*"). This Prospectus has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly any person making or intending to make an offer in a Relevant Member State of Covered Bonds which are the subject of an offering contemplated in this Prospectus as completed by a Final Terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuers or the Relevant 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, in each case, in relation to such offer. Neither the Issuers, the Guarantor, the Covered Bond Guarantor, the Trust Manager nor the Dealers have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuers, the Guarantor, the Covered Bond Guarantor, the Trust Manager or the Dealers to publish or supplement a prospectus for such offer.

This Prospectus prepared in connection with the Covered Bonds has not been submitted to the clearance procedures of the *Autorité des marchés financiers*.

All references to **U.S. dollars** and **U.S.\$** are to the currency of the United States of America, to **NZ\$, New Zealand \$, NZ Dollars, New Zealand dollars, \$** and **New Zealand cents** are to the lawful currency of New Zealand, to **A\$** and Australian dollars are to the lawful currency of Australia, to **Sterling** and **£** are to the lawful currency of the United Kingdom and to **euro** and **€** are 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, as amended. In making an investment decision, investors must rely on their own examination of the Issuers, the Guarantor and the Covered Bond Guarantor and the Terms and Conditions of the Covered Bonds being offered, including the merits and risks involved.

None of the Arrangers, the Dealers, the Covered Bond Guarantor, the Agents, the Security Trustee, the Trust Manager or the Bond Trustee makes 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.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus (and, therefore, acting in association with the Issuers and the Guarantor) in connection with an offer of Covered Bonds are the persons named in the applicable Final Terms as the Relevant Dealer.

Copies of the Final Terms will be available from the registered office of the Relevant Issuer, the Guarantor (if ANZNIL is the Issuer) and the specified office set out below of the Principal Paying Agent (as defined below).

No information in this Prospectus has been sourced from a third party.

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PRINCIPAL CHARACTERISTICS OF THE ANZ NZ COVERED BOND PROGRAMME

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

Issuers:	ANZ National Bank Limited (ANZNBL); ANZ National (Int'l) Limited (ANZNIL), acting through its London branch.
Guarantor (or ANZNBL):	ANZNBL (in the case of Covered Bonds issued by ANZNIL).
Covered Bond Guarantor:	ANZNZ Covered Bond Trust Limited.
Nature of eligible property:	Housing Loans and the Related Security, Substitution Assets, and Authorised Investments.
Location of eligible property:	New Zealand.
Asset Coverage Test:	Yes, see " <i>Credit Structure</i> ".
Amortisation Test:	Yes, see " <i>Credit Structure</i> ".
Pre-Maturity Test	Yes, see " <i>Credit Structure</i> ".
Reserve Fund:	A Reserve Fund to trap a specified amount of Available Revenue Receipts or the proceeds of a Term Advance will be established if the credit ratings for ANZNBL's short term, unsecured, unsubordinated and unguaranteed debt obligations fall below F1+ by Fitch or P-1 by Moody's.
Maximum Asset Percentage:	90%.
Extendable Maturities:	Available.
Hard Bullet Maturities:	Available.
Asset Monitor:	Deloitte.
Asset Segregation:	Yes.
Terms:	As set out in the Final Terms for the relevant Series or Tranche of Covered Bonds.
Listing:	Application will be made to the UK Listing Authority for Covered Bonds issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Covered Bonds to be admitted to trading on the regulated market of the London Stock Exchange during the period of 12 months from the date of this Prospectus. Covered Bonds may be unlisted or may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Relevant Issuer, the Guarantor, the Bond Trustee and the Relevant Dealer in relation to each issue. The 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.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus:

In respect of ANZNBL:

- (a) the audited annual consolidated financial statements (including the auditor's report thereon and notes thereto) in respect of the years ended 30 September 2009 and 2010 (set out on pages 6 to 118 and 126 to 127 and on pages 5 to 103 and 110 to 111, respectively of the ANZ National Bank Limited General Disclosure Statements for the years ended 30 September 2009 and 2010); and
- (b) the unaudited interim consolidated financial statements (including the auditor's report thereon and notes thereto) for the six months ended 31 March 2011 (set out on pages 2 to 26 and 32 of the ANZ National Bank Limited Disclosure Statement for the six months ended 31 March 2011),

each of which has been previously published and filed with the Financial Services Authority.

In respect of ANZNIL:

- (a) the audited annual financial statements (including the auditor's report thereon and notes thereto) in respect of the years ended 30 September 2009 and 2010, each of which has been previously published and filed with the Financial Services Authority; and
- (b) the unaudited interim financial statements in respect of the six months ended 31 March 2011.

Any statement contained in this Prospectus or in any document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. For the purposes of the prospectus rules enacted under Section 73A of the FSMA, any documents incorporated by reference into the above documents do not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered offices of ANZNBL and ANZNIL. Requests for such documents should be directed to the Relevant Issuer or the Guarantor at their respective offices set out at the end of this Prospectus. In addition, such documents will be available from the specified offices of the Principal Paying Agent for the time being at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

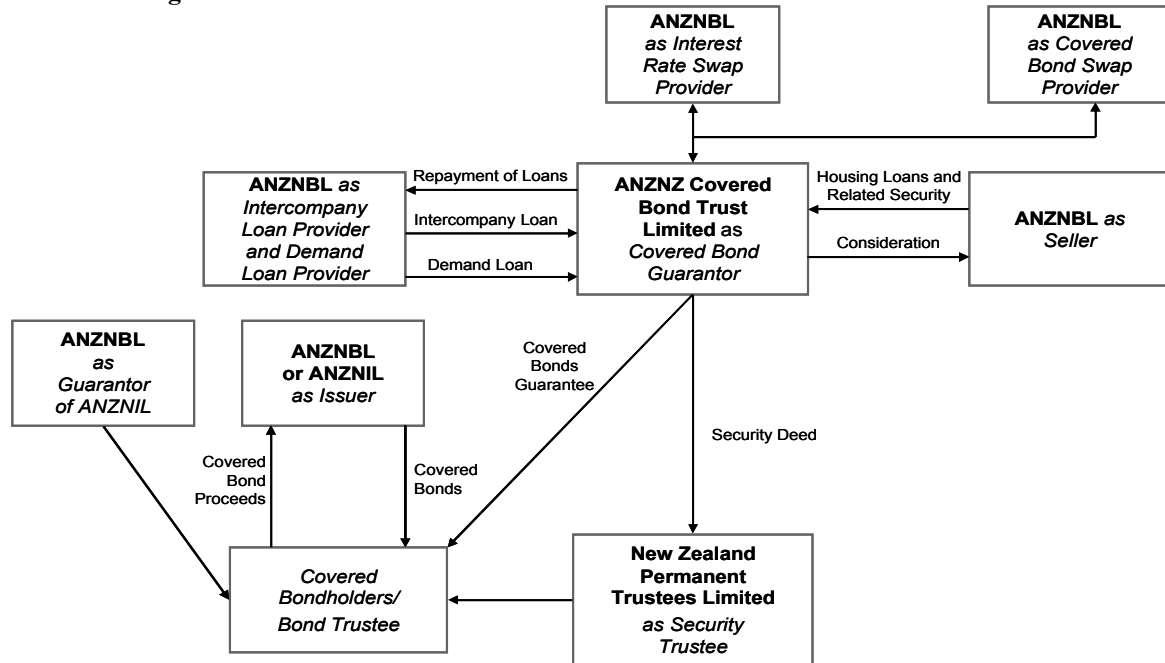
Each of the Issuers, the Guarantor and the Covered Bond Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Covered Bonds, prepare a supplement to this Prospectus (a **Supplementary Prospectus**) or publish a new prospectus for use in connection with any subsequent issue of Covered Bonds. Each of the Issuers, the Guarantor and the Covered Bond Guarantor has undertaken to the Relevant Dealer in the Programme Agreement (as defined herein) that it will comply with section 87G of the FSMA.

Please note that websites and urls referred to herein do not form part of this Prospectus. To the extent that any document incorporated by reference in this Prospectus incorporates further information by reference, such further information does not form part of this Prospectus.

STRUCTURE OVERVIEW

The information in this section is an overview of the structure relating to the Programme and does not purport to be complete. The information is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this summary. A glossary of certain defined terms used in this document is contained at the end of this Prospectus.

Structure Diagram



Credit Structure

The Covered Bonds will be direct, unsecured and unconditional obligations of the Relevant Issuer (and the Guarantor if ANZNIL is the Issuer). The Covered Bond Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of (i) an Issuer Event of Default and service by the Bond Trustee on the Relevant Issuer and, as applicable, the Guarantor (if ANZNIL is the Issuer) of an Issuer Acceleration Notice and on the Covered Bond Guarantor of a Notice to Pay or, (ii) if earlier, following the occurrence of a Covered Bond Guarantor Event of Default and service by the Bond Trustee on the Covered Bond Guarantor, the Issuers and the Guarantor of a Covered Bond Guarantee Acceleration Notice. Neither the Issuers nor the Guarantor will be relying on any payments by the Covered Bond Guarantor in order to pay interest or repay principal under the Covered Bonds or amounts under the Guarantee (in the case of Covered Bonds issued by ANZNIL).

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 Relevant Issuer and the Guarantor (if ANZNIL is the Issuer);
- (b) the Pre-Maturity Test is intended to provide liquidity to the Covered Bond Guarantor 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, prior to the service of a Notice to Pay on the Covered Bond Guarantor, 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 service of a Notice to Pay on the Covered Bond Guarantor;
- (e) a Reserve Fund will be established in the GIC Account to trap Available Revenue Receipts or to credit the proceeds of a Term Advance if the credit ratings for ANZNBL's short term, unsecured, unsubordinated and unguaranteed debt obligations fall to F1 (or lower) by Fitch or P-2 (or lower) by Moody's; and
- (f) under the terms of the Account Bank Agreement, the Account Bank has agreed to pay a rate of interest per annum equal to the 30 day Bank Bill Rate (which shall be at the rate determined by the Account Bank on the first day of each Collection Period) 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 and in the section entitled "*Credit Structure*".

Asset Coverage Test

To protect the value of the Housing Loan Portfolio, the Establishment Deed provides that, prior to the service of a Notice to Pay on the Covered Bond Guarantor, the assets of the Covered Bond Guarantor are subject to the Asset Coverage Test. Accordingly, for so long as Covered Bonds remain outstanding, the Covered Bond Guarantor must ensure that on each Determination Date, the Adjusted Aggregate Housing Loan Amount will be in an amount equal to or in excess of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the Determination Date. The Asset Coverage Test will be tested by the Calculation Manager on each Determination Date.

If the Adjusted Aggregate Housing Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on a Determination Date and also on the next following Determination Date, the Asset Coverage Test will be breached and the Bond Trustee will 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 breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Determination Date to occur following the service of an Asset Coverage Test Breach Notice, 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 on the next Determination Date after service of such Asset Coverage Test Breach Notice an Issuer Event of Default will occur and the Bond Trustee shall be entitled, and in certain circumstances required, to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor.

Amortisation Test

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

Pre-Maturity Test

Each Series of Hard Bullet Covered Bonds is subject to a Pre-Maturity Test on each Local 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 provide liquidity for such Covered Bonds when the Guarantor's short-term 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 (see "*Summary of the Principal Documents* –

Establishment Deed - Sale of Selected Housing Loans and Related Security if the Pre-Maturity Test is Breached”).

Reserve Fund

If ANZNBL's short-term, unsecured, unsubordinated and unguaranteed debt obligations are not rated at least P-1 by Moody's and F1+ by Fitch the Covered Bond Guarantor is required to credit, on the next Trust Payment Date, to the Reserve Fund within the GIC Account the proceeds of Available Revenue Receipts or a Term Advance up to an amount equal to the NZ Dollar Equivalent of three month's interest due on each Series of Covered Bonds then outstanding together with an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) of the Pre-Acceleration Revenue Priority of Payments.

The Programme

Pursuant to the terms of the Programme, the Relevant Issuer will issue Covered Bonds to the Covered Bondholders on the Issue Date. The Covered Bonds will be direct, unsecured, unsubordinated and unconditional obligations of the Relevant Issuer and those Covered Bonds issued by ANZNIL will be guaranteed by the Guarantor under the Guarantee.

If ANZNIL is the Issuer, ANZNIL will on-lend the proceeds it receives under the Covered Bonds to ANZNBL.

Intercompany Loan Agreement

Pursuant to the terms of the Intercompany Loan Agreement, ANZNBL as Intercompany Loan Provider will make a Term Advance to the Covered Bond Guarantor in an amount equal to either (i) if a Non-Forward Starting Covered Bond Swap is entered into on the relevant Issue Date, the Principal Amount Outstanding on the Issue Date of the related Series or, as applicable, Tranche of Covered Bonds in the Specified Currency of the related Series or Tranche of Covered Bonds or (ii) if a Forward Starting Covered Bond Swap is entered into on the relevant Issue Date, the NZ Dollar Equivalent of the Principal Amount Outstanding on the Issue Date of the related Series or, as applicable, Tranche of Covered Bonds, and for a matching term. Payments by the Relevant Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL) of amounts due under the Covered Bonds will not be conditional upon receipt by ANZNBL of payments from the Covered Bond Guarantor pursuant to the Intercompany Loan Agreement. Amounts owed by the Covered Bond Guarantor under the Intercompany Loan Agreement will be subordinated to amounts owed by the Covered Bond Guarantor under the Covered Bond Guarantee in accordance with the applicable Priority of Payments.

The Covered Bond Guarantor will use the proceeds of the Term Advances received under the Intercompany Loan Agreement from time to time (if not denominated in NZ Dollars, upon exchange into NZ Dollars under the applicable Non-Forward Starting Covered Bond Swap): (i) to fund (in whole or part) the Purchase Price of a New Housing Loan Portfolio (consisting of Housing Loans and the Related Security originated by the Seller) from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) acting on the directions of the Trust Manager, to invest in Substitution Assets in an amount not exceeding the prescribed limit (as specified in the Establishment Deed) to the extent required to meet the Asset Coverage Test; and thereafter or otherwise the Covered Bond Guarantor may use such proceeds (subject to complying with the Asset Coverage Test (as described below)): (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 Term Advance relates) to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or (B) to make a repayment of the Demand Loan, provided that the Calculation Manager has determined the outstanding balance of the Demand Loan by calculating the Asset Coverage Test as at the Intercompany Loan Drawdown Date having taken into account such repayment and the Calculation Manager has confirmed that the Asset Coverage Test will continue to be met after giving effect to such repayment; 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 prescribed limit).

Demand Loan Agreement

Pursuant to the Demand Loan Agreement, ANZNBL as Demand Loan Provider will make a Demand Loan Facility available to the Covered Bond Guarantor. The Covered Bond Guarantor may draw Demand Loan Advances denominated in NZ Dollars from time to time under the Demand Loan Facility. The Demand Loan

Facility is a revolving credit facility. Demand Loan Advances may only be used by the Covered Bond Guarantor: (i) as consideration (in whole or in part) for the acquisition of Housing Loans and the Related Security from the Seller on a Transfer Date; (ii) to repay a Term Advance on the date on which the Series of Covered Bonds corresponding to such Term Advance matures; (iii) to rectify a failure to meet the Asset Coverage Test; (iv) to rectify a breach of the Pre-Maturity Test; (v) to rectify an Interest Rate Shortfall; or (vi) to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw (if on any Trust Payment Date the Available Principal Receipts (if any) are not sufficient to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw that the Covered Bond Guarantor has agreed may remain in the Housing Loan Portfolio in accordance with the Mortgage Sale Agreement). Each Demand Loan Advance will be consolidated to form the Demand Loan. Amounts owed by the Covered Bond Guarantor under the Demand Loan Agreement will be subordinated to amounts owed by the Covered Bond Guarantor under the Covered Bond Guarantee and the Intercompany Loan Agreement in accordance with the applicable Priority of Payments.

Mortgage Sale Agreement

Under the terms of the Mortgage Sale Agreement, the consideration payable to the Seller for the sale of Housing 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 (except to the extent that the Seller and the Covered Bond Guarantor have agreed that the purchase price may be set-off against an amount payable by ANZNBL as Intercompany Loan Provider or Demand Loan Provider to the Covered Bond Guarantor) plus the payment of Deferred Consideration by or on behalf of the Covered Bond Guarantor to the Seller on each Trust Payment Date in accordance with the applicable Priority of Payments.

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

Servicing Agreement

In its capacity as Servicer, ANZNBL has entered into the Servicing Agreement with the Covered Bond Guarantor and the Security Trustee, pursuant to which the Servicer has agreed to administer and service the Housing Loans and the Related Security sold by ANZNBL (in its capacity as Seller) to the Covered Bond Guarantor.

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 Issuers. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Relevant Issuer and/or the Guarantor (in the case of Covered Bonds issued by ANZNIL). The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute (following service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice) direct, unconditional and unsubordinated obligations of the Covered Bond Guarantor, secured as provided in the Security Deed. 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 of an Issuer Acceleration Notice (whereupon the Covered Bonds will become immediately due and payable as against the Relevant Issuer (and the Guarantor if ANZNIL is 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, the Guarantor (in the case of Covered Bonds issued by ANZNIL) 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 at such time be made subject to, and in accordance with, the Guarantee Priority of Payments. Payments made by the Security Trustee will at such time be made subject to, and in accordance with, the Post-Enforcement Priority of Payments.

Dual recourse: Excess Proceeds to be paid to Covered Bond Guarantor

Following the occurrence of an Issuer Event of Default, the Bond Trustee may serve an Issuer Acceleration Notice on the Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) 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 Relevant Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL) (or any administrator, receiver, receiver and manager, liquidator, statutory manager or other similar official appointed in relation to the Issuer or the Guarantor) (**Excess Proceeds**) will be paid by the Bond Trustee to the Covered Bond Guarantor and shall 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 shall have become Due for Payment, but which have not been paid by the Relevant Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL).

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

Security Deed

To secure its obligations under the Covered Bond Guarantee and the Programme Documents to which it is a party, the Covered Bond Guarantor has granted security over the Charged Property (which consists of the Covered Bond Guarantor's interest in the Housing Loans, the Related Security, 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 (for itself and on behalf of the other Secured Creditors) pursuant to the Security Deed.

Priorities of Payment

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

Prior to service of a Notice to Pay and/or service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust, the Covered Bond Guarantor will, on each Trust Payment Date:

- (a) apply Available Revenue Receipts (A) to pay interest due and payable on the Term Advances and/or (B) to pay interest due and payable on the Demand Loan. However, these payments will only be made after payment of certain items ranking higher in the Pre-Acceleration Revenue Priority of Payments (including, but not limited to, certain expenses and amounts due to the Swap Providers, and amounts (if any) to be credited to the Reserve Fund); and
- (b) apply Available Principal Receipts towards making repayments of the principal outstanding on the Demand Loan but only after payment of certain items ranking higher in the Pre-Acceleration Principal Priority of Payments (including, but not limited to, funding any liquidity that may be required in respect of Hard Bullet Covered Bonds following any breach of the Pre-Maturity Test and acquiring New Housing Loans and the Related Security offered by the Seller to the Covered Bond Guarantor).

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 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, the Issuers and the Guarantor and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security:

- (a) all Available Revenue Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments save that, whilst any Covered Bonds remain outstanding, no moneys will be applied: (i) to repay any amounts due or to become due and payable to the Intercompany Loan

Provider in respect of each Term Advance; (ii) to pay any amounts due on the Demand Loan; (iii) to pay Deferred Consideration to the Seller, or (iv) towards provision for the Residual Income Beneficiary or towards payment of, or provision for, income tax payable in respect of such distribution, and the remainder (if any) will be deposited into the GIC Account and applied as Available Revenue Receipts on the next succeeding Trust Payment Date; and

- (b) all Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, moneys will not be applied to acquire new Housing Loans and Related Security from the Seller and/or to acquire Substitution Assets pursuant to paragraph (b) of the Pre-Acceleration Principal Priority of Payments and the remainder (if any) will be deposited into the GIC Account and applied as Available Principal Receipts 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 the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust) the Covered Bond Guarantor will apply Available Revenue Receipts and Available Principal Receipts on each Trust Payment Date to pay Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment, subject to paying certain higher ranking obligations of the Covered Bond Guarantor in the Guarantee Priority of Payments. In such circumstances, the Intercompany Loan Provider, the Demand Loan Provider and the Seller will only be entitled to receive any remaining income of the Trust after all amounts due under the Covered Bond Guarantee in respect of the Covered Bonds have been paid in full or have otherwise been provided for.

Acceleration of the Covered Bonds following a Covered Bond Guarantor Event of Default

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, the Issuers and the Guarantor, the Covered Bonds will become immediately due and repayable (if not already due and payable as against the Relevant Issuer (and the Guarantor if ANZNIL is the Issuer)) and each of the Bond Trustee and the Security Trustee may or shall take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) (*Enforcement*) and the Covered Bondholders shall 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 of each Series together with accrued interest and any other amount due under the Covered Bonds (other than additional amounts payable by the Relevant Issuer and the Guarantor (if ANZNIL is the Issuer) under Condition 7 (*Taxation*)) and the Security created by the Covered Bond Guarantor over the Charged Property will become enforceable (if not already realised). Any moneys received or recovered by the Security Trustee following service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security will be distributed according to the Post-Enforcement 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, "*Programme Overview*", "*Risk Factors*", "*Summary Of The Principal Documents*", "*Credit Structure*", "*Cashflows*", "*The Housing Loan Portfolio*" and "*Terms and Conditions of the Covered Bonds*" below.

PROGRAMME OVERVIEW

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 Series or Tranche of Covered Bonds, the applicable Final Terms. Words and expressions defined elsewhere in this Prospectus shall have the same meanings in this summary. A glossary of certain defined terms is contained at the end of this Prospectus.

The Parties

Issuers:	ANZNBL, incorporated as a company under the NZ Companies Act with company number 35976 and having its registered office at Level 6, 1 Victoria Street, Wellington, New Zealand. ANZNIL, acting through its London branch, incorporated as a company under the NZ Companies Act with company number 328154 and having its registered office at Level 6, 1 Victoria Street, Wellington, New Zealand acting through its London branch at 40 Bank Street, Canary Wharf, London E14 5EJ, United Kingdom. For a more detailed description of the Issuers see " <i>ANZ National Bank Limited</i> " and " <i>ANZ National (Int'l) Limited</i> ".
Guarantor:	ANZNBL For a more detailed description of the Guarantor see " <i>ANZ National Bank Limited</i> ".
Covered Bond Guarantor:	ANZNZ Covered Bond Trust Limited, incorporated as a company under the NZ Companies Act with company number 3220967 and having its registered office at Level 10, 141 Willis Street, Wellington, New Zealand, as trustee of the ANZNZ Covered Bond Trust.
The Trust:	ANZNZ Covered Bond Trust
The Beneficiaries:	The ANZ National Bank Staff Foundation
Trust Manager:	ANZ Capel Court Limited
Seller:	ANZNBL
Calculation Manager / Servicer / Interest Rate Swap Provider / Covered Bond Swap Provider / Account Bank / Intercompany Loan Provider / Demand Loan Provider:	ANZNBL
Bond Trustee:	Deutsche Trustee Company Limited
Security Trustee:	New Zealand Permanent Trustees Limited
Asset Monitor:	Deloitte
Arrangers:	ANZ National Bank Limited and Barclays Bank PLC
Dealers:	Australia and New Zealand Banking Group Limited and Barclays Bank PLC
Principal Paying Agent:	Deutsche Bank AG, London Branch

Registrar:	Deutsche Bank Luxembourg S.A.
Rating Agencies:	Fitch Australia Pty Ltd and Moody's Investors Service Pty Ltd
<i>The Covered Bonds</i>	
Programme Size:	Up to €5,000,000,000 (or its equivalent in other currencies determined as described in the Programme Agreement) outstanding at any time. The Issuers may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Covered Bonds may be distributed 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 " <i>Subscription and Sale and Selling Restrictions</i> " below.
Specified Currencies:	Subject to any applicable legal or regulatory restrictions, Covered Bonds may be issued in such currency or currencies as may be agreed from time to time by the Relevant Issuer, the Guarantor (if ANZNIL is the Issuer), the Relevant Dealer(s), the Principal Paying Agent and the Bond Trustee (as set out in the applicable Final Terms).
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 " <i>Subscription and Sale and Selling Restrictions</i> ").
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 applicable Final Terms).
Form of Covered Bonds:	<p>The Covered Bonds will be issued in bearer or registered form as described in "<i>Form of the Covered Bonds</i>". Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and Bearer Covered Bonds will not be exchangeable for Registered Covered Bonds.</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, Index Linked Interest Covered Bonds, Dual Currency Interest Covered Bonds, Index Linked Redemption Covered Bonds, Instalment 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 confirmation from the Rating Agencies that the then current credit ratings of any outstanding Series of Covered Bonds will not be adversely affected by the issuance of such Covered Bonds.</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 Relevant Issuer, the Guarantor (if ANZNIL is 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 Relevant Issuer, the Guarantor (if ANZNIL is the Issuer) and the Relevant Dealer(s) (in each case as set out in the applicable Final Terms).

Floating Rate Covered Bonds:

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

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

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

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

Rating Agency Confirmation:

The issuance of each Series of Covered Bonds shall be subject to confirmation by each of the Rating Agencies that the then current credit ratings for any outstanding Covered Bonds will not be adversely affected by the issuance of such types of Covered Bonds.

Maturities:

Subject to compliance with all applicable legal, regulatory and/or central bank requirements, Covered Bonds may be issued with such maturities as may be agreed between the Relevant Issuer, the Guarantor (if ANZNIL is 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 in specified instalments, if applicable, or for taxation reasons or if it becomes unlawful for any Term Advance or the Demand Loan to remain outstanding) or that such Covered Bonds will be redeemable at the option of the Relevant 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 Relevant Issuer and the Relevant Dealer(s) or that such Covered Bonds will be redeemable at the option of the Covered Bondholders upon giving notice to the Relevant Issuer, on a date or dates specified prior to such stated maturity and at their Optional Redemption Amount as specified in the applicable Final

Terms.

The applicable Final Terms may provide that Covered Bonds may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Final Redemption:

Unless an Extended Due for Payment Date is specified as applicable in the applicable Final Terms for a Series of Covered Bonds, if that Series of Covered Bonds has not already been redeemed or purchased and cancelled in full in accordance with their terms and conditions, those Covered Bonds will be redeemed at their Final Redemption Amount on the Final Maturity Date for such Covered Bonds, as set out in the applicable Final Terms.

Extendable obligations under the Covered Bond Guarantee:

If an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and (i) the Relevant Issuer and the Guarantor (if ANZNIL is 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 (ii) 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 Amounts equal to the unpaid portion of such Final Redemption Amount by the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the Covered Bond Guarantor and (b) 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 shall not occur as a result of such failure) until the Interest Payment Date thereafter on which sufficient moneys are available (after providing for liabilities ranking in priority thereto or *pari passu* 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 shall not be deferred beyond the Extended Due for Payment Date when the unpaid portion of such Guaranteed Amount (together with accrued interest) shall 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 (*Interest and other Calculations*).

Denomination of Covered Bonds:

The Covered Bonds will be issued in such denominations as may be agreed between the Relevant Issuer and the Relevant Dealer(s) and set out in the applicable Final Terms save that, except in certain limited circumstances, the minimum denomination of each Covered Bond will be €100,000 (or, if the Covered Bonds are denominated in a currency other than euro, the equivalent amount in such currency) or such other

higher amount as is required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Taxation:

All payments in respect of principal and interest on the Covered Bonds will be made without deduction or withholding for or on account of any taxes whatsoever, subject as provided in Condition 7 (*Taxation*). If any such deduction or withholding is made by the Relevant Issuer (or the Guarantor if ANZNIL is the Issuer) the Relevant Issuer or the Guarantor (as the case may be) will, only in the case of Covered Bonds issued by ANZNIL and save in the limited circumstances provided in Condition 7 (*Taxation*), pay additional amounts in respect of the amounts so deducted or withheld. No additional amount will be required to be paid in the case of Covered Bonds issued by ANZNBL. 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 (*Taxation*).

Cross Default:

If a Covered Bond Guarantee Acceleration Notice is served in respect of any Series of Covered Bonds, then the obligation of the Covered Bond Guarantor to pay Guaranteed Amounts in respect of all Series of Covered Bonds outstanding will be accelerated. If a Notice to Pay is served in respect of any Series of Covered Bonds, then the Covered Bond Guarantor will be required to make payments of Guaranteed Amounts in respect of all Series of Covered Bonds outstanding when the same will become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

Status of the Covered Bonds:

The Covered Bonds will constitute direct, unconditional, unsubordinated and unsecured obligations of the Relevant Issuer and will rank *pari passu* without any preference or priority among themselves and (other than any obligation preferred by mandatory provisions of applicable law) at least equally with all other present and future unsecured and unsubordinated obligations of the Relevant Issuer, from time to time outstanding.

Status of the Guarantee:

Only Covered Bonds issued by ANZNIL will be guaranteed by the Guarantor under the Guarantee. The Guarantee will constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and will rank (other than any obligation preferred by mandatory provisions of applicable law) at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor from time to time outstanding. The Guarantee is unsecured.

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 (i) an Issuer Event of Default has occurred, an Issuer Acceleration Notice is served on the Relevant Issuer and, if applicable, the Guarantor and a Notice to Pay is served on the Covered Bond Guarantor, or (ii)

a Covered Bond Guarantor Event of Default has occurred and a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Issuers and the Guarantor. Subject to its obligation to deliver a Notice to Pay, the Bond Trustee is entitled to enforce the Covered Bond Guarantee following an Issuer Event of Default without first proceeding against the Guarantor. 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 obligations of the Covered Bond Guarantor secured against the assets from time to time of the Covered Bond Guarantor and recourse against the Covered Bond Guarantor is limited to such assets.

Ratings:

Each Series 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.

Each Series of Covered Bonds is expected on issue to be assigned a credit rating by each Rating Agency. The credit rating of certain Series of Covered Bonds to be issued under the Programme may be specified in the applicable Final Terms. 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 established in the European Union and registered under Regulation (EU) No 1060/2009. 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 credit rating agency operating in the European Union before 7 June 2010 (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.

Credit 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. The Rating Agencies are not advisers, 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 credit rating should not be viewed as a replacement for such advice or services.

Listing and admission to trading:

Application has been made to the UK Listing Authority for

Covered Bonds issued under the Programme to be admitted to, during the period of 12 months from the date of this Prospectus, the Official List and to the London Stock Exchange and for such Covered Bonds to be admitted to trading on the regulated market of the London Stock Exchange.

Covered Bonds may be unlisted or may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or regulated or unregulated markets, as may be agreed between the Issuers, the Guarantor, the Covered Bond Guarantor, the Bond Trustee and the Relevant Dealer(s) in relation to each issue. The Final Terms relating to each Series or Tranche, as applicable, 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 Covered Bonds, the Bond Trust Deed, the Interest Rate Swap Agreement, each Covered Bond Swap Agreement, the Principal Agency Agreement and the Programme Agreement and any non-contractual obligations arising out of or in connection with each of them are governed by, and will be construed in accordance with, English law.

The Establishment Deed, the Mortgage Sale Agreement, the Servicing Agreement, the Intercompany Loan Agreement, the Demand Loan Agreement, the Management Agreement, the Delegation Agreement, the Security Deed, the Definitions Schedule, the Asset Monitor Agreement and the Account Bank Agreement are governed by, and will be construed in accordance with, New Zealand law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of any Tranche of Covered Bonds (see "*Subscription and Sale and Selling Restrictions*").

RISK FACTORS

Introduction

Any investment in the Covered Bonds issued under the Programme will involve risks including those described in this section. All principal or material risks that have been identified by the Issuers, the Guarantor and the Covered Bond Guarantor are included in this section. The risks and uncertainties described below are not the only ones that the Issuers, Guarantor or Covered Bond Guarantor may face. Additional risks and uncertainties that the Issuer, Guarantor or Covered Bond Guarantor are unaware of, or that they currently deem to be immaterial, may also become important risk factors that affect them. Prospective investors should carefully consider the following discussion of the risk factors and the other information in this Prospectus and consult their own financial and legal advisers about the risks associated with the Covered Bonds before deciding whether an investment in the Covered Bonds is suitable for them. Prospective investors should be aware that the risks set forth below are not exhaustive (as these will not include those risks that have not been identified by the Issuers, the Guarantor or the Covered Bond Guarantor) and should carefully consider the following factors in addition to the matters set out elsewhere in this Prospectus before investing in the Covered Bonds offered under this Prospectus.

As at the date of this Prospectus, the Issuers, the Guarantor and the Covered Bond Guarantor believe that the following risk factors may affect the Issuers' ability to fulfil their obligations, or the Guarantor's ability to perform its obligations (in the case of Covered Bonds issued by ANZNIL) or the Covered Bond Guarantor's ability to perform its obligations, under or in respect of the Covered Bonds, the Guarantee or the Covered Bond Guarantee and could be material for the purpose of assessing the market risks associated with the Covered Bonds.

If any of the listed or unlisted risks actually occurs, the Issuers or the Guarantor's business operations, financial condition or reputation could be materially adversely affected, with the result that the trading price of the Covered Bonds of the Relevant Issuer could decline and an investor could lose all or part of its investment. These factors are contingencies that may or may not occur and none of the Issuers, the Guarantor or the Covered Bond Guarantor are in a position to express a view on the likelihood of any such contingency occurring. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

General Risk Factors

Issuers and Guarantor (if ANZNIL is the Issuer) liable to make payments when due on the Covered Bonds

The Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) will be liable to make payments when due on the Covered Bonds issued by it. The obligations of the Relevant Issuer under the Covered Bonds and the Guarantor under the Guarantee will be direct, unsecured, unconditional and unsubordinated obligations, ranking *pari passu* without any preference amongst themselves (in the case of the Covered Bonds) and equally with all other present and future unsecured and unsubordinated obligations (other than any obligation preferred by mandatory provisions of applicable law).

The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee will be secured by the Security created 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 Relevant Issuer, the Guarantor (if ANZNIL is the Issuer) and the Covered Bond Guarantor, the Covered Bonds of all Series then outstanding will accelerate as against the Relevant Issuer and the Guarantor (if ANZNIL is the Issuer) but will be subject to, and have the benefit of, payments made by the Covered Bond Guarantor under the Covered Bond Guarantee (following service of a Notice to Pay). 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 Relevant Issuer, the Guarantor (if ANZNIL is the Issuer) and 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. The occurrence of an Issuer Event of Default will not constitute a Covered Bond Guarantor Event of Default.

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 Relevant Issuer and the Guarantor (if ANZNIL is the Issuer) (if not already accelerated following the occurrence of an Issuer Event of Default and the service on the Issuers, the Guarantor 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.

The Covered Bonds may not be a suitable investment for all investors

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:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) understand thoroughly the terms of the Covered Bonds; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Covered Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Covered Bonds 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.

Obligations under the Covered Bonds

The Covered Bonds will not represent an obligation or be the responsibility of any of the Arrangers, the Dealers, the Bond Trustee, the Security Trustee, any member of the ANZ Group (other than ANZNBL and ANZNIL in their capacities as Issuers and Guarantor under the Programme Documents) or any other party to the Programme, their officers, members, directors, employees, security holders or incorporators, other than the Issuers, the Guarantor (in the case of Covered Bonds issued by ANZNIL) and the Covered Bond Guarantor. The Issuers, the Guarantor (in the case of Covered Bonds issued by ANZNIL) and the Covered Bond Guarantor will each be liable solely in their corporate capacity for their obligations in respect of the Covered Bonds and such obligations will not be the obligations of their respective officers, members, directors, employees, security holders or incorporators.

Covered Bonds issued under the Programme

Save in respect of the first issue of Covered Bonds, 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 to 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.

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

- (a) ANZNBL (as Intercompany Loan Provider) will, subject to certain conditions precedent, be obliged to make a Term Advance to the Covered Bond Guarantor in an amount equal to either (i) the Principal Amount Outstanding on the Issue Date of such further issue of Covered Bonds in the Specified Currency of the relevant Series or Tranche of Covered Bonds or (ii) the NZ Dollar Equivalent of the Principal Amount Outstanding on the Issue Date of such further issue of Covered Bonds, and for a matching term. The Covered Bond Guarantor will use the proceeds of such Term Advance (if not denominated in NZ Dollars, upon exchange into NZ Dollars under the applicable Non-Forward Starting Covered Bond Swap): (i) to fund (in whole or in part) the Purchase Price of a New Housing Loan Portfolio (consisting of Housing Loans and the Related Security originated by the Seller) from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) acting on the directions of the Trust Manager, to invest in Substitution Assets in an amount not exceeding the prescribed limit (as specified in the Establishment Deed) to the extent required to meet the Asset Coverage Test; and thereafter or otherwise the Covered Bond Guarantor may use such proceeds (subject to complying 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 Term Advance relates) to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or (B) to make a repayment of the Demand Loan, provided that the Calculation Manager has determined the outstanding balance of the Demand Loan by calculating the Asset Coverage Test as at the Intercompany Loan Drawdown Date having taken into account such repayment and the Calculation Manager has confirmed that the Asset Coverage Test will continue to be met after giving effect to such repayment; 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 prescribed limit); and
- (b) the Asset Coverage Test will be required to be met both before and immediately after any further issue of Covered Bonds; and
- (c) on or prior to the date of issue of any further Covered Bonds, the Relevant Issuer will be obliged to obtain written confirmation from each of the Rating Agencies that such further issue would not adversely affect the then current credit ratings of the existing Covered Bonds.

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

Final Maturity Date and 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 Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) 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 the earlier of (a) the date which falls two Business Days after service of such Notice to Pay on the Covered Bond Guarantor and (b) the Extension Determination Date, then, subject to the following paragraph, the payment of such Guaranteed Amounts shall be automatically deferred to the Extended Due for Payment Date for the relevant Series of Extendable Maturity Covered Bonds.

To the extent that the Covered Bond Guarantor has received a Notice to Pay and has sufficient moneys available to pay in whole or in part the Guaranteed Amounts corresponding to the 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 5(a) (*Final redemption*) 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. The Extended Due for Payment Date will be specified in the applicable Final Terms. Interest

will continue to accrue and be payable on the unpaid amount in accordance with Condition 4 (*Interest and other Calculations*) 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) shall 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 shall 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 and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security), 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 *pro rata* and *pari passu* basis.

Risks 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 Covered Bonds' most common such features:

(a) *Covered Bonds subject to optional redemption by the Issuer*

An optional redemption feature of Covered Bonds is likely to limit their market value. 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.

(b) *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.

Ratings of the Covered Bonds

The credit ratings assigned to a Series of Covered Bonds 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 credit ratings assigned to the Covered Bonds by Moody's address the expected loss posed to potential investors. The expected credit ratings of a Series of Covered Bonds will be set out in the applicable Final Terms for such Series of Covered Bonds. Any Rating Agency may lower its credit rating or withdraw its credit rating if, in the sole

judgement of the Rating Agency, the credit quality of the Covered Bonds has declined or is in question. 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 (including as a result of changes to rating methodologies). A credit rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Covered Bonds. A downgrade in the corporate credit rating of ANZNBL or the sovereign credit rating of New Zealand may have a negative impact on the credit ratings of the Covered Bonds.

In the event that a credit rating assigned to the Covered Bonds or ANZNBL (in its capacity as Issuer and Guarantor) is subsequently lowered or withdrawn or qualified for any reason, no other person or entity is obliged to provide any additional support or credit enhancement with respect to the Covered Bonds. The Issuers and the Guarantor may be adversely affected, the market value of the Covered Bonds is likely to be adversely affected and the ability of the Issuers and the Guarantor (or in the case of Covered Bonds issued by ANZNIL) to make payment under the Covered Bonds may be adversely affected.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such credit ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU credit rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and credit ratings is set out in *Programme Overview - Ratings* section of this Prospectus and will be disclosed in the Final Terms.

Rating Affirmation Notice in respect of Covered Bonds

Each Series 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 Trust Manager must deliver a Rating Affirmation Notice to the Covered Bond Guarantor (and copied to the Seller and each Rating Agency) confirming that it has notified the Rating Agencies of the event or circumstances and that the Trust Manager 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 credit ratings then assigned by the Rating Agencies and if a Rating Agency confirmation is required for the purposes of the Programme Documents and the Rating Agency does not consider such confirmation necessary the Trust Manager shall be entitled to assume that the then current credit 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.

A credit rating does not address all matters that may be of relevance to Covered Bondholders, including, without limitation, in the case of a Rating Affirmation Notice, whether any action proposed to be taken by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Servicer, the Trust Manager, the Calculation Manager, the Bond Trustee, the Security Trustee or any other party to a Programme Document is either (a) permitted by the terms of the relevant Programme Document, or (b) 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 credit ratings of the Covered Bonds would not be adversely affected or withdrawn does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuers, the Guarantor, 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 Issuers, the Guarantor, 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.

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.

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

Except where expressly provided otherwise in the Security Deed, the Security Trustee shall not be obliged to take any steps under the Security Deed or any of the other Programme Documents or exercise any of its powers, rights, trusts, authorities, duties, functions or discretions under or pursuant to the Security Deed or any other Programme Document to which the Security Trustee is a party unless the Security Trustee shall have been directed to do so by the Bond Trustee (so long as there are any Covered Bonds outstanding) or (if there are no Covered Bonds outstanding) the Majority Secured Creditors and the Security Trustee shall have been indemnified and/or secured to its satisfaction, provided always that the Security Trustee shall not be bound to take any enforcement proceedings which may, in the opinion of the Security Trustee in its absolute discretion, result in the Security Trustee failing to receive any payment to which it is or would be entitled.

Where the Security Trustee is required to have regard to the Covered Bondholders (or any Series thereof), it shall have regard to the general interests of the Covered Bondholders (or any Series thereof) as a class and shall 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 shall not be entitled to require, nor shall any Covered Bondholder, Receiptholder or Couponholder be entitled to claim from, the Issuers, the Guarantor (if ANZNIL is 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 (*Taxation*).

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 shall 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 NZ 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 NZ Dollar Equivalent received by the Security Trustee prior to exercise thereof.

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 the terms of the Bond Trust Deed and the Security Deed, the Bond Trustee and 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 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 Relevant Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) and the Covered Bond Guarantor (or the Trust Manager on its behalf) 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 Bond Trust Deed, the Security Deed or the other Programme Documents (a) provided that the modification is not a Series Reserved Matter and that in the opinion of the Bond Trustee such modification will not be materially prejudicial to the interests of the Covered Bondholders of any Series, (b) 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 or (c) which is made to enable Covered Bondholders and Secured Creditors to obtain the protection and/or other benefits of any legislation or regulation or any directive of any regulatory body including, without limitation, the RBNZ that is introduced in New Zealand for the purpose of supporting the issuance of covered bonds provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Covered Bondholders of any Series.

Exchange of the Covered Bonds following any covered bond legislation coming into force in New Zealand

The Terms and Conditions of the Covered Bonds permit the Issuers to agree with the Bond Trustee, without the consent of the Security Trustee or the Covered Bondholders, to exchange all existing Covered Bonds then outstanding for new Covered Bonds following the coming into force in New Zealand of any legislation, rules, regulations or guidelines published by any governmental authority in New Zealand that provide for the regulation of covered bonds issued by New Zealand issuers provided that, amongst other things, each Rating

Agency then credit rating the existing Covered Bonds confirms in writing that any such new Covered Bonds will be assigned the same credit ratings as are then applicable to the existing Covered Bonds. Any such new Covered Bonds will be in identical form, amounts and denominations and subject to the same economic terms and conditions as the existing Covered Bonds then outstanding.

Certain decisions of 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.

The Bond Trustee shall not be bound to take, or to give any direction to the Security Trustee to take, any other action under or in connection with the Bond Trust Deed, the Covered Bonds, the Receipts or Coupons or any Programme Document and the Security Trustee shall not 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, shall have been indemnified and/or prefunded and/or secured to its satisfaction and provided that the Security Trustee shall not be bound to take any enforcement proceedings which may, in the opinion of the Security Trustee, in its absolute discretion, result in the Security Trustee failing to receive any payment to which it is or would be entitled.

Absence of secondary market; lack of liquidity

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 issued by the Issuers 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 transfer thereof as set forth under "*Subscription and Sale 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 holder of the Covered Bonds may not be able to find a buyer to buy its Covered Bonds readily or at prices that will enable the holder of the Covered Bonds to realise a desired yield. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Covered Bonds.

Potential investors must therefore be able to bear the risks of any investment by them in the Covered Bonds for an indefinite period of time.

RISK FACTORS RELATING TO THE ISSUERS AND THE GUARANTOR, INCLUDING THE ABILITY OF THE RELEVANT ISSUER AND THE GUARANTOR (IF ANZNIL IS THE ISSUER) TO FULFIL THEIR OBLIGATIONS UNDER THE COVERED BONDS AND THE GUARANTEE (IN THE CASE OF COVERED BONDS ISSUED BY ANZNIL)

Changes in general business and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the ANZ National Group's business, operations and financial condition.

The ANZ National Group's financial performance is primarily influenced by the economic conditions and the level of business activity in New Zealand and the major countries and regions within which New Zealand trades, i.e. Australia, the Asia Pacific Region, Europe and the United States of America. The ANZ National Group's business, operations, and financial condition can be negatively affected by changes to these economic and business conditions.

The economic and business conditions that prevail in ANZ National Group's major operating and trading markets are affected by domestic and international economic events, political events, natural disasters, and by

movements and events that occur in global financial markets.

The impact of the Global Financial Crisis (GFC) in 2008 and 2009 saw a sudden and prolonged dislocation in credit and equity capital markets, a contraction in global economic activity, and the creation of many challenges for financial services institutions worldwide that still persist in many regions.

The economic effects of the GFC in New Zealand included weakened retail sales, declines in personal and business credit growth, lower growth in housing credit, and subdued business and consumer confidence. While some of these economic factors have since improved, there is no certainty as to the future sustainability of these improvements.

The New Zealand economy contracted sharply in 2008 and in the first quarter of 2009. Economic conditions in New Zealand remain difficult especially in the rural, commercial and corporate sectors.

Should the difficult economic conditions persist or worsen, asset values in the housing, commercial, or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. Also, deterioration in global markets, including equity, property and other asset markets, could impact customers of the ANZ National Group and the security the ANZ National Group holds against loans and other credit exposures, which may impact its ability to recover some loans and other credit exposures.

All or any of these negative economic and business impacts could cause a reduction in demand for the ANZ National Group's products and services and/or an increase in loan and other credit defaults and bad debts, which could adversely affect the ANZ National Group's business, operations, and financial condition.

The ANZ National Group's financial performance could also be adversely affected if it were unable to adapt cost structures, products, pricing or activities in response to a drop in demand or lower than expected revenues. Similarly, higher than expected costs (including credit costs) could be incurred because of adverse changes in the economy, general business conditions or the operating environment in which it operates.

Other economic and financial factors or events which may adversely affect the ANZ National Group's performance and results, include, but are not limited to, the level of and volatility in foreign exchange rates and interest rates, changes in inflation and money supply, fluctuations in both debt and equity capital markets, declining commodity prices, and decreasing consumer and business confidence.

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing conflicts in the Middle East, may also adversely affect global financial markets, general economic and business conditions, which in turn may adversely affect the ANZ National Group's business, operations, and financial condition.

Natural disasters such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the ANZ National Group's business, operations and financial condition.

Changes in exchange rates may adversely affect the ANZ National Group's business, operations and financial condition

An appreciation in the New Zealand dollar relative to other currencies could adversely affect the New Zealand economy, including agricultural exports, international tourism, manufacturers, and import-competing producers, whereas a depreciation would increase debt service obligations in New Zealand dollar terms of unhedged exposures.

Competition may adversely affect the ANZ National Group's business, operations and financial condition

The markets in which the ANZ National Group operates are highly competitive and could become even more so, particularly in those segments that are considered to provide higher growth prospects or are in greatest demand (for example, customer deposits). Factors that contribute to competition risk include industry regulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods, increased diversification of products by competitors, and regulated changes in the rules governing the operations of banks and non-bank competitors. For example, in

New Zealand non-banks are able to offer products and services traditionally provided by banks, such as automatic payment systems, mortgages, and credit cards. In addition, banks organised in jurisdictions outside New Zealand are subject to different levels of regulation and consequently some may have lower cost structures. Increasing competition for customers could also potentially lead to a compression in the ANZ National Group's net interest margins, or increased advertising and related expenses to attract and retain customers.

The effect of competitive market conditions may lead to erosion in the ANZ National Group's market share or margins, and adversely affect the ANZ National Group's business, operations, and financial condition.

Changes in monetary policies may adversely affect ANZNBL's business, operations and financial condition

The Reserve Bank of New Zealand ('RBNZ') sets official interest rates so as to affect the demand for money and credit in New Zealand. These policies significantly affect ANZNBL's cost of funds for lending and investing and the return that ANZNBL will earn on those loans and investments. Both these factors impact ANZNBL's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The policies of the RBNZ and any other relevant central monetary authority can also affect ANZNBL's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in the RBNZ's policies are difficult to predict accurately.

Sovereign risk may destabilize global financial markets adversely affecting all participants, including ANZNBL

Sovereign risk or the risk that foreign governments will default on their debt obligations or be unable to refinance their debts as they fall due has emerged as a risk to the recovery prospects of global economies. This risk is particularly relevant to a number of European countries, though it is not limited to Europe. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than that experienced during the GFC. Such an event could destabilize global financial markets adversely affecting all participants, including ANZNBL.

The withdrawal of the New Zealand Government Wholesale Funding Guarantee Scheme may adversely impact ANZNBL's access to funding and liquidity

With improvement in international capital market and liquidity conditions, and banks subsequently being able to again successfully raise non-government guaranteed funds in the international wholesale market, many government-sponsored financial stabilisation packages are progressively being withdrawn. There is a risk that this may result in unexpected stress on the global financial system or regional financial systems, which could adversely impact ANZNBL and its customers and counterparties.

Specifically, on March 10, 2010, the New Zealand Government announced the withdrawal of its wholesale guarantee facility with effect from April 30, 2010.

The withdrawal of the New Zealand wholesale funding guarantee scheme could adversely affect ANZNBL's ability to access sources of funding and lead to a decrease in ANZNBL's liquidity position and increase in funding costs, particularly if global financial conditions deteriorate or new risks emerge in ways that are not currently foreseeable. Such conditions could adversely affect ANZNBL's funding and liquidity position, negatively affecting ANZNBL's business, operations and financial condition.

ANZNBL is exposed to liquidity and funding risk, which may adversely affect its business, operations and financial condition

Liquidity risk is the risk that ANZNBL is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that ANZNBL has insufficient capacity to fund increases in assets. Liquidity risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of ANZNBL's borrowings and possibly constrain the volume of new lending, which could adversely affect ANZNBL's profitability. A significant deterioration in investor confidence in ANZNBL could materially impact ANZNBL's cost of borrowings, and ANZNBL's ongoing operations and funding.

ANZNBL raises funding from a variety of sources including customer deposits and wholesale funding in New Zealand and offshore markets to ensure that it continues to meet its funding obligations and to maintain or grow its business generally. In times of systemic liquidity stress, in the event of damage to market confidence in ANZNBL or in the event that funding outside of New Zealand is not available or constrained, ANZNBL's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk.

Since the second half of 2007, developments in the U.S. mortgage industry and in the U.S. and European markets more generally, have adversely affected the liquidity in global capital markets which has subsequently resulted in an increase in funding costs. Future deterioration in these market conditions may limit ANZNBL's ability to replace maturing liabilities and access funding in a timely and cost-effective manner necessary to fund and grow its business.

ANZNBL is exposed to the risk that its credit ratings could change, which could adversely affect its ability to raise capital and wholesale funding

ANZNBL's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings are not a recommendation by the relevant credit rating agency to invest in securities offered by ANZNBL. Credit ratings may be withdrawn, subject to qualifiers, revised, or suspended by the relevant credit rating agency at any time. On 18 May 2011, Moody's Investors Service Pty Ltd (**Moody's**) downgraded ANZNBL's deposit and long term senior unsecured debt rating to Aa2/Stable. At this stage, Moody's ratings of ANZNBL's deposit and long term senior unsecured credit rating of Aa2 (on review for possible downgrade) remains under review.

On 6 January 2011, Standard & Poor's issued a request for comments on their proposed new bank credit ratings industry wide methodology. While the timing and result of the implementation of this proposal remains unclear, if implemented there could be a potential impact on ANZNBL's credit rating with Standard & Poor's.

A downgrade or potential downgrade to ANZNBL's credit rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it. In addition, the credit ratings of individual securities (including, but not limited to, Tier-2 securities) issued by ANZNBL (and banks globally) could be impacted from time to time by changes in the credit ratings methodologies used by rating agencies. Ratings agencies may revise their methodologies in response to legal or regulatory changes or other market developments.

ANZNBL may experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios

ANZNBL's capital base is critical to the management of its businesses and access to funding. ANZNBL is required by the RBNZ to maintain adequate regulatory capital.

Under current regulatory requirements, risk weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses and lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require ANZNBL to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

Global and domestic regulators have released proposals, including the Basel III proposals, to strengthen, among other things, the liquidity and capital requirements of banks and funds management and insurance entities. These proposals, together with any risks arising from any regulatory changes, are described below in the risk factor entitled "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect ANZNBL's business, operations or financial condition".

ANZNBL is exposed to credit risk, which may adversely affect its business, operations and financial condition

As a financial institution, ANZNBL is exposed to the risks associated with extending credit to other parties. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, or natural disasters, could cause customers or counterparties to fail to meet their obligations

in accordance with agreed terms. ANZNBL holds provisions for credit impairment. The amount of these provisions is determined by assessing the extent of impairment inherent within the current lending portfolio, based on current information. This process, which is critical to ANZNBL's financial condition and results, requires difficult, subjective and complex judgments, including forecasts of how current and future economic conditions might impair the ability of borrowers to repay their loans. However, if the information upon which the assessment is made proves to be inaccurate or if ANZNBL fails to analyse the information correctly, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on ANZNBL's business, operations and financial condition.

In addition, in assessing whether to extend credit or enter into other transactions with customers, ANZNBL relies on information provided by or on behalf of customers, including financial statements and other financial information. ANZNBL may also rely on representations of customers as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. ANZNBL's financial performance could be negatively impacted to the extent that it relies on information that is inaccurate or materially misleading.

An increase in the failure of third parties to honour their commitments in connection with ANZNBL's trading, lending, derivatives and other activities may adversely affect its business, operations and financial condition

ANZNBL is exposed to the potential risk of credit-related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. As with any financial services organisation, ANZNBL assumes counterparty risk in connection with its lending, trading, derivatives and other businesses where it relies on the ability of a third party to satisfy its financial obligations to ANZNBL on a timely basis. ANZNBL is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances.

Credit exposure may also be increased by a number of factors including deterioration in the financial condition of the counterparty, the value of assets ANZNBL holds as collateral, and the market value of the counterparty instruments and obligations it holds. Credit losses can and have resulted in financial services organisations realising significant losses and in some cases failing altogether. Should material unexpected credit losses occur to ANZNBL's credit exposures, it could have an adverse effect on ANZNBL's business, operations and financial condition.

Weakening of the real estate markets in New Zealand may adversely affect ANZNBL's business, operations and financial condition

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to ANZNBL. Overall, the property market has been variable and in some locations there have been substantially reduced asset values.

A decrease in property valuations in New Zealand could decrease the amount of new lending ANZNBL is able to write and/or increase the losses that ANZNBL may experience from existing loans, which, in either case, could materially and adversely impact ANZNBL's financial condition and results of operations. A significant slowdown in the New Zealand housing market could adversely affect ANZNBL's business, operations and financial conditions.

The ANZ National Group is exposed to market risk which may adversely affect its business, operations and financial condition

The ANZ National Group is subject to market risk, which is the risk to the ANZ National Group's earnings arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and indices, prices of commodities, debt securities and other financial contracts, including derivatives. Losses arising from these risks may have a material adverse effect on the ANZ National Group. The profitability of the ANZ National Group's funds management and insurance business is also affected by changes in investment markets and weaknesses in global securities markets due to credit, liquidity or other problems.

The ANZ National Group is exposed to operational risk, which may adversely affect its business, operations and financial condition

Operational risk is the risk of loss resulting from inadequate or failed internal processes, including but not limited to restructures, people and systems, or from external events. Operational risk includes legal risk and the risk of reputational loss, environmental damage, and health and safety risks, but excludes strategic risk.

Loss from operational risk can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputational loss, loss of life or injury to people, and loss of property and/or information.

All operational risks carry at least a financial consequence. Examples of operational risk that the ANZ National Group is exposed to include the losses arising from internal fraud, external fraud, acts that are inconsistent with employment, health or safety laws or agreements, failure to meet professional, customer and legal obligations, disruption of business or system failures, failure to execute a transaction correctly, inadequate process management and from failure caused by third parties.

Direct or indirect losses that occur as a result of operational failures, breakdowns, omissions or unplanned events could adversely affect the ANZ National Group's financial results.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either of the Issuers or the Guarantor will be unable to comply with its obligations as a company with securities admitted to the Official List.

Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt business

The ANZ National Group is highly dependent on information systems and technology and there is a risk that these, or the services the ANZ National Group uses or is dependent upon, might fail.

Most of the ANZ National Group's daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth and integrate existing and future acquisitions and alliances.

To manage these risks, the ANZ National Group has disaster recovery and information technology governance in place. However, any failure of these systems could result in business interruption, loss of customers, financial compensation, damage to reputation and/or a weakening of the ANZ National Group's competitive position, which could adversely impact the ANZ National Group's business and have a material adverse effect on the ANZ National Group's financial condition and operations.

In addition, the ANZ National Group must update and implement new information technology systems, in part to assist it to satisfy regulatory demands, ensure information security, enhance computer-based banking services for the ANZ National Group's customers and integrate the various segments of its business. The ANZ National Group may not implement these projects effectively or execute them efficiently, which could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of the ANZ National Group's information security controls, or a decrease in the ANZ National Group's ability to service its customers. Further, the ANZ National Group relies on ANZBGL to provide a number of information technology systems and any failure of ANZBGL systems could directly affect the ANZ National Group.

ANZNBL is exposed to risks associated with information security, which may adversely affect its financial results and reputation

Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, ANZNBL handles a considerable amount of personal and confidential information about its customers and its own internal operations.

ANZBGL employs a team of information security subject matter experts who are responsible for the

development and implementation of the ANZ Group's Information Security Policy, which applies to ANZNBL. ANZNBL is conscious that threats to information security are continuously evolving and as such ANZNBL conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated, and good practice is maintained. However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorised use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action, and claims of compensation or erosion to our competitive market position, which could adversely affect ANZNBL's financial position and reputation.

The ANZ National Group is exposed to reputation risk, which may adversely impact its business, operations and financial condition

Reputation risk may arise as a result of an external event, the ANZ National Group's own actions or actions by other members of the ANZ Group. These may adversely affect perceptions about the ANZ National Group held by the public (including our customers), investors, regulators or rating agencies. The impact of a risk event on the ANZ National Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the ANZ National Group's earnings, capital adequacy or value. Accordingly, damage to the ANZ National Group's reputation may have wide-ranging impacts, including adverse effects on the ANZ National Group's profitability, capacity and cost of sourcing funding, and availability of new business opportunities.

The unexpected loss of key staff or inadequate management of human resources may adversely affect the ANZ National Group's business, operations and financial condition.

The ANZ National Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. At ANZNBL, there are certain individuals and key executives whose skills and reputation are critical to setting the strategic direction, successful management and growth of ANZNBL, and whose unexpected loss due to resignation, retirement, death or illness may adversely affect its operations and financial condition. In addition, ANZNBL may in the future have difficulty attracting highly qualified people to fill important roles, which could adversely affect the ANZ National Group's business, operations and financial condition.

The ANZ National Group may be exposed to the impact of future climate change, geological, plant and animal diseases and other extrinsic events which may adversely affect its business, operations and financial condition

Scientific observations and climate modelling point to changes in the global climate system that may see extreme weather events increase in both frequency and severity. Among the possible effects of climate change are the risks of severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. Such events, and others like them, pose the risk of inundation and damage to the ANZ National Group's property, and the houses and commercial assets of the ANZ National Group's customers. In some cases, this impact may temporarily interrupt or restrict the provision of some services, and also adversely affect the ANZ National Group's collateral position in relation to credit facilities extended to those customers.

While the future impact of climate change is difficult to predict accurately, it should nevertheless be considered among the risks that may adversely impact the ANZ National Group's business, operations and financial condition in the future.

In addition to climatic events, geological events and events related to them, such as volcanic or seismic activity, tsunamis, plant and animal diseases or other extrinsic events, such as flu pandemic, can also severely disrupt normal business activity and have a negative effect on the ANZ National Group's business, operations and financial condition.

Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the ANZ National Group's business, operations or financial condition

The ANZ National Group is subject to laws, regulations, policies and codes of practice in New Zealand, Australia and other countries (including but not limited to the United Kingdom and the United States) in which it trades or raises funds or in respect of which it has some other connection. In particular, the ANZ National Group's banking, funds management, and insurance activities are subject to extensive regulation, mainly

relating to its liquidity levels, capital, solvency, provisioning, and insurance policy terms and conditions.

Regulations vary from country to country but generally are designed to protect depositors, investors, insured parties, customers with other banking products, and the banking and insurance system as a whole.

The New Zealand Government and its agencies, including the RBNZ, have supervisory oversight of the ANZ National Group's operations in New Zealand. To the extent that ANZ National has operations, trades or raises funds in, or has some other connection with, countries other than Australia or New Zealand, then such activities may be subject to the laws of, and regulation by agencies in, those countries. Such regulatory agencies include, by way of example, the U.S. Federal Reserve Board, the U.S. Department of Treasury, the U.S. Office of the Comptroller of the Currency, the U.S. Office of Foreign Assets Control, the UK's Financial Services Authority, and other financial regulatory bodies in those countries and in other relevant countries.

A failure to comply with any standards, laws, regulations or policies in any of those jurisdictions could result in sanctions by these or other regulatory agencies, the exercise of any discretionary powers that the regulators hold, or compensatory action by affected persons, which may in turn cause substantial damage to the ANZ National Group's reputation. To the extent that these regulatory requirements limit the ANZ National Group's operations or flexibility, they could adversely impact the ANZ National Group's profitability and prospects.

Further details of the supervision and regulation of ANZNBL are contained in the section entitled "Supervision and Regulation of ANZ National Bank Limited and ANZ National (Int'l) Limited" of this Prospectus.

These regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations, codes of practice and policies. Changes to laws, regulations, codes of practice or policies, including changes in interpretation or implementation of laws, regulations, codes of practice or policies, could affect the ANZ National Group in substantial and unpredictable ways. These may include increasing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products the ANZ National Group can offer, and/or increasing the ability of non-banks to offer competing financial services or products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements.

As a result of the GFC, regulators have proposed various amendments to financial regulation that will affect the ANZ National Group. The RBNZ, APRA, the Basel Committee on Banking Supervision and regulators in other jurisdictions have released discussion papers and proposals in regards to strengthening the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. In addition, the U.S. has recently passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the U.S.

While uncertainty remains as to the final form that the proposed regulatory changes will take in New Zealand, Australia, the U.S. and other countries, any such changes may adversely affect the ANZ National Group's business, operations and financial condition. The changes may lead ANZNBL to, among other things, incur additional costs as a result of increased management attention, raise additional amounts of higher-quality capital and hold significant levels of additional liquid assets and undertake additional long-term wholesale funding to replace short-term wholesale funding to more closely match ANZNBL's asset maturity profile.

The ANZ National Group is exposed to insurance risk, which may adversely affect its business, operations and financial condition

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. The ANZ National Group has exposure to insurance risk in its life insurance business, which may adversely affect its business, operations and financial condition.

ANZNBL may experience reductions in the valuation of some of its assets, resulting in fair value adjustments that may have a material adverse effect on its earnings

Under New Zealand equivalents to International Financial Reporting Standards, ANZNBL recognizes at fair value:

- financial instruments classified as “held-for-trading” or “designated as at fair value through profit or loss”;
- financial assets classified as “available-for-sale”;
- derivatives; and
- financial assets backing insurance and investment liabilities.

Generally, in order to establish the fair value of these instruments, ANZNBL relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, fair values are based on present value estimates or other accepted valuation techniques. In certain circumstances, the data for individual financial instruments or classes of financial instruments used by such estimates or techniques may not be available or may become unavailable due to changes in market conditions. In these circumstances, the fair value is determined using data derived and extrapolated from market data, and tested against historic transactions and observed market trends.

The valuation models incorporate the impact of factors that would influence the fair value determined by a market participant. Principal inputs used in the determination of the fair value of financial instruments based on valuation techniques include data inputs such as statistical data on delinquency rates, foreclosure rates, actual losses, counterparty credit spreads, recovery rates, implied default probabilities, credit index tranche prices and correlation curves. These assumptions, judgments and estimates need to be updated to reflect changing trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on ANZNBL’s earnings.

Changes to accounting policies may adversely affect the ANZ National Group’s business, operations and financial condition

The accounting policies and methods that the ANZ National Group applies are fundamental to how it records and reports its financial position and results of operations. Management must exercise judgement in selecting and applying many of these accounting policies and methods so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with generally accepted accounting principles and be reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under another alternative.

The ANZ National Group may be exposed to the risk of impairment to capitalised software, goodwill and other intangible assets that may adversely affect its financial condition

In certain circumstances the ANZ National Group may be exposed to a reduction in the value of intangible assets. As at March 31, 2011, the ANZ National Group carried a goodwill balance principally related to its acquisition of The National Bank of New Zealand, intangible assets principally relating to assets recognised on acquisition of subsidiaries, and capitalised software balances.

The ANZ National Group is required to assess the recoverability of the goodwill balance on at least an annual basis. For this purpose the ANZ National Group uses either a discounted cash flow or a multiple of earnings calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balance.

The recoverability of capitalised software and other intangible assets is assessed at least annually. In the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, an impairment may be recorded, adversely impacting the ANZ National Group’s financial results.

Litigation and contingent liabilities may adversely affect the ANZ National Groups financial condition

From time to time, the ANZ National Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect ANZ's results. Details regarding the ANZ National Group's material contingent liabilities as at March 31, 2011 are contained in Note 16 of the Disclosure Statement for the six months ended 31 March 2011. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

The ANZ National Group regularly considers acquisitions and divestments, and there is a risk that the ANZ National Group may undertake an acquisition or divestment that could result in a material adverse effect on its performance

The ANZ National Group regularly examines a range of corporate opportunities, including material acquisitions and disposals, with a view to determining whether those opportunities will enhance the ANZ National Group's financial performance and position. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on the ANZ National Group.

The successful implementation of ANZNBL's corporate strategy, will depend on a range of factors including potential funding strategies, and challenges associated with integrating and adding value to acquired businesses.

There can be no assurance that any acquisition would have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings, the overall performance of the combined entity, or an improved price for ANZNBL's securities. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the ANZ National Group's operations or results. Additionally, there can be no assurance that customers, counterparties and vendors of newly acquired businesses will remain as such post-acquisition, and the loss of customers, counterparties and vendors could adversely affect the ANZ National Group's operations or results.

Acquisitions, disposals and restructuring may also result in business disruptions that cause the ANZ National Group to lose customers or cause customers to remove their business from the ANZ National Group to competing financial institutions. It is possible that the integration process related to acquisitions could result in the disruption of the ANZ National Group's ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect the ANZ National Group's ability to maintain relationships with clients, customers, depositors and employees. The loss of key employees in connection with an acquisition or disposal could adversely affect the ANZ National Group's ability to conduct its business successfully. The ANZ National Group's operating performance, risk profile or capital structure may also be affected by these corporate opportunities and there is a risk that any of ANZNBL's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

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, the Bond Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. of the NZ 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 shall, give an Issuer Acceleration Notice to the Issuers and the Guarantor that as against the Issuers and the Guarantor (in the case of Covered Bonds issued by ANZNIL) (but not, for the avoidance of doubt, as against the Covered Bond Guarantor) each Covered Bond shall 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 Issuers and the Guarantor (in the case of Covered Bonds issued by ANZNIL), the Bond Trustee will be required to forthwith serve a Notice to Pay on the Covered Bond Guarantor and the Covered Bond Guarantor will be required to make payments of

Guaranteed Amounts when the same shall 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 the Covered Bond Guarantor shall 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 shall have become Due for Payment in accordance with the terms of the Bond Trust Deed but which have not been paid by the Relevant Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL) provided that no Notice to Pay shall be served on the Covered Bond Guarantor until an Issuer Acceleration Notice has been served by the Bond Trustee on the Issuers and the Guarantor.

All payments of principal and interest (if any) in respect of Covered Bonds 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 required by law. 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 become payable by the Issuers or the Guarantor (in the case of Covered Bonds issued by ANZNIL) under Condition 7 (*Taxation*). 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, then the Bond Trustee may, and if so requested in writing by the holders of at least 25 per cent. of the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds then outstanding or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall, 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 (*Taxation*)), 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. Pursuant to the terms of the Security Deed, the proceeds of enforcement and realisation of the Security will be required to 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 (if any) on an accelerated basis.

Excess Proceeds received by the Bond Trustee

Following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice, the Bond Trustee may receive Excess Proceeds. In accordance with the Conditions, the Excess Proceeds will be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor for its own account, 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 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 Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) in respect of the Covered Bonds, Receipts and Coupons (subject to restitution of the same if such Excess Proceeds shall 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 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 holder of the Covered Bonds 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 the service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor's ability to meet its obligations under the Covered Bond Guarantee will depend on (a) the realisable value of Selected Housing Loans in the Housing Loan Portfolio, (b) the amount of Housing Loan Revenue Receipts and Housing Loan Principal Receipts generated by the Housing Loan Portfolio and the timing thereof, (c) amounts received from the Swap Providers, (d) the realisable value of Substitution Assets and Authorised Investments held by it and (e) 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 aforementioned assets and the Covered Bond Guarantor will not have any other source of funds available to meet its obligations under the Covered Bond Guarantee.

If a Covered Bond Guarantor Event of Default occurs 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 Secured Creditors 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 Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) for the shortfall. There is no guarantee that the Issuers or the Guarantor (if applicable) 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 Housing Loan Amount is an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding, which should reduce the risk of there ever being a shortfall (although there is no assurance of this – in particular, the sale of further Housing Loans and Related Security by the Seller to the Covered Bond Guarantor may be required to avoid or remedy a breach of the Asset Coverage Test).

The Covered Bond Guarantor 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, the Issuers and the Guarantor and/or the commencement of winding-up proceedings against the Trust and/or realisation of the Security), the Amortisation Test is met on each Determination Date. A breach of the Amortisation Test will constitute a Covered Bond Guarantor Event of Default and will entitle the Bond Trustee to serve a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor.

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 Principal Documents – Establishment Deed – Amortisation Test" and "Credit Structure – Amortisation Test", "Summary of the Principal Documents – Servicing Agreement – Interest Rate Shortfall Test and 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 Housing Loans in the Housing Loan Portfolio on behalf of the Covered Bond Guarantor 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 and cash management services set out in the Programme Documents including, without limitation, assisting the Covered Bond Guarantor

in operating the Trust Accounts, keeping and maintaining records, causing annual accounts of the Trust to be audited and directing the Covered Bond Guarantor in relation to investing moneys standing to the credit of the GIC Account in Substitution Assets or Authorised Investments;

- (c) the Calculation Manager has been appointed to provide the calculation services set out in the Programme Documents including, without limitation, doing all calculations on each Determination Date which are required to determine whether the Housing Loan Portfolio is in compliance with the Asset Coverage Test or the Amortisation Test, as the case may be, and providing information to the Asset Monitor;
- (d) the Asset Monitor has been appointed to report on the accuracy of the Calculation Manager's calculations; and
- (e) 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 agreement to which it is a party, the realisable value of the Housing Loan Portfolio and other assets in the Asset Pool or any part thereof or pending such realisation (if the Housing 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 Housing Loans in the Housing 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 sufficient to meet its obligations under the Intercompany Loan Agreement, the Demand Loan Agreement and the Covered Bond Guarantee, as described below.

If a Servicer Termination Event occurs, then the Covered Bond Guarantor, or the Trust Manager on its behalf, (with the consent of the Security Trustee) or the Security Trustee may (acting on the direction of (if there are Covered Bonds outstanding) the Bond Trustee or (if there are no Covered Bonds outstanding) the Majority Secured Creditors) terminate the appointment of the Servicer. Following such termination of the appointment of the Servicer, the Covered Bond Guarantor (with the prior consent of the Security Trustee) shall use its reasonable endeavours to appoint a substitute servicer. Any termination of the appointment of the Servicer and the appointment of a substitute servicer is conditional upon the Trust Manager having delivered a Rating Affirmation Notice to the Covered Bond Guarantor, the Seller, the Servicer and the substitute servicer in respect of such termination and appointment. There can be no assurance that either (a) a substitute servicer with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Housing Loans in the Housing Loan Portfolio on the terms of the Servicing Agreement, or (b) that a Rating Affirmation Notice could be delivered by the Trust Manager 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 Housing Loans in the Housing Loan Portfolio, the realisable value of such Housing 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 act as collecting agent for the Covered Bond Guarantor in respect of all payments in respect of the Housing Loans in the Housing Loan Portfolio (including, without limitation, a Housing Loan Scheduled Payment). If the Servicer receives, during a Collection Period, any money whatsoever arising from the Housing Loans in the Housing Loan Portfolio and the Related Security which money belongs to the Covered Bond Guarantor and such money is to be paid to the GIC Account pursuant to the Servicing Agreement, the Servicer shall 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 Trust Payment Date immediately following the end of a Collection Period

is mitigated by an obligation of the Servicer to transfer the collections into the GIC Account within two Local 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 its long term credit rating is downgraded to below A (Fitch).

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, then the Covered Bond Guarantor and/or the Security Trustee may terminate the appointment of the Trust Manager. The Covered Bond Guarantor will be required to use its reasonable endeavours to appoint a substitute trust manager. There can be no assurance that a substitute trust manager would be found who would be willing and able to provide such trust management services on the terms of the Establishment Deed and the Management Agreement. Neither the 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.

If a Calculation Manager Termination Event occurs, then the Covered Bond Guarantor, or the Trust Manager on its behalf (with the consent of the Security Trustee (acting on the direction of (if there are Covered Bonds outstanding) the Bond Trustee or (if there are no Covered Bonds outstanding) the Majority Secured Creditors)) may terminate the appointment of the Calculation Manager. The Covered Bond Guarantor will be required to use its reasonable endeavours to appoint a substitute calculation manager. There can be no assurance that a substitute calculation manager would be found who would be willing and able to provide the Calculation Management Services on the terms of the Establishment Deed and the Management Agreement. Neither the Covered Bond Guarantor nor the Security Trustee shall have any liability to any person in the event that, having used reasonable endeavours, the Covered Bond Guarantor is unable to appoint a substitute trust manager or substitute calculation manager, as the case may be. Until the appointment of a substitute trust manager or substitute calculation manager is made, the Covered Bond Guarantor shall, subject to the Management Agreement and any approval required by law, perform the duties of the Trust Manager or the Calculation Manager (as the case may be) and be entitled to the relevant fees. Neither the Security Trustee nor the Bond Trustee will be obliged in any circumstances to act as the Calculation Manager or to monitor or supervise the performance by the Calculation Manager (or any substitute calculation manager) of its obligations.

Any delay or inability to appoint a substitute trust manager or calculation manager may affect payments to and from the Transaction 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 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 Establishment Deed or the Management Agreement.

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 such moneys. These criteria will include requirements in relation to the short-term and/or long-term, unguaranteed and unsecured credit ratings ascribed to such party by Fitch and Moody's.

If the party concerned ceases to satisfy the applicable criteria, including such credit ratings criteria, then the rights and obligations of that party (including the right or obligation to receive moneys on behalf of the Covered Bond Guarantor) may be required to be transferred to another entity which does satisfy the applicable criteria. If the rights and obligations of that counterparty are transferred to another entity, then the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Programme Documents. There is no guarantee that a replacement counterparty could be found.

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.

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 Housing Loans and amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement and/or the Demand Loan Agreement to ANZNBL 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 (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 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 Agreement, the Covered Bond Guarantor will be exposed to changes in the relevant currency exchange rates to NZ 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 the Intercompany Loan Agreement, the Demand Loan Agreement or the Covered Bond Guarantee.

If a 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 credit 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, any such termination payment in respect of:

- (i) the Interest Rate Swap will rank ahead of amounts due on the Covered Bonds; and
- (ii) the Covered Bond Swap will rank *pari passu* with amounts due on the Covered Bonds,

except where default by 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.

Insolvency proceedings and subordination provisions

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 or other default on the part of such counterparty. Such provisions are similar in effect to the terms which will be included in the Programme Documents relating to the subordination of Excluded Swap Termination Amounts.

The English Court of Appeal has affirmed the decision of the English High Court that such a subordination provision is valid under English law. While the UK Supreme Court granted leave to appeal, portions of the appeal have been withdrawn as a result of the settlement of the US aspects of the case. The remaining portion of the appeal was heard by the Supreme Court in early March 2011, although the judgment has not yet been published. It is likely that a New Zealand court would also consider such a subordination provision to be valid under New Zealand law. Contrary to the determination of the English Court of Appeal, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US 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 US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known,

particularly as the US Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and subsequently the appeal was dismissed.

If a creditor of the Covered Bond Guarantor (such as a Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales or New Zealand (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 subordination provisions included in the English law or New Zealand law governed Programme Documents (such as a provision of the Priorities of Payments which refers to the ranking of the Swap Providers' payment rights in respect of Excluded Swap Termination Amounts). In particular, based on the decision of the US Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under US bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Provider, including US established entities and certain non-US established entities with assets or operations in the US (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 US state). In general, if a subordination provision included in the Programme Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales or New Zealand and any relevant foreign judgment or order was recognised by the English courts or New Zealand 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 Covered Bond Guarantor 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 English courts or New Zealand courts) may result in negative credit rating pressure in respect of the Covered Bonds. If any credit rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

Limited description of the Portfolio

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

- (a) the Seller selling additional Housing Loans and the Related Security (or Housing Loans of New Product Types and the Related Security) to the Covered Bond Guarantor;
- (b) payments by the Borrowers on those Housing Loans; and
- (c) the Seller repurchasing Housing Loans and the Related Security in accordance with the Mortgage Sale Agreement, in particular, in relation to non-compliance with the Representations and Warranties and in the case of a Further Advance, Cash Redraw or Product Switch which the Covered Bond Guarantor has not agreed may remain in the Housing Loan Portfolio (see "*Summary of the Principal Documents – The Mortgage Sale Agreement – Repurchase by the Seller*").

There is no assurance that the characteristics of the New Housing Loans sold to the Covered Bond Guarantor on any Transfer Date will be the same as those of the other Housing Loans in the Housing Loan Portfolio as at the relevant Transfer Date. However, each Housing Loan sold to the Covered Bond Guarantor will be required to be a Qualifying Housing 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 – Sale by the Seller of Housing Loans and Related Security*") (although the criteria for Qualifying Housing 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*"). In addition, the Asset Coverage Test is intended to ensure that on each Determination Date the Adjusted Aggregate Housing Loan Amount is an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds for so long as Covered Bonds remain outstanding and the Calculation Manager will provide monthly reports that will set out certain information in relation to the Asset Coverage Test.

The Servicing Procedures may be amended or revised by ANZNBL from time to time. If any Housing Loans have been originated under amended or revised Servicing Procedures and the Housing 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 Housing Loan Portfolio could at such time 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. 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* with amounts due on the Covered Bonds. Pursuant to the terms of the Mortgage Sale Agreement, the Seller has agreed to use all reasonable endeavours to offer to sell sufficient New Housing Loans and the Related Security to the Covered Bond Guarantor in order to ensure that the Housing Loan Portfolio is in compliance with the Asset Coverage Test provided that the Seller shall not be obliged to sell to the Covered Bond Guarantor, and the Covered Bond Guarantor shall not be obliged to acquire, New Housing Loans and the Related Security if in the reasonable opinion of the Seller the sale to the Covered Bond Guarantor of such New Housing Loans and the Related Security would materially adversely affect the business or financial condition of the Seller. The consideration payable to the Seller for the sale of such Housing Loans and Related Security to the Covered Bond Guarantor to rectify a breach of the Asset Coverage Test will be funded by a drawing under the Demand Loan Agreement.

Alternatively, the Covered Bond Guarantor may purchase Substitution Assets or request drawings under the Demand Loan Agreement in order to ensure that the Covered Bond Guarantor is in compliance with the Asset Coverage Test. If the Asset Coverage Test is not complied with on a Determination Date and also on the next following Determination Date the Asset Coverage Test will be breached and the Bond Trustee will 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 breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Determination Date to occur following the service of an Asset Coverage Test Breach Notice, the Asset Coverage Test is 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 Covered Bond Guarantor (or the Trust Manager on its behalf) shall immediately notify in writing the Bond Trustee thereof. If the Asset Coverage Test Breach Notice is not revoked by the Bond Trustee on or before the next Determination Date, then an Issuer Event of Default will occur.

Amortisation Test

The Amortisation Test is intended to ensure that, following service of a Notice to Pay, 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* with amounts due on the Covered Bonds. Pursuant to the Establishment Deed, the Covered Bond Guarantor must ensure that on each Determination 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 and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust, the Amortisation Test Aggregate Housing Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds.

If the aggregate collateral value of the Housing Loan Portfolio has not been maintained in accordance with the terms of the Amortisation Test, then that may affect the realisable value of the Housing 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 Determination Date following an Issuer Event of Default and service of 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 Bond Guarantor's obligations under the Covered Bond Guarantee against the Covered Bond Guarantor subject to and in accordance with the Conditions.

Asset Monitor to test calculations

Prior to service of a Notice to Pay, the Asset Monitor will, subject to receipt of the relevant information from the Calculation Manager, test the arithmetic accuracy of the calculations performed by the Calculation Manager in relation to the Asset Coverage Test once each year on the Determination Date immediately preceding an anniversary of the Programme Date. If and for so long as the long-term unsecured, unguaranteed and unsubordinated debt obligation credit ratings of the Calculation Manager (or if the Calculation Manager is not so rated, if the long-term unsecured, unguaranteed and unsubordinated debt obligation credit ratings of the Calculation Manager's holding company) fall below Baa3 by Moody's or BBB- by Fitch (and for as long as they remain below such credit ratings), the Asset Monitor shall conduct the tests of the Calculation Manager's calculations in respect of every Determination Date thereafter.

Following the service of a Notice to Pay but prior to the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice, the Asset Monitor will, subject to receipt of the relevant information from the Calculation Manager, test the calculations performed by the Calculation Manager in respect of the Amortisation Test.

See further "*Summary of the Principal Documents – Asset Monitor Agreement*".

The Security Trustee shall not be responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test or the Amortisation Test or any other test, or supervising the performance by any other party of its obligations under any Programme Document.

RBNZ Regulatory Limit on Covered Bonds

On 21 January 2011, the RBNZ announced that a regulatory limit will be applied to the issuance of covered bonds by New Zealand banks. Under new Conditions of Registration imposed on ANZNBL from 31 March 2011, no more than 10 percent of total assets may be beneficially owned by a special purpose vehicle for the purpose of guaranteeing covered bonds (see "*Supervision and Regulation of ANZ National Bank Limited and ANZ National (Int'l) Limited*" for the full text of this Condition of Registration). The RBNZ will review the appropriateness of this limit within two years of its introduction, taking into account evidence as it emerges in the market. This regulatory limit could constrain the ability of the Seller to sell Housing Loans to the Covered Bond Guarantor.

Sale of Selected Housing Loans and the Related Security following Service of Notice to Pay

Following the Demand Loan Provider making demand that the Demand Loan (or part of it) be repaid (subject to the Asset Coverage Test being met) or 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, but prior to service of a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor, the Issuers and the Guarantor and/or the commencement of winding up proceedings against the Trust and/or the realisation of the Security, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall sell Selected Housing Loans (selected on a basis that is representative of the Housing Loans in the Housing Loan Portfolio as a whole), and if a Housing Loan is selected for sale, its Related Security is also selected unless the Related Security also secures a Housing Loan in the Housing Loan Portfolio that is not also a Selected Housing Loan. The proceeds from any such sale shall 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 Housing Loans*").

There is no guarantee the Covered Bond Guarantor will, where the Covered Bond Guarantor is obliged to sell Selected Housing Loans, find a buyer to buy Selected Housing 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 Housing Loans and the Related Security 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 Housing Loans may not be sold by the Covered Bond Guarantor for an amount less than the Current Principal Balance of the Selected Housing 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 Housing 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 Housing Loans have

not been sold (in whole or in part) by the date which is six months prior to either (a) the Final Maturity Date in respect of the Earliest Maturing Covered Bonds, or (b) the Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, or (c) 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, or the Trust Manager on its behalf, will offer the Selected Housing Loans and the Related Security for sale for the best price reasonably available notwithstanding that such amount may be less than the Adjusted Required Redemption Amount.

If Selected Housing Loans and the Related Security 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.

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 that the Covered Bond Guarantor has sufficient moneys available to make such payments in accordance with the Guarantee Priority of Payments. Available Revenue Receipts will include, among other things, the sale proceeds of Selected Housing Loans and the Related Security to the extent that such proceeds comprise Accrued Interest or Arrears of Interest (if any) that have been, or are to be, on the immediately following Trust Payment Date, credited to the Revenue Ledger on the GIC Account. Available Principal Receipts will include the sale proceeds of Selected Housing Loans and the Related Security and all principal repayments received on the Housing Loans in the Housing Loan Portfolio generally. This may adversely affect repayment of later maturing Series of Covered Bonds if the Selected Housing Loans and the Related Security 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 Housing Loan Portfolio (such as Housing Loan Principal Receipts) to redeem that earlier maturing Series of Covered Bonds.

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

The Establishment Deed provides for the sale of Selected Housing 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 ANZNBL's short-term credit rating from Moody's falls to P-2 (or lower) or from Fitch falls to F1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls in the period commencing on the day 12 months prior to the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds. If the Pre-Maturity Test is breached the Covered Bond Guarantor will, subject to first utilising the proceeds of any advance made by the Demand Loan Provider under the Demand Loan Agreement, be obliged to sell Selected Housing Loans and the Related Security in order to enable the Covered Bond Guarantor to pay the NZ Dollar Equivalent of the Required Redemption Amount on each affected Series of Hard Bullet Covered Bonds 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 amount standing to the credit of the Pre-Maturity Ledger of the GIC Account is less than the NZ Dollar Equivalent of the Required Redemption Amount for each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached by a specified time, an Issuer Event of Default will occur.

There is no guarantee that a suitable buyer will be found to acquire Selected Housing 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 and/or the commencement of winding up proceedings against the Covered Bond Guarantor

If a Covered Bond Guarantor Event of Default occurs and a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Issuers and the Guarantor, 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, the Issuers and the Guarantor 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 Housing 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, the service on the Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor of a Notice to Pay, the realisable value of Selected Housing Loans and the Related Security comprised in the Housing Loan Portfolio may be reduced (which may affect the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee) by:

- (a) representations or warranties not being given by the Covered Bond Guarantor or the Seller unless expressly agreed by the Security Trustee or otherwise agreed with the Seller;
- (b) default by Borrowers of amounts due on their Housing Loans;
- (c) changes to the Servicing Procedures of the Seller;
- (d) the Covered Bond Guarantor not having legal title to the Housing Loans in the Housing Loan Portfolio;
- (e) risks in relation to some types of Housing Loans which may adversely affect the value of the Housing Loan Portfolio or any part thereof;
- (f) changes in interest rates which may adversely affect the value of fixed rate Housing Loans;
- (g) limited recourse to the Seller;
- (h) possible regulatory changes by the Commerce Commission in New Zealand and other regulatory authorities;
- (i) regulations in New Zealand that could lead to some terms of the Housing Loans being unenforceable;
- (j) restrictions on the disposal of All Moneys Mortgages which are subject to an All Moneys Mortgage Trust (see "*Summary of the Principal Documents – Mortgage Sale Agreement – All Moneys Mortgage Trust*"); and
- (k) other issues which impact on the enforceability of the Housing Loans.

Some of these factors are considered in more detail below. However, it should be noted that the Asset Coverage Test, the Amortisation Test and the criteria for Qualifying Housing Loans are intended to ensure that there will be an adequate amount of Housing Loans in the Housing Loan Portfolio and moneys standing to the credit of the GIC Account to enable the Covered Bond Guarantor to repay the Covered Bonds following an Issuer Event of Default, service of an Issuer Acceleration Notice on the Issuers, the Guarantor and the Covered Bond Guarantor and service of a Notice to Pay on the Covered Bond Guarantor and accordingly it is expected (but there is no assurance) that Selected Housing 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 Housing 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 Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and service on the Covered Bond Guarantor of a Notice to Pay (but prior to the service of a Covered Bond Guarantee Acceleration Notice and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust), the Covered Bond Guarantor will be obliged to sell Selected Housing Loans and the Related Security to 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 – Method of Sale of Selected Housing Loans and the Related Security*"). In respect of any sale of Selected Housing Loans and the Related Security to third parties, however, the Covered Bond Guarantor will not be permitted to give representations or warranties in respect of those Selected Housing Loans and the Related Security (unless expressly agreed by the

Security Trustee or otherwise agreed with the Seller). There is no assurance that the Seller would give any warranties or representations in respect of the Selected Housing Loans and the Related Security. Any Representations or Warranties previously given by the Seller in respect of the Housing Loans in the Housing 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 Housing 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.

New Zealand Housing Market

ANZNBL's business includes mortgage lending in New Zealand with loans secured against residential property. The recent downturn in the New Zealand economy has had a negative effect on the housing market. The fall in property prices resulting from the deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds are insufficient to redeem the outstanding loan. Any deterioration in the quality of the Housing 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 continue to deteriorate.

The current New Zealand economic environment may affect the rate at which the Seller originates new Housing 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.

Geographic concentration of the Housing 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 Housing Loans in such a region may be expected to exacerbate any or all of the risks relating to the Housing 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 Housing Loans in the Housing 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 Housing Loans

Borrowers may default on their obligations due under the Housing Loans. Defaults may occur for a variety of reasons. The Housing 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 Housing 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; housing market 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. Other factors in Borrowers' individual, personal or financial circumstances may also affect the ability of Borrowers to repay the Housing Loans. Loss of earnings, illness, separation, 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 Housing Loans.

The rate of prepayments on Housing Loans may be increased due to Borrowers refinancing their Housing 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 other investments, buildings insurance and life assurance policies. The rate of prepayment of Housing 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 Housing Loan at a price sufficient to repay the amounts outstanding under that Housing 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. Downturns in the New Zealand economy have previously had, and could continue to have, a negative effect on the housing market.

Further, the Housing Loan market in New Zealand is highly competitive. This competitive environment may affect the rate at which the Seller originates new Housing Loans and may also affect the repayment rate of existing Housing Loans.

Climatic events, geological events, such as volcanic or seismic activity, plant or animal diseases or other extrinsic events, such as flu pandemics, could have a negative effect on a Borrower's ability to pay interest or repay principal on his or her Housing Loan.

If the timing and payment of the Housing 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 Housing Loans in the Housing Loan Portfolio will be given a zero weighting for the purposes of any calculation of the Asset Coverage Test and the Amortisation Test.

Seller to initially retain legal title to the Mortgages

Each sale by the Seller to the Covered Bond Guarantor of the benefit of the Housing Loans is an absolute assignment of a legal thing in action under section 50 of the PLA.

This means that all the rights of the Seller in relation to the Housing Loans, all the remedies of the Seller in relation to the Housing Loans and the power to give a good discharge to the relevant Borrower pass to the Covered Bond Guarantor. It is not necessary for notice to be provided to the relevant Borrower before the rights, remedies and powers in relation to the Housing Loans pass to the Covered Bond Guarantor. However, the passing of those rights, remedies and powers is subject to any equities in relation to the Housing Loan that arise before the relevant Borrower has actual notice of the assignment. Payment by a Borrower to the Seller of all or part of the debt under a Housing Loan before the Borrower receives actual notice of the assignment discharges the liability of the Borrower to the extent of the payment. The registration of a financing statement on the PPSR in relation to the transfer of Housing Loans under the Mortgage Sale Agreement does not constitute notice of the assignment to the relevant Borrowers

The transfer of the Mortgages by the Seller to the Covered Bond Guarantor is an equitable assignment of an existing legal interest in land. The Mortgage Sale Agreement does not, without more, convey or transfer to the Covered Bond Guarantor the legal title to the Mortgages. The transfer of the legal title to the Mortgages over registered land would require the execution of an A&I Form or submission by way of e-dealing to record the Covered Bond Guarantor's legal interest in the Mortgage at LINZ.

The Covered Bond Guarantor will, however, have the right to execute A&I Forms or make a submission by way of e-dealing at LINZ to transfer legal title to the Mortgages to the Covered Bond Guarantor and deliver notifications to relevant Borrowers notifying such Borrowers of the sale of the Housing Loans in the Housing Loan Portfolio and the Related Security to the Covered Bond Guarantor in the limited circumstances described in "*Summary of the Principal Documents – Mortgage Sale Agreement – Perfection of title to the Housing Loans to the Covered Bond Guarantor*" and until such right arises the Covered Bond Guarantor will not give notice of the sale of the Housing Loans and the Related Security to any Borrower or register or record its interest in the Mortgages at LINZ 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 Mortgages by registration LINZ or submission of e-dealing or has not provided notification to the relevant Borrower, the following risks exist:

- (a) first, if the Seller wrongly sells a Mortgage, 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, then such person might obtain good title to the Housing 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 Housing Loan. 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) secondly, 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 Housing Loans directly to the Seller; and
- (c) thirdly, unless the Covered Bond Guarantor has perfected its title to the Mortgages (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 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 Housing 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.

Where an entity becomes subject to statutory management under either the RBNZ Act or the Corporations (Investigation and Management) Act 1989, a moratorium will apply and, among other things, it is an offence for any person, without the consent of the statutory manager, to sell or transfer any property of the entity in statutory management. If the Seller became subject to statutory management, it is uncertain whether the legal title to the Mortgages (which the Seller holds on bare trust for the Covered Bond Guarantor) would constitute "property" of the Seller and consent of the statutory manager would therefore be required for the Seller to transfer the legal title to the Mortgages to the Covered Bond Guarantor. The moratorium also prohibits any person from acting as the agent of an entity in statutory management and there is uncertainty as to whether the restriction would prevent the Covered Bond Guarantor from acting as the Seller's attorney under the Seller Power of Attorney for the purposes of transferring the legal title to the Mortgages to the Covered Bond Guarantor without the permission of the statutory manager. If the Seller was to become subject to statutory management, it is likely that the statutory manager would be appointed under the RBNZ Act. Under the RBNZ Act, in exercising its powers the statutory manager must have regard to the advice of the RBNZ.

In October 2010, the RBNZ published a consultation document on covered bonds. As part of the consultation document, the RBNZ proposed a formal regulatory framework to support the issuance of covered bonds by New Zealand financial institutions including the introduction of a legislative framework. The nature of the legislative framework is yet to be finalised, but has been proposed to take the form of either (i) a "registration" framework, under which investors' rights to the asset pool of a registered covered bond would be protected from the insolvency or statutory management of the issuer of the covered bonds (or any guarantor of the issuer), or (ii) a "safe harbour" framework, under which the investors' rights to the asset pool of a covered bond would receive the relevant protection provided that the covered bond programme structure was consistent with the relevant legislative criteria. The RBNZ has indicated that if a registration framework is adopted, it would seek to ensure that covered bond programmes that are established prior to the introduction of the register can be grandfathered in and added to the register provided that the covered bond programme structure is consistent with the requirements set out in the registration process. In its May 2011 Financial Stability Report, the RBNZ stated that it is continuing to work on the development of the wider regulatory framework, including legislative changes to provide additional certainty for investors, and disclosure requirements. The RBNZ expects to finalise the framework by the end of 2011. Given that the details of any such framework are not known at this time there is no certainty that the Covered Bond Guarantor or the Programme would receive the benefit of either a "safe harbour" framework or be grandfathered onto any register if a "registration" framework was adopted.

Value of the Housing Loan Portfolio

The guarantee granted by the Covered Bond Guarantor in respect of the Covered Bonds, will, inter alia, be backed by the Covered Bond Guarantor's interest in the Housing Loan Portfolio. Since the economic value of the Housing Loan Portfolio may increase or decrease, the value of the Covered Bond Guarantor's assets may decrease (for example if there is a general decline in property values). Neither the Issuers, the Guarantor 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 Housing Loan or at any other time. The value of the Housing Loan Portfolio may have been significantly reduced by the overall decline in property values experienced by the residential property market in New Zealand and may also be further reduced by any additional decline in the value of properties within the Housing Loan Portfolio. This, ultimately, may result in losses to the Covered Bondholders if such security is required to be enforced.

The Servicing Procedures

Each of the Housing Loans in the Mortgage Portfolio originated by the Seller will have been originated in accordance with the Seller's Servicing Procedures applicable at the time of origination. The Seller's Servicing Procedures 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. In the event of the sale of any new Housing Loans and the Related Security to the Covered Bond Guarantor, representations and warranties will at such time be given by the Seller to the Covered Bond Guarantor and the Security Trustee that those new Housing Loans and the Related Security were originated in accordance with the Seller's Servicing Procedures then applicable at the time of the origination of such new Housing Loans. However, the Seller retains the right to amend or revise its Servicing Procedures as determined from time to time.

If any new Housing Loans which have been originated under revised Servicing Procedures are then sold to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement, the characteristics of the Housing 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.

Limited recourse to the Seller

The Covered Bond Guarantor, the Bond Trustee and the Security Trustee will not undertake any investigations, searches or other actions on any Housing 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 Housing 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 Housing Loan in the Housing Loan Portfolio and/or the Related Security as at the date on which such Representation and Warranty is given (having regard to, among other things, whether a loss is likely to be incurred in respect of the Housing 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) the Covered Bond Guarantor (with the consent of the Security Trustee) or the Security Trustee has given the Seller not less than 28 days' 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 (with the consent of the Security Trustee) or the Security Trustee within the 28 day period referred to in (a) (or such longer period as may be agreed), then the Covered Bond Guarantor may serve upon the Seller a notice in the form of a Housing Loan Repurchase Notice whereupon the Covered Bond Guarantor will be required to sell and the Seller will be required to repurchase the relevant Housing Loan and the Related Security, unless the Related Security also secures another Housing Loan in the Housing Loan Portfolio, together for the Repurchase Price payable as at the Repurchase Date.

There can be no assurance that the Seller, in the future, will have the financial resources to repurchase from the Covered Bond Guarantor a Housing Loan or Housing Loans and the Related Security. However, if the Seller does not repurchase those Housing Loans and the Related Security which are in material breach of the Representations and Warranties as at the date on which such Representation and Warranty is given then the LVR Adjusted Housing Loan Balance Amount or the Asset Percentage Adjusted Housing Loan Balance Amount of those Housing Loans (as applicable) will be deducted from the calculation of the Adjusted Aggregate Housing Loan Amount in 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.

LEGAL AND OTHER CONSIDERATIONS

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 (a) Covered Bonds are legal investments for it, (b) Covered Bonds can be used as collateral for various types of borrowing, (c) Covered Bonds can be used as repo-eligible securities and (d) other restrictions apply to its purchase or pledge of any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Covered Bonds under any applicable risk-based capital or similar rules.

Housing Loans regulated by the Credit Contracts Act 1981 and the Credit Contracts and Consumer Finance Act 2003

The Credit Contracts Act 1981 (CCA) and the Credit Contracts and Consumer Finance Act 2003 (CCCFA) impose requirements on Housing Loans which are regulated credit contracts.

Each Housing Loan is a credit contract regulated by the CCCFA or the CCA. The CCCFA applies to all credit contracts entered into from 1 April 2005, and the CCA applies to all credit contracts entered into prior to 1 April 2005 unless an election has been made for the CCCFA to apply to the relevant credit contract. Both the CCA and the CCCFA set out specific requirements for certain credit contracts in relation to required initial and ongoing disclosure, fees and terms provided by the credit contracts and the exercise of powers by the creditor under the credit contracts. Where a credit contract is entered into between a natural person and a creditor in the business of providing credit, and in the case of the CCCFA the contract is entered into for primarily personal, domestic or household purposes, the contract is a "controlled credit contract" under the CCA or a "consumer credit contract" under the CCCFA.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will represent and warrant to, among others, the Covered Bond Guarantor that each Housing Loan and the Related Security complies with the relevant requirements for controlled credit contracts and consumer credit contracts in the CCA and the CCCFA (to the extent that those statutes are applicable to the Housing Loan and the Related Security) (or to the extent of any non-compliance, such non-compliance would not affect the enforceability of the Housing Loan and the Related Security).

Reopening oppressive credit contracts

Part 1 of the CCA and part 5 of the CCCFA set out provisions for reopening oppressive credit contracts. The relevant provisions give a court power to reopen a credit contract where the court considers that the contract is oppressive, a party to the contract has exercised a power conferred by the contract in an oppressive manner or a party to the contract has induced the other party to enter into the credit contract by oppressive means. In this context, "oppressive" means harsh, unjustly burdensome, unconscionable or in contravention of reasonable standards of commercial practice. Where a court reopens a credit contract it has a wide discretion to make the orders it thinks necessary to remedy the matters that caused the contract to be reopened. Orders can include ordering a party to transfer property or pay a sum the court thinks fit to any other party, altering obligations under the contract, ordering compliance with or performance of obligations under the contract, setting aside the contract or terms of the contract, ordering a party to indemnify another party and ordering a party to refrain from doing any act or thing in relation to any other party.

Variations to agreements regulated by the CCA and the CCCFA

Variation of controlled credit contracts is regulated under the CCA and variation of consumer credit contracts is regulated under the CCCFA.

Under the CCA, an agreement for variation of a controlled credit contract must be disclosed to every debtor (and guarantor) under the controlled credit contract not later than 15 working days after the entering into of the contract for the variation. The provisions relating to disclosure of variations under the CCA do not apply where the creditor has exercised a power or made a determination under the credit contract, or released security, reduced amounts outstanding, altered the cost of credit, the period of the contract or altered the number, frequency or amounts of payments under the contract.

Under the CCCFA, the parties may enter into an agreement to change the consumer credit contract. In those circumstances disclosure of the variation must be made before the change takes effect. However, disclosure is not required if the change reduces the debtor's obligations, extends the time for payment, releases any security or changes the place where payments are to be made. Where the creditor exercises a power under the contract to make changes in relation to the interest rates, payments (including amounts, time for payments, frequency or method of calculating payments), fees or charges under the contract, disclosure to the debtor must be made within five working days of the change taking effect, unless the change reduces the obligations of the debtor, extends time for payment or increases the credit limits of the contract.

Ability to charge and recover fees on the Housing Loans

The CCCFA prohibits consumer credit contracts from providing for credit fees or default fees which are unreasonable. A court has the power to reduce or annul fees under a consumer credit contract if it is satisfied that those fees are unreasonable. "Credit fees" means fees or charges payable by the debtor under the credit contract, or payable by the debtor to, or for the benefit of the creditor under the credit contract, other than interest charges, charges for optional services, default fees or default interest charges and government charges, duties, taxes or levies. Establishment fees and prepayment fees are credit fees.

In determining whether an establishment fee is unreasonable the court must have regard to whether the fee is equal to or less than the reasonable costs of the creditor in connection with the application for credit, processing and considering the application, documenting the contract and advancing the credit, and whether those costs are equal to or less than the average costs for that category of credit contract.

Credit fees on prepayment will only be unreasonable where they exceed a reasonable estimate of the creditor's loss from the part or full prepayment of the contract. A formula for calculating reasonable credit fees on full prepayment is prescribed by regulations. Creditors can use the prescribed formula or may use another appropriate formula set out in the relevant consumer credit contract. Where the creditor uses the prescribed formula to calculate the fee on full prepayment, the fee will be treated by a court as a reasonable estimate of the creditor's loss.

In determining whether other fees are unreasonable, the court must have regard to whether the fee compensates the creditor for costs and losses incurred by the creditor and to the reasonable standards of commercial practice.

No assurance can be given that additional laws and regulations will not arise with regard to the mortgage market in New Zealand generally, the Seller's particular sector in that market or specifically in relation to the Seller (including, without limitation, in the ability to charge, or the level of, early repayment fees or other types of fees and charges payable in respect of the Housing Loans). Any such action or developments or compliance costs may have a material adverse effect on the Housing Loan Portfolio, the Seller, the Covered Bond Guarantor, ANZNBL and/or the Servicer and their respective businesses and operations.

This may adversely affect the Covered Bond Guarantor's ability to make payments in relation to the Covered Bond Guarantee when due.

Banking Ombudsman Scheme

ANZNBL is a participating bank under the Banking Ombudsman Scheme. Subject to certain exceptions, including where complaints exceed the financial limit (currently \$200,000) or relate to the participating banks commercial judgement or interest rate policies, the Banking Ombudsman has the power to consider complaints about financial services provided by a participating bank and make recommendations for the settlement or withdrawal of the complaints. The Banking Ombudsman must consider complaints on a case by case basis with regard to what would be fair in all the circumstances of the case, the law and any relevant judicial authority and general principles of good banking practice. Complaints to the Banking Ombudsman must first have been considered by the internal complaint procedures of the participating bank and must have reached deadlock. The Banking Ombudsman may recommend that a participating bank pay money to a complainant or not pursue repayment of all or part of a debt (up to the financial limit). Any such recommendation may adversely affect the value at which the Housing Loans could be realised and accordingly the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee and may have an adverse effect on ANZNBL and its businesses and operations.

Basel Capital Accord

A framework has been developed by the Basel Committee on Banking Supervision following the proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, with an emphasis on market discipline and sensitivity to risk. A comprehensive version of the text of the framework was published in June 2006 titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (the **Framework**), to be implemented in stages. Given that the Framework is not self-implementing, implementation dates in participating countries are dependant on the relevant national implementation process in those countries.

In December 2010, the Basel Committee issued documents outlining a revised framework for bank capital and liquidity regulations, which is intended to address lessons learned from the global financial crisis that began in 2007.

As and when implemented, the Framework (and any relevant changes) may affect the risk-weighting of the Covered Bonds for investors who are subject to capital adequacy requirements that follow the Framework. Investors should consult their own advisers as to the consequences to, and effect on, them of the application of the Framework and any relevant implementing measures. Proposals and guidelines for implementing the Framework in certain participating jurisdictions are still in development and no predictions can be made as to the precise effects of these or of any changes to the Framework on any investor or otherwise.

Restrictions On Transfer

The Covered Bonds, the Guarantee and the Covered Bond Guarantee have not been and will not be registered under the 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 Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the 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 Selling Restrictions*" below.

The Global Covered Bonds will be held by or on behalf of Euroclear and/or Clearstream, Luxembourg and/or an Alternative Clearing System, investors will have to rely on their procedures for transfer, payment and communication with the Relevant Issuer and/or the Guarantor

Covered Bonds issued under the Programme may be represented by one or more Global Covered Bonds. Such Global Covered Bonds will be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg and/or a clearing system other than Euroclear and/or Clearstream, Luxembourg (an **Alternative Clearing System**). Apart from the circumstances described in the relevant Global Covered Bond, investors will not be entitled to Covered Bonds in definitive form. Euroclear and/or Clearstream, Luxembourg and/or any relevant Alternative Clearing System will maintain records of the beneficial interests in the Global Covered Bonds. While the Covered Bonds are represented by one or more Global Covered Bonds, investors will be able to trade their beneficial interests only through Euroclear and/or Clearstream, Luxembourg and/or any relevant Alternative Clearing System.

While the Covered Bonds are represented by one or more Global Covered Bonds, the Relevant Issuer and the Guarantor will discharge their payment obligations under the Covered Bonds by making payments to the common depositary for Euroclear and/or Clearstream, Luxembourg and/or any relevant Alternative Clearing System for distribution to their relevant account holders. A holder of a beneficial interest in a Global Covered Bond must rely on the procedures of Euroclear and/or Clearstream, Luxembourg and/or any relevant Alternative Clearing System to receive payments under the relevant Covered Bonds. The Issuers and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds.

Holders of beneficial interests in the Global Covered Bonds will not have a direct right to vote in respect of the relevant Covered Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and/or Clearstream, Luxembourg and/or any relevant Alternative Clearing System to appoint appropriate proxies.

EU Savings Directive and other Withholding Tax Obligations

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**) (see "*Taxation - Savings Directive*"), 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 other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment in respect of a Covered Bond were to be made by or collected through a person in a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, the Guarantor, the Covered Bond Guarantor nor any Paying Agent nor any other person by or through whom a payment in respect of the Covered Bond is made or received would be obliged to pay additional amounts with respect to such Covered Bond as a result of the imposition of such withholding tax (see Condition 7 (*Taxation*)). The Relevant Issuer and, if applicable, the Covered Bond Guarantor will be required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive (see Condition 10(d) (*Principal Paying Agent, Paying Agents and Registrar*)).

There may be other occasions in other jurisdictions in which an amount of, or in respect of, tax is required to be withheld from a payment in respect of any Covered Bond and in respect of which neither the Issuer, the Guarantor, the Covered Bond Guarantor, any Paying Agent nor any other person would be obliged to pay additional amounts with respect to such Covered Bond as set out in Condition 7 (*Taxation*) of the Covered Bonds (see "*Terms and Conditions of the Covered Bonds*").

Differences in timings of obligations of the Covered Bond Guarantor and the Covered Bond Swap Provider under the Covered Bond Swaps

The Covered Bond Guarantor will, following service of a Notice to Pay on the Covered Bond Guarantor, pay or provide for payment of an amount to each corresponding Covered Bond Swap Provider on a monthly basis. The Covered Bond Swap Provider may not be obliged to make corresponding swap payments to the Covered Bond Guarantor under a Covered Bond Swap until amounts are Due for Payment under the Covered Bond Guarantee. If a Covered Bond Swap Provider does not meet its payment obligations to the Covered Bond Guarantor under the Covered Bond Swap Agreement or such Covered Bond Swap Provider does not make a termination payment that has become due from it to the Covered Bond Guarantor under the Covered Bond Swap Agreement, 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 the Covered Bond Guarantor's payment obligations under the Covered Bond Swap. Hence, the difference in timing between the obligations of the Covered Bond Guarantor and the obligations of the Covered Bond Swap Providers under the Covered Bond Swaps may affect the Covered Bond Guarantor's ability to make payments, following service of a Notice to Pay on the Covered Bond Guarantor, under the Covered Bond Guarantee with respect to the Covered Bonds.

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 a principal amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in its 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 an additional principal amount of Covered Bonds such that its holding amounts to the minimum 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.

Exchange rate risks and exchange controls

The Issuers and the Guarantor (in the case of Covered Bonds issued by ANZNIL), as the case may be, 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 (the **Investor's Currency**) other than the Specified 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 or the Specified 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.

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

The structure of the issue of the Covered Bonds and the credit ratings which are to be assigned to them are based on New Zealand 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 New Zealand tax law and the published practice of the New Zealand Inland Revenue Department in force or applied in New Zealand as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to New Zealand law, regulatory, accounting or administrative practice in New Zealand or to New Zealand tax law, or the interpretation or administration thereof, or to the published practice of the New Zealand Inland Revenue as applied in New Zealand 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 Issuers and/or the Guarantor to make payments under the Covered Bonds when due or the ability of the Covered Bond Guarantor to make payments under the Covered Bond Guarantee when due.

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 and Registered Covered Bonds will be issued outside the United States to non-U.S. persons in reliance on Regulation S.

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:

- (a) if the Bearer Global Covered Bonds (as defined below) are issued in new global covered bond (**NGCB**) form, as stated in the applicable Final Terms, be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Covered Bonds are not issued in NGCB form, be delivered on or prior to the issue date of the relevant Tranche to a common depository (the **Common Depository**) for Euroclear and 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 if the Temporary Global Covered Bond is not issued in NGCB form) 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) upon a request as described therein either for (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) Bearer Definitive Covered Bonds of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Bearer Definitive Covered Bonds, to such notice period as is specified in the applicable Final Terms), in each case against certification of non-U.S. beneficial ownership as described above unless such certification has already been given. 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 (if the Permanent Global Covered Bond is not issued in NGCB form) 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 14 (*Notices*) 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 shall 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 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 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 **Registered Global Covered Bond**). Prior to expiry of the Distribution Compliance Period applicable to each Tranche of Covered Bonds, beneficial interests in a Registered 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 (*Form, Denomination and Title*) and may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Registered Global Covered Bond will bear a legend regarding such restrictions on transfer (see "*Subscription and Sale and Selling Restrictions*").

Registered Global Covered Bonds will be deposited with the Common Depositary or Common Safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and registered in the name of a common nominee of, Euroclear and Clearstream, Luxembourg, or in the name of a nominee of the Common Safekeeper. 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.

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 Issuers, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, any Paying Agent or the Registrar 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 6(d) (*Payments in respect of Bearer Global Covered Bonds*)) 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. The Issuer will promptly give notice to Covered Bondholders of each Series of Registered Global Covered Bonds in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear, Clearstream, Luxembourg (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. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

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 Euroclear, Clearstream, Luxembourg, in each case to the extent applicable. 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 Selling Restrictions*").

General

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, 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 Relevant Issuer, the Principal Paying Agent and the Bond Trustee.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuers, the Guarantor or the Covered Bond Guarantor unless the Bond Trustee or, as the case may be, the Security Trustee, having become so bound to proceed, fails so to do within a reasonable period and the failure shall be continuing.

FORM OF FINAL TERMS

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]

[ANZ National Bank Limited/ANZ National (Int'l) Limited]

**Issue of [Aggregate Principal Amount of Tranche] [Title of Covered Bonds]
[unconditionally guaranteed by ANZ National Bank Limited and]
irrevocably and unconditionally guaranteed as to payment of principal and interest by
ANZNZ Covered Bond Trust Limited under the
€5,000,000,000 Covered Bond Programme**

The Prospectus referred to below (as completed by this Final Terms) has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Covered Bonds. Accordingly any person making or intending to make an offer in that Relevant Member State of the Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer[, the Guarantor] 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, in each case, in relation to such offer. Neither the Issuer[, the Guarantor] nor any Dealer has authorised, nor do they authorise, the making of any offer of Covered Bonds in any other circumstances.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] 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 [as so supplemented]. Full information on the Issuer[, the Guarantor] and the Covered Bond Guarantor and the offer of the Covered Bonds is only available on the basis of the combination of this Final Terms and the Prospectus. Copies of the Prospectus [and the supplemental Prospectus] are available free of charge to the public at [●] and from the specified office of the Principal Paying Agent.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs.]

[When completing any final terms or 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.]

[If the Covered Bonds have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1. (a) Issuer: [ANZ National Bank Limited/ANZ National (Int'l) Limited]
- (b) Guarantors: [ANZ National Bank Limited *[Note: only where the Issuer is ANZ National (Int'l) Limited]* and ANZNZ Covered Bond Trust Limited]
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 Principal Amount of Covered Bonds:
- (a) Series: [●]
- (b) Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6. Denominations: [●]
 (in the case of Registered Covered Bonds, this means the minimum integral amount in which transfers can be made) *[(N.B. Where Bearer Covered Bonds with 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 a regulated market within the 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)
[NTD: to include the following if any issue proceeds will be received by a London Branch of an Issuer]
(If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Relevant Issuer, acting through its London branch or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Relevant Issuer, acting through its London branch, then (i) the Covered Bonds must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors", or (ii) another applicable exemption from section 19 of the FSMA must be available)
7. (a) Issue Date: [●]
- (b) Interest Commencement Date: [●][specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Covered Bonds, for example Zero Coupon Covered Bonds.)
8. (a) Final Maturity Date: *[Fixed rate – specify date/ Floating rate – Interest Payment Date falling in or nearest to [specify month and*

year]]

[NTD: to include the following if any issue proceeds will be received by a London Branch of an Issuer]

(If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Relevant Issuer, acting through its London branch or (b) the activity of issuing the Covered Bonds is carried on from an establishment maintained by the Relevant Issuer, acting through its London branch, then (i) the Covered Bonds must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors", or (ii) another applicable exemption from section 19 of the FSMA must be available)

- (b) Extended Due for Payment Date of Guaranteed Amounts corresponding to the Final Redemption Amount under the Covered Bond Guarantee: [Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month and year, in each case falling one year at least after the Maturity Date]] / [Not Applicable]
- (N.B. Zero Coupon Covered Bonds are not to be issued with an Extended Due for Payment Date unless otherwise agreed with the Dealers and the Bond Trustee)*
9. Interest Basis: [[●] per cent. Fixed Rate]
[[Specify reference rate] [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[Credit Linked Interest]
[Equity Linked Interest]
[specify other](further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Partly-Paid]
[Instalment]
[Hard Bullet Covered Bond]
[specify other]
[N.B. 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. This pro-forma has been annotated to indicate where the key additional requirements of Annex XII are dealt with.]
11. Change of Interest Basis or Redemption/Payment Basis: [Coupon Switch Option applicable in accordance with paragraph 21 below]/[Specify details of any other provision for convertibility of Covered Bonds into another Interest Basis or Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Covered Bonds: Senior

- (b) Status of the Guarantees: Senior
- (c) [Date of [Board] approval for issuance of Covered Bonds and Guarantees obtained: [●] [and [●], respectively]]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Covered Bonds or related Guarantees)

14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Covered Bond provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

(a) Rate of Interest: [●] per cent. per annum [payable [annually/ semi annually/quarterly/monthly/other (*specify*)] in arrear]

(N.B. If an Extended Due for Payment Date is specified, interest following the Maturity Date will continue to accrue and be payable on any unpaid amount at a Rate of Interest determined in accordance with Condition 4)

(b) Interest Payment Date(s): [[●] in each year up to and including the Maturity Date or the Extended Due for Payment Date, if applicable]/[specify other]

(N.B. After an Extension Determination Date, the Interest Payment Dates may be monthly. See Paragraph [12] above).

(c) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention /[specify other, unless no adjustment is required in which case specify "No Adjustment". If nothing is specified there will be no adjustment. Care should be taken to match the Maturity Date (as well as other key dates) of the Covered Bonds with any underlying swap transaction. Since Maturity Dates do not automatically move with business day conventions under ISDA, it may be necessary to specify "No Adjustment" in relation to the Maturity Date of the Covered Bonds to disapply the applicable Business Day Convention.]]

(d) Additional Business Centre(s): [●]
(only relevant where a Business Day Convention is specified)

(e) Fixed Coupon Amount(s): [●] per [●] in specified denomination

(f) Broken Amount(s): [●]
(Insert particulars where the initial or final broken interest amounts do not correspond with the Fixed Coupon Amount[s])

(g) Day Count Fraction: [Actual/365]
 [Actual/365 (Fixed)]
 [30/360]

- [Actual/Actual (ICMA)] *(N.B. If interest is not payable on a regular basis (for example, if Broken Amounts are specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)*
 [Actual/360]
 [30E/360]
 [30E/360 (ISDA)]
 [specify other]
(See Condition 4 for alternatives)
 [adjusted/not adjusted]
- (h) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds: [Not Applicable/Give details]
16. Floating Rate Covered Bond provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s): [●] *(N.B. only applicable if the Specified Period does not correspond with the Interest Payment Date)*
- (b) Interest Payment Dates: [●], subject to adjustment in accordance with the Business Day Convention specified in paragraph 17(d)
(N.B. After an Extension Determination Date, the Interest Payment Dates may be monthly. See Paragraph [12] above).
- (c) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/
 [specify other, unless no adjustment is required in which case specify "No Adjustment". If nothing is specified there will be no adjustment. Care should be taken to match the Maturity Date (as well as other key dates) of the Covered Bonds with any underlying swap transaction. Since Maturity Dates do not automatically move with business day conventions under ISDA, it may be necessary to specify "No Adjustment" in relation to the Maturity Date of the Covered Bonds to disapply the applicable Business Day Convention.]]
- (d) Additional Business Centre(s): [●]
- (e) Manner in which the Rate of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (f) Party responsible for calculating the Rate of Interest and Interest Amount (if not the [Principal Paying Agent/Calculation Agent]): [●]
- (g) Screen Rate Determination:
 (A) Reference Rate: [●] *(Either LIBOR, EURIBOR or other. If other, provide additional information, including amendment to fallback provisions in the Principal Agency Agreement)*

- (B) 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 and the second day on which TARGET2 is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR*)
- N.B. Specify the Interest Determination Date(s) up to and including the Extended Due for Payment Date, if applicable*
- (C) Relevant Screen Page: [●]
- (In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (D) Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
- Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (h) ISDA Determination:
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (i) Margin(s): [+/-] [●]% per annum
- (j) Minimum Rate of Interest: [●]% per annum
- (k) Maximum Rate of Interest: [●]% per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 4 for alternatives)
[adjusted/not adjusted]
- (m) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Terms and Conditions: [●]
- (n) Accrual Feature: [Not Applicable/[●]]
- (o) Broken Amounts: *(Give details)*
17. Zero Coupon Covered Bond provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs)

- of this paragraph)*
- (a) Accrual Yield: [●]% per annum
- (b) Reference Price: [●]
- (c) Any other formula/basis of determining amount payable: [●]
(Consider applicable Day Count Fraction if not U.S. dollar denominated)
- (d) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention *[specify other]*]
- (e) Additional Business Centre(s): [●]
- (f) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Condition 4(c) applies */specify other*]
18. Variable Interest Covered Bond provisions: [Applicable/Not Applicable]
(other than Dual Currency Interest Covered Bonds):
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Index/Formula/other variable: *[give or annex details]*
- (b) Calculation Agent responsible for calculating the interest due: [●]
- (c) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [●]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [●] *(Include a description of market disruption or settlement disruption events and adjustment provisions)*
- (e) Specified Period(s) [●]
- (f) Specified Interest Payment Dates: [●]
- (g) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (h) Additional Business Centre(s): [●]
- (i) Minimum Rate of Interest: [●]% per annum
- (j) Maximum Rate of Interest: [●]% per annum
- (k) Day Count Fraction: [Actual/365]
[Actual/365 (Fixed)]
[30/360]
[Actual/Actual (ICMA)] *(N.B. If interest is not payable on a regular basis (for example, if Broken Amounts are*

specified) Actual/Actual (ICMA) may not be a suitable Day Count Fraction)

[Actual/360]

[30E/360]

[30E/360 (ISDA)]

[*specify other*]

(See Condition 4 for alternatives)

[adjusted/not adjusted]

19. Dual Currency Interest Covered Bond provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [Give or annex details]
- (b) Calculation Agent, if any, responsible for calculating the interest payable: [●]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[Include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d)^{A13.4.9} Person at whose option Specified Currency(ies) is/are payable: [●]
- (e) Additional terms and conditions: [●]
- (f) Additional Business Centre(s): [●]
20. Coupon Switch Option: [Applicable/Not Applicable]
- Coupon Switch Option Date: [●]

PROVISIONS RELATING TO REDEMPTION

21. Redemption at the option of the Issuer (Call): [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s) (Call): [●]
- (N.B. Optional Redemption Dates must be Interest Payment Dates unless otherwise agreed with the Dealers and the Bond Trustee)*
- (b) Series redeemable in part: [Yes/No]
- (c) Optional Redemption Amount of each Covered Bond (Call) and method, if any, of calculation of such amount(s): *(specify, otherwise redemption will only be permitted of whole Series) [●] per Covered Bond of [●] specified denomination*
- (Specify if not the outstanding principal amount or, in the case of any Zero Coupon Covered Bonds, if other than the sum of the amount provided in Condition 4(c))*
- (d) Notice period (if other than as set out in the Terms and Conditions): [●]

(N.B. If setting notice periods which are different to those provided in the Terms and 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 Principal Paying Agent or Bond Trustee)

22. Partial redemption (Call): [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
23. (a) Minimum Redemption Amount: [●] per [●] specified denomination
(b) Maximum Redemption Amount: [●] per [●] specified denomination
(c) Notice Period: [●]
(N.B. If setting notice periods which are different to those provided in the terms and conditions, issuers are 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 its paying agent or any trustee)
24. Redemption at the option of the Covered Bondholders (Put): [Applicable/Not Applicable]
(If not applicable, delete the remaining sub paragraphs of this paragraph)
- (a) Optional Redemption Date(s): [●]
(b) Optional Redemption Amount(s) of each Covered Bond and method, if any, of calculation of such amount(s): [●] per Covered Bond of [●] specified denomination
(Specify if not the outstanding principal amount or, in the case of any Zero Coupon Covered Bonds, if other than the sum of the amount provided in Condition 4(c))
(c) Notice Period: [●]
(N.B. If setting notice periods which are different to those provided in the terms and conditions, issuers are 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 its paying agent or any trustee)
25. Final Redemption Amount of each Covered Bond: [[●] per [●] specified denomination/specify other/see Appendix]
[N.B. If the Final Redemption Amount is other than 100% 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. This proforma has been annotated to indicate where the key additional requirements of Annex XII are dealt with]

In cases where the Final Redemption

Amount is Index Linked:

- (a) Index: [give or annex details]
- (b) Party responsible for calculating the Final Redemption Amount (if not the Principal Paying Agent): [●]
- (c) Provisions for determining Final Redemption Amount where calculated by reference to Index: [●]
- (d) Determination Date(s): [●]
- (e) Provisions for determining Final Redemption Amount where calculation by reference to Index is impossible or impracticable or otherwise disrupted: [●]
- (f) Minimum Final Redemption Amount: [●]
- (g) Maximum Final Redemption Amount: [●]

26. Early Redemption for Tax reasons:

- (a) Early Redemption Amount (Tax) of each Covered Bond: [●] per [●] specified denomination
(Specify if not the outstanding principal amount or, in the case of any Zero Coupon Covered Bonds, if other than the amount provided in Condition 5(k))
- (b) Date after which changes in law, etc. entitle Issuer to redeem: [Specify, if not the Issue Date]

GENERAL PROVISIONS APPLICABLE TO THE COVERED BONDS

- 27. (a) Form of Covered Bonds: [Bearer Covered Bonds:
[Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Bearer Definitive Covered Bonds [on 60 days' notice given at any time/only upon an Exchange Event]]
[Temporary Global Covered Bond exchangeable for Bearer Definitive Covered Bonds]
[Permanent Global Covered Bond exchangeable for Bearer Definitive Covered Bonds [on 60 days' notice given at any time/only after an Exchange Event]]
(N.B. The exchange upon notice 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]"
[Registered Covered Bonds:
Registered Global Covered Bond registered in the name of [a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]
- (b) Talons for future Coupons to be [Yes/No]

- attached to Definitive Covered Bonds: *(If yes, give details)*
(Where there are more than 28 Coupons, Talons will be attached)
- (c) Receipts to be attached to Instalment Covered Bonds which are Definitive Covered Bonds: [Yes/No]
(If yes, give details)
- (d) Definitive Covered Bonds to be in ICMA or successor's format: [Yes/No]
(If nothing is specified, Definitive Covered Bonds will be security printed and in ICMA or successor's format)
28. [New Global Covered Bond: [Yes/No]]
29. Additional Financial Centre(s) or other special provisions relating to Payment Days: [Not applicable / give details]
(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 14(d), 15(d), 16(e), 17(h) and 18(f) apply)
30. 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 Global Covered Bond and/or Permanent Global Covered Bond may be required for Partly-Paid issues*]
31. Details relating to Instalment Covered Bonds:
- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
32. Notices: *(Specify if Condition 14 applies or any other means of effective communication)*
33. Other terms or special conditions: [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: [Not Applicable/give names]
(If the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names 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 the Managers)

(b) Date of Subscription Agreement: [●]

(The above is only relevant if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)

(c) Stabilising Manager (if any): [Not Applicable/give name]

35. If non-syndicated, name and address of Dealer: [Not Applicable/give name]

36. U.S. Selling Restrictions: [Reg. S Compliance Category. TEFRA D applicable/TEFRA C applicable/TEFRA not applicable]

37. Non-exempt Offer: Not Applicable

38. Additional selling restrictions: [Not Applicable/give details]

39. Additional U.S. Federal Tax Considerations: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

This Final Terms comprises the final terms required for issue and admission to trading on [*the London Stock Exchange's regulated market/specify other relevant regulated market*] of the Covered Bonds described herein pursuant to the €5,000,000,000 Covered Bond Programme of ANZ National Bank Limited, ANZ National (Int'l) Limited and ANZ NZ Covered Bond Trust Limited.

RESPONSIBILITY

The Issuer[, the Guarantor] and the Covered Bond Guarantor accepts responsibility for the information contained in this Final Terms. [[*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an Index or its components*] has been extracted from [*specify source*]. The Issuer[, the Guarantor] and the Covered Bond Guarantor 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:

[Application has been made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market (for example the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)*] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Covered Bonds to be admitted to trading on [*specify relevant regulated market, for example the Bourse de Luxembourg, the London Stock Exchange's Regulated Market or the Regulated Market of the Irish Stock Exchange) and, if relevant, admission to an official list (for example, the Official List of the UK Listing Authority)*]] with effect from [●]] [Not Applicable]

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

2. RATINGS:

Ratings:

The Covered Bonds to be issued have been rated:

[Fitch Australia Pty Ltd / *insert legal name of relevant CRA(s)*: [●]]

[Moody's Investors Service Pty Ltd / *insert legal names of relevant CRA(s)*: [●]]

[[Other (*insert legal names of relevant CRA(s)*): [●]]

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

N.B. Consult the relevant Rating Agencies in relation to Covered Bonds which may have a Final Redemption Amount of less than 100% of the nominal value.

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[*Insert the legal name of the relevant CRA entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]

[[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.]

[[Fitch Australia Pty Ltd], [Moody's Investors Service Pty Ltd] and [Name of the relevant non-EU CRA affiliate] [is/are] not established in the European Union and [has/have] not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of [insert the legal name of the relevant EU CRA entity that applied for registration / Fitch Ratings Limited / Moody's Investors Service Limited] which [is/are] established in the European Union, disclosed the intention to endorse credit ratings of [insert the legal name of the relevant non-EU CRA entity / Fitch Australia Pty Ltd / Moody's Investors Service Pty Ltd]].

[[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. 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 Regulation (EC) No. 1060/2009. [Insert the legal name of the relevant EU CRA entity] is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[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, but it is certified in accordance with such Regulation.]

3. COVERED BOND SWAP:

- (i) Covered Bond Swap Provider [Include name, address and additional corporate description of Covered Bond Swap Provider]
- (ii) Nature of Covered Bond Swap: [Forward Starting/Non-Forward Starting]

4. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE:

[Save as discussed in *Subscription and Sale and Selling Restrictions*, so far as the Issuer[, the Guarantor] and the Covered Bond Guarantor are aware, no person involved in the offer 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.]

5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES:

- (i) [Reasons for the offer:] [●]
- (ii) [Estimated net proceeds:] [●]

(iii) [Estimated total expenses:] [●]

(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.)

6. YIELD: (FIXED RATE COVERED BONDS ONLY)

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING: (INDEX LINKED OR OTHER VARIABLE/LINKED COVERED BONDS ONLY)

[Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index, include the name of the index and if the index is composed by the Relevant Issuer, include a description of the index. If the index is not composed by the Relevant Issuer, include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[When completing this paragraph, 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.]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

(N.B. This paragraph 7 applies only if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

8. PERFORMANCE OF RATE[S] OF EXCHANGE: (DUAL CURRENCY INTEREST COVERED BONDS ONLY)

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

[When completing this paragraph, 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.]

(N.B. This paragraph 8 only applies if the Covered Bonds are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

9. TRADEABLE AMOUNTS

So long as the Covered Bonds are represented by a Global Covered Bond and [specify clearing system(s)] so permit, the Global Covered Bond shall be tradeable in minimum principal amounts of [€100,000]/[specified equivalent to €100,000 if Global Covered Bond not denominated in euro] and integral multiples of [[€1,000] in addition thereto up to and including [€199,000].

Further, 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 Bearer Definitive Covered Bonds.

[If item [28] of Part A of these Final Terms indicates that the Global Covered Bond is exchangeable for definitive Covered Bonds at the option of the Covered Bondholders, the Covered Bonds will be tradeable only in principal amounts of at least the Specified Denomination.]

10. OPERATIONAL INFORMATION:

(a) ISIN Code: [●]

(b) Common Code: [●]

[(c) Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

[(d) Delivery: Delivery [against/free of] payment

[(e) Name and address of initial Paying Agent(s): [●]

[(f) Names and addresses of additional Paying Agent(s) (if any): [●]

Signed on behalf of [ANZNBL/ANZNIL]: [Signed on behalf of the Guarantor:

By: *Duly authorised* By: *Duly authorised*

Signed on behalf of the Covered Bond Guarantor:

By: *Duly authorised*

TERMS AND CONDITIONS OF THE COVERED BONDS

The following are the Terms and Conditions of the Covered Bonds which will be incorporated by reference into each 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 Terms and Conditions. The applicable Final Terms in relation to any Tranche of Covered Bonds may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Covered Bonds. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Covered Bond and Definitive Covered Bond.

This Covered Bond is one of a Series (as defined below) of Covered Bonds issued by ANZ National (Int'l) Limited (**ANZNIL**), whether acting through its head office or a branch, as specified in the relevant Final Terms (an **Issuer**) and guaranteed by ANZ National Bank Limited (the **Guarantor**) or ANZ National Bank Limited (**ANZNBL** and together with ANZNIL, the **Issuers**) 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 11 February 2011 (the **Programme Date**) made between the Issuers, the Guarantor, ANZNZ Covered Bond Trust Limited as covered bond guarantor (the **Covered Bond Guarantor**) and Deutsche Trustee Company Limited as bond trustee (in such capacity, the **Bond Trustee**, which expression shall include any successor as Bond Trustee).

Save as provided for in Conditions 9 (*Events of Default and Enforcement*) and 11 (*Meetings of Covered Bondholders, Modification, Waiver, Substitution and Legislative Exchange*), references herein to the **Covered Bonds** shall be references to the Covered Bonds of this Series and shall mean:

- (i) in relation to any Covered Bonds represented by a global covered bond in bearer form (a **Bearer Global Covered Bond**) or a global covered bond in registered form (a **Registered Global Covered Bond**), each of them a **Global Covered Bond**, units of the lowest Specified Denomination in the Specified Currency;
- (ii) any Global Covered Bond;
- (iii) any Definitive Covered Bonds in bearer form (**Bearer Definitive Covered Bonds**) issued in exchange for a Bearer Global Covered Bond; and
- (iv) any Definitive Covered Bonds in registered form (**Registered Definitive Covered Bonds**) (whether or not issued in exchange for a Registered Global Covered Bond).

The Covered Bonds, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of a principal agency agreement (such principal 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 Issuers, the Covered Bond Guarantor, the Guarantor, the Bond Trustee and Deutsche Bank AG, London Branch as principal paying agent and agent bank (in such capacity, the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and Deutsche Bank Luxembourg S.A. as registrar (in such capacity, the **Registrar**, which expression shall include any successor registrar and together with the Paying Agents, the **Agents**, which expression shall include any additional or successor agents).

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

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 shall, 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) and Global Covered Bonds do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Covered Bond (or the relevant provisions thereof) are attached to or endorsed on this Covered Bond and supplement these terms and conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Covered Bond. References to the "applicable Final Terms" are to the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Covered Bond.

The Bond Trustee acts as trustee for the holders for the time being of the Covered Bonds (the **Covered Bondholders**, which expression shall, 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 shall, 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 Guarantor has (in respect of Covered Bonds issued by ANZNIL), in the Bond Trust Deed, unconditionally guaranteed the due and punctual payment of all amounts (including default interest) due from ANZNIL under or in respect of such Covered Bonds and the Bond Trust Deed, as and when the same shall become due and payable.

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 shall 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 Relevant Issuer and the Guarantor or the occurrence of 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 New Zealand law (such security as amended and/or supplemented and/or restated from time to time, the **Security Deed**) dated the Programme Date and made between the Covered Bond Guarantor, the Issuers, the Guarantor, the Bond Trustee, New Zealand Permanent Trustees Limited (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 Principal Agency Agreement (as applicable).

Copies of the Bond Trust Deed, the Security Deed, the Definitions Schedule (as defined below), the Principal Agency Agreement and each of the other Programme Documents are available for inspection free of charge during normal business hours at the registered office for the time being of the Bond Trustee being at the Programme Date at Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom and at the specified office of the Principal Paying 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 Principal Paying Agent and any Covered Bondholder must produce evidence satisfactory to the Issuer and the Bond Trustee or, as the case may be, the relevant Paying 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, the Principal Agency Agreement, 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 shall bear the meanings given to them in the Bond Trust Deed, the applicable Final Terms and/or the ANZNZ covered bond trust definitions schedule made between the parties to the Programme Documents on the Programme Date (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 and vice versa.

This Covered Bond may be a Fixed Rate Covered Bond, a Floating Rate Covered Bond, a Zero Coupon Covered Bond, an Index Linked Interest 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 an Index Linked Redemption Covered Bond, an Instalment Covered Bond, 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, unless they are not Instalment Covered Bonds in which case references to Receipts and Receiptholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Covered Bonds, Receipts and Coupons will pass by delivery and title to the Registered Covered Bonds will pass upon registration of transfers in accordance with the provisions of the Principal Agency Agreement. The Issuers, the Guarantor, the Covered Bond Guarantor, the Paying Agents, the Security Trustee and the Bond Trustee will (except as otherwise required by law) deem and treat the bearer of any Bearer Covered Bond, Receipt or Coupon and the registered holder of any Registered Covered Bond as the absolute owner thereof (whether or not 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 depositary (in the case of a CGCB) or common safekeeper (in the case of a NGCB) for Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Covered Bonds standing to the account of any person shall 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, without limitation, 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) shall be treated by the Issuer, the Guarantor, (in the case of Covered Bonds issued by ANZNIL) the Covered Bond Guarantor, the Paying Agents, the Security Trustee 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, for which purpose the bearer of the relevant Global Covered Bond or the registered holder of the relevant Registered Global Covered Bond shall be treated by the Issuer, the Guarantor, the Covered Bond Guarantor, any Paying Agent, the Security Trustee 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 shall 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 Euroclear and Clearstream, Luxembourg.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits (but not in the case of any NGCB), 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 Guarantor (in the case of Covered Bonds issued by ANZNIL), the Principal Paying Agent and the Bond Trustee.

2. Transfers of Registered Covered Bonds

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

Transfers of beneficial interests in Registered Global Covered Bonds will be effected by Euroclear or Clearstream, Luxembourg 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 Euroclear or Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Principal Agency Agreement.

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

Subject as provided in Condition 2(e) 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 Registrar, 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 Registrar; and (ii) the Registrar must, after due and careful enquiry, 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 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 Registrar 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 Registrar 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) **Registration of transfer upon partial redemption**

In the event of a partial redemption of Covered Bonds under Condition 5 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Covered Bond, or part of a Registered Covered Bond, called for partial redemption.

(d) **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 may require the payment of a sum sufficient to cover any stamp duty, Tax or other governmental charge that may be imposed in relation to the registration.

(e) **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.

(f) **Definitions**

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

CGCB means a Temporary Bearer Global Covered Bond or a Permanent Bearer Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is not a NGCB;

Distribution Compliance Period means the period that ends 40 days after the later of the commencement of the offering and the Issue Date;

NGCB means a Temporary Bearer Global Covered Bond or a Permanent Bearer Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond;

Regulation S means Regulation S under the Securities Act;

Registered Global Covered Bond means a registered global covered bond representing Covered Bonds sold outside the United States in reliance on Regulation S;

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

3. Status of the Covered Bonds, the Guarantee 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) from time to time outstanding.

(b) **Status of the Guarantee**

The due and punctual payment of principal and interest in respect of the Covered Bonds issued by ANZNIL and all other monies (including default interest) payable by ANZNIL under or pursuant to the Bond Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor pursuant to a guarantee (the **Guarantee**) as set out in the Bond Trust Deed. The obligations of the Guarantor under the Guarantee constitute its direct, unconditional, unsubordinated and unsecured obligations and rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Guarantor, other than any obligations preferred by mandatory provisions of applicable law.

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

The payment of Guaranteed Amounts in respect of the Covered Bonds when the same shall 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 shall have no obligation under the Covered Bond Guarantee to pay any Guaranteed Amounts until the occurrence of an Issuer Event of Default, service by the Bond Trustee on the Issuer and the 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 of a Covered Bond Guarantee Acceleration Notice. The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee are (following an Issuer Event of Default, service of an Issuer Acceleration Notice and service of a Notice to Pay or a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice), direct, unconditional (subject as provided in Condition 16 (*Limited Recourse and non-petition*)) and unsubordinated obligations of the Covered Bond Guarantor, which are secured as provided in the Security Deed.

Any payment made by the Covered Bond Guarantor under the Covered Bond Guarantee shall (unless such obligation shall have been discharged as a result of the payment of Excess Proceeds to the Bond Trustee pursuant to Condition 9 (*Events of Default and Enforcement*)) discharge *pro tanto* the obligations of the Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) in respect of such payment under the Covered Bonds, Receipts and Coupons and the Guarantee 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 and other Calculations

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

- (i) Each Covered Bond where the Interest Basis in the applicable Final Terms is specified to be a Fixed Rate (a **Fixed Rate Covered Bond**) bears interest on its Principal Amount Outstanding from, and including, the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the applicable Final Terms as specified Interest Payment Dates or, if no Interest Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the specified Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) If a Fixed Coupon Amount or a Broken Amount is specified in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the applicable Final Terms.
- (iii) *Calculation of Interest Amount:* The Interest Amount payable in respect of each Covered Bond for any period for which a Fixed Coupon Amount or Broken Amount is not specified in the applicable Final Terms shall be calculated by applying the Rate of Interest to the Calculation Amount for such Covered Bond, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest unit of the Specified Currency (with halves being rounded up), save in the case of Yen, which shall be rounded down to the nearest Yen, and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Covered Bond divided by the Calculation Amount. For this purpose, a "unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means 0.01 euro, as the case may be.
- (iv) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on

a day that is not a Business Day, then that date will be adjusted in accordance with the Business Day Convention specified in the applicable Final Terms.

(b) Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds

- (i) *Interest Payment Dates:* Each Covered Bond where the Interest Basis in the applicable Final Terms is specified to be Floating Rate (a **Floating Rate Covered Bond**) and each Covered Bond where the Interest Basis in the applicable Final Terms is specified to be Index Linked (an **Index Linked Interest Covered Bond**) bears interest on its outstanding Principal Amount Outstanding from, and including, the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown in the applicable Final Terms as specified Interest Payment Dates or, if no Interest Payment Date(s) is/are specified in the applicable Final Terms, Interest Payment Date shall mean each date which falls the number of months or other period shown in the applicable Final Terms as the specified Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then that date will be adjusted in accordance with the Business Day Convention specified in the applicable Final Terms.
- (iii) *Rate of Interest for Floating Rate Covered Bonds:* The Rate of Interest in respect of Floating Rate Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in the applicable Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply (as amended by the applicable Final Terms), depending upon which is specified in the applicable Final Terms.

(A) ISDA Determination for Floating Rate Covered Bonds

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Principal Paying Agent as a rate equal to the relevant ISDA Rate. For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the applicable Final Terms;
- (y) the Designated Maturity is a period specified in the applicable Final Terms; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**", and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate/Reference Bank Determination for Floating Rate Covered Bonds

- (x) If 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 Accrual Period shall be (as determined by the Principal Paying Agent), either:

- (I) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(II) the arithmetic mean of the offered quotations,

for the Reference Rate in each case appearing on the Relevant Screen Page at the Relevant Time on the Interest Determination Date;

- (y) if sub-paragraph (x)(I) applies and no Reference Rate appears on the Relevant Screen Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (x)(II) applies and fewer than two offered quotations appear on the Relevant Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the arithmetic mean of the offered quotations that each of the Reference Banks is quoting (or such of them, being at least two, as are so quoting) to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date for deposits of the Specified Currency for a term equal to the relevant Interest Accrual Period as determined by the Principal Paying Agent; and
- (z) if paragraph (y) above applies and the Principal Paying Agent determines that fewer than two Reference Banks are so quoting the Reference Rate, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage), which the Principal Paying Agent determines to be the nearest equivalent to the Reference Rate, in respect of deposits of the Specified Currency that at least two out of five leading banks selected by the Principal Paying Agent (after consultation with the Issuer) in the Principal Financial Centre of the country of the Specified Currency, in each case as selected by the Principal Paying Agent (after consultation with the Issuer), are quoting at or about the Relevant Time for a period commencing on the Effective Date equivalent to the relevant Interest Accrual Period to leading banks carrying on business in (i) Europe, or (ii) (if the Principal Paying Agent determines that fewer than two of such banks are so quoting to such leading banks in Europe) the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to such leading banks, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date (after readjustment for any difference between any Margin or Maximum or Minimum Rate of Interest applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Covered Bonds:* The Rate of Interest in respect of Index Linked Interest Covered Bonds for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified in the applicable Final Terms and interest will accrue by reference to the index or formula as specified in the applicable Final Terms.

(c) ***Zero Coupon Covered Bonds***

Where a Covered Bond, the Interest Basis of which is specified in the applicable Final Terms to be Zero Coupon (a **Zero Coupon Covered Bond**), is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Covered Bond, unless otherwise specified in the applicable Final Terms. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Covered Bond shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield.

(d) ***Dual Currency Covered Bonds***

In the case of Dual Currency Covered Bonds, if the rate or amount of interest is to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

(e) *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 as aforesaid on the paid-up Principal Amount Outstanding of such Covered Bonds and otherwise as specified in the applicable Final Terms.

(f) *Accrual of Interest*

Interest shall cease to accrue on each Covered Bond on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after, as well as before, judgment) at the Rate of Interest in the manner provided in this Condition 4 to the Relevant Date.

(g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*

- (i) If any Margin is specified in the applicable Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4(b) above, by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph;
- (ii) If any Maximum or Minimum Interest Rate, Instalment Amount or Redemption Amount is specified in the applicable Final Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be. Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero;
- (iii) Subject to the requirements of applicable law, for the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven decimal places (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**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, means 0.01 euro, as the case may be.

(h) *Calculations*

Unless otherwise specified in the applicable Final Terms, the amount of interest payable in respect of any Covered Bond for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding Principal Amount Outstanding of such Covered Bond by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in the applicable Final Terms in respect of such period, in which case the amount of interest payable in respect of such Covered Bond for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) *Determination and Publication of Rate of Interest, Interest Amounts, Final Redemption Amounts and Instalment Amounts*

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Principal Paying Agent or the Calculation Agent (in the case of Index Linked Interest Covered Bonds) may be required to calculate any rate or amount or Instalment Amount, obtain any quotation or make any determination or calculation, it shall determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Covered Bonds for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional

Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Bond Trustee, the Issuer, the Guarantor (if applicable), each of the Paying Agents, the Covered Bondholders in accordance with Condition 14 (*Notices*), the Registrar, any other Calculation Agent appointed in respect of the Covered Bonds that is to make a further calculation upon receipt of such information and, if the Covered Bonds are listed on a stock exchange (and/or admitted to listing, trading and/or quotation on any other listing authority, stock exchange and/or quotation system) and the rules of such listing authority, stock exchange and/or quotation system so require, such listing authority, stock exchange and/or quotation system as soon as possible after their determination but in no event later than (y) the commencement of the relevant Interest Accrual Period, if determined prior to such time in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (z) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Accrual Period is subject to adjustment pursuant to Condition 4(a)(iv) (*Interest on Fixed Rate Covered Bonds* or Condition 4(b)(ii) (*Interest on Floating Rate Covered Bonds and Index Linked Interest Covered Bonds*), the Interest Amounts and the Interest Payment Date so published 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 Accrual Period. If the Calculation Amount is less than the minimum Specified Denomination, the Principal Paying Agent (or the Calculation Agent, in respect of Index Linked Interest Covered Bonds) shall not be obligated to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Covered Bond having the minimum Specified Denomination. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Principal Paying Agent(s) or Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Calculation Agent and Reference Banks*

The Issuer and, if applicable, the Guarantor shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them in the applicable Final Terms and for so long as any Covered Bond is outstanding (as defined in the Agency Agreement). If any Reference Bank (acting through its relevant offices) is unable or unwilling to continue to act as a Reference Bank, then the Issuer or, failing which and if applicable, the Guarantor shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place.

(k) *Determination by Bond Trustee*

If the Principal Paying Agent or Calculation Agent, as the case may be, is unable or unwilling to act as such or if the Principal Paying Agent or Calculation Agent, as the case may be, fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount or Optional Redemption Amount or to comply with any other requirement, the Bond Trustee may determine (or appoint an agent to determine) the Rate of Interest or any other amount at such rate as, in its absolute discretion (having such regard as it shall think 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 shall deem 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 shall deem 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 shall be an investment bank or other suitable entity of international repute). Each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as the case may be.

(l) *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 (*Interest and other Calculations*) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor (if applicable), the Principal Paying Agent, the other Paying Agents (if any), the

Registrar and all Covered Bondholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Covered Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(m) Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Amortised Face Amount" has the meaning given in Condition 5(f)(iii) (*Early Redemption Amounts*) unless otherwise specified in the applicable Final Terms.

"Business Day" means:

- (a) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in London, Auckland and Wellington; and
- (b) in the case of:
 - (i) a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre for such Specified Currency; or
 - (ii) in the case of euro, a TARGET2 Business Day; and
- (c) in the case of one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the Additional Business Centres or, if no currency is indicated, generally in each of the Additional Business Centres,

unless otherwise specified in the relevant applicable Final Terms.

"Business Day Convention" in relation to an Interest Payment Date or other particular date, unless otherwise specified in the applicable Final Terms, has the following meaning as so specified in the applicable Final Terms:

- (a) **Floating Rate Business Day Convention** means that the relevant date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;
- (b) **Following Business Day Convention** means that the relevant date shall be postponed to the next day that is a Business Day;
- (c) **Modified Following Business Day Convention** means that the relevant date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;
- (d) **Preceding Business Day Convention** means that the relevant date shall be brought forward to the immediately preceding Business Day; or
- (e) **No adjustment** means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"Calculation Amount" has the meaning given in the applicable Final Terms.

"Day Count Fraction" means, in relation to the calculation of an amount of interest on any Covered Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Accrual Period, the **"Calculation Period"**):

- (a) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
 - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year;

where "**Regular Period**" means:

- (iii) in the case of Covered Bonds where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
 - (iv) in the case of Covered Bonds where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls; and
 - (v) (C) in the case of Covered Bonds where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.
- (b) if "**Actual/Actual (ISDA)**" or "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
 - (c) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;
 - (d) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
 - (e) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
 - (f) if "**30/360 (ICMA)**" 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;

- (g) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

where:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1) + (D_2 - D_1)]}{360}$$

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

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

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

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

"**D₁**" is the first calendar day, expressed as a number, of the Calculation 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 Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

where:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1) + (D_2 - D_1)]}{360}$$

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

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

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

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

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 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 Calculation Period, unless such number would be 31, in which case D₂ will be 30; or

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

where:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1) + (D_2 - D_1)]}{360}$$

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

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

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

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

"D₁" is the first calendar day, expressed as a number, of the Calculation 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; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30,

provided, however, that in each case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period.

"**Early Redemption Amount**" has the meaning given to it in Condition 5(f) (*Early Redemption Amounts*).

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, unless otherwise specified in the applicable Final Terms, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**EURIBOR**" means the Euro-Zone inter-bank offered rate.

"**Euro-Zone**" means the region comprised of Member States of the European Economic Area that adopt the single currency in accordance with the Treaty establishing the European Community, as amended (the "**Treaty**").

"**Extraordinary Resolution**" has the meaning given in paragraph 20 of Schedule 4 to the Trust Deed.

"**Final Redemption Amount**" means, in relation to a Covered Bond, its Principal Amount Outstanding unless otherwise specified in the applicable Final Terms.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Covered Bonds, means the Fixed Coupon Amount, Broken Amount or the amount calculated pursuant to Condition 4(a)(iii) (*Interest on Fixed Rate Covered Bonds*), as the case may be.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date, except that the final Interest Accrual Period ends on (but excludes) the Maturity Date or the date of any earlier redemption of a Covered Bond in accordance with the Conditions, or any other period specified in the applicable Final Terms.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the applicable Final Terms.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the applicable Final Terms or, if none is so specified:

- (a) if the Specified Currency is Sterling, the first day of such Interest Accrual Period;
- (b) if the Specified Currency is neither Sterling nor euro, the day falling two Business Days for the Specified Currency prior to the first day of such Interest Accrual Period; or

- (c) if the Specified Currency is euro, the day falling two TARGET2 Business Days prior to the first day of such Interest Accrual Period.

"Interest Payment Date(s)" means the date or dates specified in the applicable Final Terms and, unless otherwise specified in the applicable Final Terms, the final Interest Payment Date shall be the Maturity Date or such earlier date on which the relevant Covered Bonds are redeemed in accordance with the Conditions.

"Interest Period" means, unless otherwise specified in the applicable Final Terms, the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date, except that the final Interest Period ends on (but excludes) the Maturity Date or the date of any earlier redemption of a Covered Bond in accordance with the Conditions.

"ISDA Definitions" means, unless otherwise specified in the applicable Final Terms, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the applicable Final Terms)) or, if so specified in the applicable Final Terms, the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Covered Bonds of the relevant Series (as specified in the applicable Final Terms)) in each case as published by the International Swaps and Derivatives Association, Inc.);

"Issue Date" means the date of issue of the Covered Bonds as specified in the applicable Final Terms;

"LIBOR" means the London inter-bank offered rate;

"Principal Amount Outstanding" in respect of a Covered Bond means the outstanding principal amount of that Covered Bond.

"Principal Financial Centre" means, in relation to a Specified Currency or any other currency, the principal financial centre of the country of that Specified Currency or other currency, which in the case of euro, is the Euro-Zone and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively.

"Rate of Interest" means the rate of interest payable from time to time in respect of a Covered Bond and that is either specified or calculated in accordance with these Conditions and the provisions set out in the applicable Final Terms.

"Record Date" has the meaning given in Condition 6(d) (*Payments in respect of Bearer Global Covered Bonds*).

"Redemption Amount(s)" means the Final Redemption Amount or Early Redemption Amount, Optional Redemption Amount, Minimum Redemption Amount or Maximum Redemption Amount, as the case may be.

"Reference Banks" means the institutions specified as such in the applicable Final Terms or, if none, four major banks selected by the Principal Paying Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Reference Rate specified in the applicable Final Terms which, if the relevant Reference Rate is EURIBOR, shall be the Euro-Zone.

"Relevant Date" has the meaning given in Condition 7 (*Taxation*).

"Relevant Financial Centre" means, with respect to any Floating Rate to be determined in accordance with Screen Rate Determination on an Interest Determination Date, the financial centre specified as such in the applicable Final Terms or, if none is so specified, the Principal Financial Centre with which the relevant Reference Rate is most closely connected (which, where the Specified Currency is euro, shall be the Euro-Zone) or, if none is so connected, London.

"**Relevant Time**" with respect to any Interest Determination Date, unless otherwise specified in the applicable Final Terms, in the case of LIBOR is 11.00 a.m. London time and in the case of EURIBOR is 11.00 a.m. Brussels time.

"**Specified Currency**" means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Covered Bonds are denominated.

"**TARGET2 Business Day**" means a day on which the TARGET2 System is open.

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

5. 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 (*Events of Default and Enforcement*), if an Extended Due for Payment Date is specified as applicable in the Final Terms for a Series of Covered Bonds and the Issuer and the Guarantor have 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) (*Issuer Events of Default*)) 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 Covered Bond Guarantor has insufficient monies 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(b)(i) (*Covered Bond Guarantor Events of Default*)) 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 shall be deferred until the Extended Due for Payment Date, provided that the Covered Bond Guarantor 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 on any Interest Payment Date thereafter up to (and including) the Extended Due for Payment Date. The Issuer shall confirm to the Principal Paying Agent 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 shall not affect the validity or effectiveness of the extension.

The Covered Bond Guarantor shall notify the relevant Covered Bondholders (in accordance with Condition 14 (*Notices*)), the Rating Agencies, the Bond Trustee, the Security Trustee, the Principal Paying Agent and the Registrar (in the case of Registered Covered Bonds) 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 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 Covered Bond Guarantor to notify such parties shall not affect the validity or effectiveness of the extension nor give rise to any rights in any such party. In such circumstances, the Covered Bond Guarantor shall 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(b)(i) (*Covered Bond Guarantor Events of Default*)) and (b) the Extension Determination Date, under the Covered Bond Guarantee, apply the monies (if any) available (after paying or

providing for payment of higher ranking or *pari passu* amounts in accordance with the Guarantee Priority of Payments) *pro rata* in part payment of an amount equal to the Final Redemption Amount of each Covered Bond of the relevant Series of Covered Bonds and shall 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 shall be deferred as described above. Such failure to pay by the Covered Bond Guarantor shall not constitute a Covered Bond Guarantor Event of Default.

Any discharge of the obligations of the Issuer and the Guarantor as the result of the payment of Excess Proceeds to the Bond Trustee shall 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 5(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 Extension Determination Date.

Extension Determination Date means, in respect of a Series of Covered Bonds to which an Extended Due for Payment Date applies, 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 12.5 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 the Covered Bond is not a Floating Rate Covered Bond, an Index Linked Interest Covered Bond nor a Dual Currency Interest Covered Bond) or on any Interest Payment Date (if the Covered Bond is a Floating Rate Covered Bond, an Index Linked Interest 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 14 (*Notices*), the Covered Bondholders (which notice shall be irrevocable), if, 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 (*Taxation*) or the Guarantor would be or would become so obliged, if demand was made under the Guarantee. Covered Bonds redeemed pursuant to this Condition 5(b) will be redeemed at their Early Redemption Amount referred to in Condition 5(f) (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption. Prior to the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer or the Guarantor (as the case may be) shall deliver to the Bond Trustee a certificate signed by one person who is either a Director, a Senior Executive, an Authorised Signatory, an authorised representative, an attorney or of equivalent status of the Issuer or the Guarantor (as the case may be) 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 shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds, Receipholders and Couponholders.

(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 5 nor more than 30 days' notice to the

Bond Trustee, the Principal Paying Agent, (in the case of the redemption of Registered Covered Bonds) the Registrar and, in accordance with Condition 14 (*Notices*), the Covered Bondholders (which notice shall 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 shall 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 individually by lot, in the case of Redeemed Covered Bonds represented by Definitive Covered Bonds, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of 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), in the case of Redeemed Covered Bonds represented by a Global Covered Bond, 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 14 (*Notices*) 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 shall 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 shall, 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 shall 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 5(c) and notice to that effect shall be given by the Issuer to the Covered Bondholders in accordance with Condition 14 (*Notices*) at least 30 days prior to the Selection Date.

(d) *Redemption at the option of the Covered Bondholders*

If Put Option is specified in the applicable Final Terms, upon the holder of any Covered Bond giving the Issuer not less than 15 nor more than 30 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 a Put Option 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, 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 5(d) accompanied by the Covered Bond. If the Covered Bond is represented by a Global Covered Bond held through Euroclear or Clearstream, Luxembourg to exercise the right to require redemption of the Covered Bond the holder of the 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 or Clearstream, Luxembourg, (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg, or any common depository or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear or Clearstream, Luxembourg from time to time and, if the Covered Bond is represented by a Bearer Global Covered Bond, at the same time present or procure the presentation of the relevant Bearer Global Covered Bond to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg, given by a holder of any Covered Bond pursuant to this Condition 5(d) shall 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 (*Events of Default and Enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 5(d) and instead request or direct the Bond Trustee to declare such Covered Bond forthwith due and payable pursuant to Condition 9 (*Events of Default and Enforcement*).

(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 Agent, the Registrar and, in accordance with Condition 14 (*Notices*), all the Covered Bondholders (which notice shall 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 Loan Provider and/or the Demand Loan Provider to make, fund or allow to remain outstanding any Term Advance and/or the Demand Loan (or, in either case, any part thereof) made by the Intercompany Loan Provider or the Demand Loan Provider, as the case may be to the Covered Bond Guarantor pursuant to the Intercompany Loan Agreement or the Demand Loan 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 5(e) will be redeemed at their Early Redemption Amount referred to in Condition 5(f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the Issuer shall deliver to the Bond Trustee a certificate signed by one person who is either a Director, a Senior Executive, an authorised representative, an attorney, an Authorised Signatory or of equivalent status 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 shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on all holders of the Covered Bonds, Receiptholders and Couponholders.

(f) *Early Redemption Amounts*

For the purpose of Conditions 5(b) (*Redemption for taxation reasons*) and 5(e) (*Redemption due to illegality*) above and 5(h) below and Condition 9 (*Events of Default and Enforcement*), 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 an Instalment Covered Bond or 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 Issue Price; and

- (b) the product of the Accrual Yield (compounded annually) being applied to the Issue 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 shall 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) Instalments

Instalment Covered Bonds will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 5(f) above.

(h) 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 5 and the applicable Final Terms. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 5(f) above.

(i) Purchases

The Issuer, the Guarantor or any of their respective subsidiaries or the Covered Bond Guarantor 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, at the option of the Issuer or the Guarantor or the relevant subsidiary, surrendered to the Registrar and/or to any Paying Agent for cancellation (except that any Covered Bonds purchased or otherwise acquired by the Covered Bond Guarantor must immediately be surrendered to the Registrar and/or to any Paying Agent for cancellation).

(j) Cancellation

All 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 5(i) above and cancelled (together with, in the case of Bearer Definitive Covered Bonds, all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be held, reissued or resold.

(k) 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 5(a), (b), (c), (d) or (e) above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default and Enforcement*) 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 shall be the amount calculated as provided in Condition 5(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 monies payable in respect of such Zero Coupon Covered Bonds has been received by the Principal Paying Agent or the Bond Trustee or the Registrar and notice to that effect has been given to the Covered Bondholders either in accordance with Condition 14 (*Notices*) or individually.

6. 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 or New Zealand dollars, shall be (i) Sydney or (ii) Auckland or Wellington, respectively); 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.

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

(c) 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 6(a) (*Method of payment*) 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 6(a) (*Method of payment*) 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 6(a) (*Method of payment*) 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, the Guarantor or the Covered Bond Guarantor. Upon the date on which any Bearer Definitive Covered Bond becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Covered Bonds in definitive bearer form (other than Dual Currency Covered Bonds or Index Linked Covered Bonds or Long Maturity Covered Bonds) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall 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 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) 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, Index Linked Covered Bond or Long Maturity Covered Bond in definitive bearer form, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall 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 shall 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 shall be payable only against surrender of the relevant Bearer Definitive Covered Bond.

(d) *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 Bearer Global Covered Bond if the Bearer Global Covered Bond is not intended to be issued in NGCB form at the specified office of any Paying Agent outside the United States). On the occasion of each payment, (i) in the case of any Bearer Global Covered Bond which is not issued in NGCB form, 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 shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any Bearer Global Covered Bond which is issued in NGCB form, the Paying Agent shall instruct Euroclear and Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

(e) *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 Registrar or any of 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 Registrar (the **Register**) 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 U.S.\$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 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 or New Zealand dollars, shall be Sydney or Auckland and Wellington, respectively) 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 on the Business Day in the city where the specified office of the Registrar is located on the relevant due date to the holder (or the first named of joint holders) of the Registered Covered Bond appearing in the Register:

- (i) where the Registered Covered Bond is in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and
- (ii) where in definitive form, at the close of business on the 15th day (whether or not such 15th day is a Business Day) before the relevant due date,

(in either case, 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 Registrar not less than three Business Days in the city where the specified office of the Registrar is located 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 shall 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 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 shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Covered Bonds.

None of the Issuer, the Guarantor, 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.

(f) *General provisions applicable to payments*

The holder of a Global Covered Bond (or, as provided in the Bond Trust Deed, the Bond Trustee) shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Covered Bond and the Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) 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 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 Euroclear or Clearstream, Luxembourg for his share of each payment so made by the Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) 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) shall have any claim against the Issuer, the Guarantor 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 and the Guarantor 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, the Guarantor and the Covered Bond Guarantor, adverse Tax consequences to the Issuer, the Guarantor or the Covered Bond Guarantor.

(g) *Payment Business Day*

If the date for payment of any amount in respect of any Covered Bond, Receipt or Coupon is not a Payment Business Day (as defined below), the holder thereof shall not be entitled to payment of the relevant amount due until the next following Payment Business Day and shall 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 Business Day** means any day (other than a Saturday or a Sunday) on which (subject to Condition 8 (*Prescription*)):

- (i) 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) in the case of Covered Bonds in definitive form, the relevant place of presentation; and
 - (B) 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, 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 6(g)(i) and which if the Specified Currency is Australian dollars shall be Sydney) or (2) in relation to any sum payable in euro, the TARGET 2 System is open.

(h) *Interpretation of principal and interest*

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) 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 Covered Bonds redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Covered Bonds, the Amortised Face Amount (as defined in Condition 5(f) (*Early Redemption Amounts*));

- (vii) any premium and any other amounts (other than interest) which may be payable under or in respect of the Covered Bonds;
- (viii) in relation to Dual Currency Covered Bonds, the principal payable in any relevant Specified Currency; and
- (ix) 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 shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*) 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 14 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Covered Bonds shall 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 shall be a term of any such redenomination that the holder of any Covered Bonds held through Euroclear and/or Clearstream, Luxembourg 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 shall 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 shall be deemed to be amended so as to comply with such market practice and the Issuer shall 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 shall be rounded down to the nearest euro 0.01;
- (iii) if Definitive Covered Bonds are required to be issued after the Redenomination Date, they shall 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 shall be redeemed by the Issuer and paid to the Covered Bondholders in euro in accordance with Condition 5 (*Redemption and Purchase*);
- (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 shall 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 shall 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 shall 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 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 6(h)(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 establishing the European Community, as amended.

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, the Guarantor (in the case of Covered Bonds issued by ANZNIL) or the Covered Bond Guarantor, as the case may be, will 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 New Zealand and/or, where the Issuer is acting through its branch, the jurisdiction, country or territory in which the branch through which the Issuer is acting as specified in the relevant Final Terms is located or in each case, any political sub-division thereof or by any authority therein or thereof having power to tax unless such withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event of a withholding or deduction being made by the Issuer or the Guarantor (as the case may be) in respect of a payment made by it, the Issuer or the Guarantor (as the case may be) will pay such additional amounts as shall be necessary in order that the net amounts received by the Covered Bondholders, Receiptholders or Couponholders after such withholding or deduction shall 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 shall apply only in the case of Covered Bonds issued by ANZNIL and shall 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 (other than in respect of New Zealand resident withholding tax) 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 New Zealand or a Tax Jurisdiction (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 New Zealand or a Tax Jurisdiction);
- (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 or connection with the 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 Business Day (as defined in Condition 6(f) (*General provisions applicable to payments*)); or
- (e) which is an estate, inheritance, gift, sales, transfer, personal property 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 associated with the Issuer or the Guarantor or the Covered Bond Guarantor for the purposes of the approved issuer levy and non-resident withholding tax rules in the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof;
- (g) which is payable solely by reason of the relevant Covered Bond, Receipt or Coupon being presented for payment in New Zealand;

- (h) which is imposed or withheld as a consequence of the New Zealand Inland Revenue Department applying section BG1 of the Income Tax Act 2007 of New Zealand (or any modification or equivalent thereof) with the consequence 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 application of such provision;
- (i) where such withholding or deduction 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;
- (j) where such withholding or deduction is for or on account of New Zealand resident withholding tax;
- (k) 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;
- (l) with respect to any payment of principal of or interest (including original issue discount) on the Covered Bonds, Receipts and Coupons by the Issuer (or the Guarantor, as the case may be) 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
- (m) any combination of (a) through (l) above.

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 New Zealand 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 and for the avoidance of doubt will not be required to pay any amount of approved issuer levy (under Part VI B of the Stamp and Cheque Duties Act 1971) in respect of such payments.

As used herein:

- (i) **Tax Jurisdiction** means each of the United Kingdom and New Zealand;
- (ii) 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 Covered Bondholders in accordance with Condition 14 (*Notices*).

Where used in the remaining provisions of this Condition 7, interest means interest (as defined under the Income Tax Act 2007 of New Zealand or any modification or equivalent thereof) for withholding tax purposes, which includes the excess of the redemption amount over the issue price of any Covered Bond, as well as interest paid on such Covered Bond. The Issuer is, and the Guarantor and the Covered Bond Guarantor (where applicable) may be required by law to deduct New Zealand resident withholding tax from the payment of interest to a Covered Bondholder, Receiptholder or Couponholder, if:

- (a) the Covered Bondholder, Receiptholder or Couponholder, as the case may be, is a resident of New Zealand for income tax purposes or is otherwise subject to the New Zealand resident withholding tax rules (a **New Zealand Covered Bondholder**); and
- (b) at the time of such payment, the New Zealand Covered Bondholder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any date on which interest is payable or the Final Maturity Date, any New Zealand Covered Bondholder:

- (A) must notify the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor or any Paying Agent, that the New Zealand Covered Bondholder is the holder of a Covered Bond, Receipt or Coupon; and
- (B) must notify the Issuer or, as the case may be, the Guarantor, or the Covered Bond Guarantor or a Paying Agent, of any circumstances, and provide the Issuer or, as the case may be, the Guarantor, or the Covered Bond Guarantor or the relevant Paying Agent, with any information that may enable the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, to make payment of interest to the New Zealand Covered Bondholder without deduction on account of New Zealand resident withholding tax.

The New Zealand Covered Bondholder must notify the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, prior to any date on which interest is payable, of any change in the New Zealand Covered Bondholder's circumstances from those previously notified that could affect the payment or withholding obligations of the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, in respect of this Covered Bond, Receipt or Coupon. By accepting payment of the full face amount of a Covered Bond, Receipt or Coupon, as the case may be or any interest thereon, the New Zealand Covered Bondholder indemnifies the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor, for all purposes in respect of any liability the Issuer or, as the case may be, the Guarantor or the Covered Bond Guarantor may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Only a New Zealand Covered Bondholder will be obliged to make the notification referred to above and no other holder will be required to make any certification that is not a New Zealand Covered Bondholder.

8. Prescription

The 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 (*Taxation*)) therefor, subject in each case to the provisions of Condition 6 (*Payments*).

There shall 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 or Condition 6 (*Payments*) or any Talon which would be void pursuant to Condition 6 (*Payments*).

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 NZ Dollars converted into NZ Dollars at the relevant Swap Rate) or if so directed by an Extraordinary Resolution of the Covered Bondholders shall, (but in the case of the happening of any of the events mentioned in subparagraph (ii) or (vi) below, only if the Bond Trustee shall have certified in writing to the Issuer and the Guarantor 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 and the Guarantor (in the case of Covered Bonds issued by ANZNIL) that as against the Issuer and the Guarantor (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 shall, unless such event shall have been cured by the Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL) prior to the Issuer's or the Guarantor's (as the case may be) 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**) shall occur:

- (i) default is made in the payment of any principal or interest when due, in respect of any Covered Bonds and such default continues for a period of seven days; or
- (ii) the Issuer fails to perform or observe any of its obligations under any Covered Bonds or, if applicable, the Guarantor fails to perform or observe any of its obligations under the Guarantee, in either case other than those specified in paragraph (i) above and in such case (except where such failure is incapable of remedy) such failure continues for the period of 30 days next following the service by the Bond Trustee on the Issuer and the Guarantor (if applicable) of written notice requiring the same to be remedied; or
- (iii) otherwise than for the purpose of an amalgamation or reconstruction or merger within the meaning of these words under the laws of New Zealand or, where the Issuer is acting through its branch, of the jurisdiction, country or territory in which the branch through which the Issuer is acting as specified in the relevant Final Terms is located, a resolution is passed that the Issuer or, as the case may be, the Guarantor be wound up or dissolved; or
- (iv) the Issuer or the Guarantor stops payment (within the meaning of New Zealand or any other applicable bankruptcy law) of its obligations; or
- (v) an encumbrancer takes possession of or a receiver is appointed of the whole or a substantial part of the undertaking and assets of the Issuer or the Guarantor and any such event is continuing for 45 days after its occurrence and would materially prejudice the performance by the Issuer or, as the case may be, the Guarantor of its obligations under the Covered Bonds or a distress or execution is levied or enforced upon or sued out against the whole or a substantial part of the undertaking and assets of the Issuer or, as the case may be, the Guarantor which would materially prejudice the performance of (A) the Issuer of its obligations under the Covered Bonds or, (B) if applicable, the Guarantor of its obligations under the Guarantee, and in each case is not discharged within 60 days thereof; or
- (vi) proceedings shall have been initiated against the Issuer or the Guarantor under any applicable bankruptcy, reorganisation or other similar law and such proceedings shall not have been discharged or stayed within a period of 60 days; or
- (vii) the Issuer or the Guarantor shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, insolvency, composition or other similar law (otherwise than for the purpose of amalgamation, reconstruction or merger (within the meaning of those words under the laws of New Zealand or, where the Issuer is acting through its branch, of the jurisdiction, country or territory in which the branch through which the Issuer is acting as specified in the relevant Final Terms is located)); or
- (viii) the Guarantee is (A) not in full force and effect and, where capable of remedy, the Guarantee is not in full force and effect within seven days of the date the defect is first discovered or (B) claimed by the Guarantor not to be in full force and effect; or
- (ix) if an Asset Coverage Test Breach Notice is served and not revoked (or deemed to be revoked) in accordance with the terms of the Establishment Deed on or before the next Determination Date to occur following the service of such Asset Coverage Test Breach Notice; or
- (x) 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 amount standing to the credit of the Pre-Maturity Ledger of the GIC Account is less than the NZ Dollar Equivalent of the Required Redemption Amount for each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached on the earlier to occur of:
 - (A) the later of:
 - (I) the date that is 10 Local Business Days from the date that the Seller is notified of that breach; and

(II) the date that is six months prior to the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds; and

(B) the Final Maturity Date of that Series of Hard Bullet Covered Bonds.

Upon the Covered Bonds becoming immediately due and repayable against the Issuer and the Guarantor pursuant to this Condition 9(a), the Bond Trustee shall forthwith serve a notice to pay (the **Notice to Pay**) on the Covered Bond Guarantor pursuant to the Covered Bond Guarantee and the Covered Bond Guarantor shall be required to make payments of Guaranteed Amounts when the same shall 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 shall take such proceedings or other action or step against the Issuer and the Guarantor in accordance with Condition 9(c) (*Enforcement*).

The Bond Trust Deed provides that all monies 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, the Guarantor or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer or the Guarantor following the occurrence of an Issuer Event of Default and service of an Issuer Acceleration Notice and a Notice to Pay (the **Excess Proceeds**), shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor for its own account, as soon as practicable, and shall be held by the Covered Bond Guarantor in the GIC Account and the Excess Proceeds shall thereafter form part of the Security and shall be used by the Covered Bond Guarantor in the same manner as all other monies 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 shall discharge *pro tanto* the obligations of the Issuer and the Guarantor (in respect of the Covered Bonds issued by ANZNIL) in respect of the payment of the amount of such Excess Proceeds under the Guarantee, 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 shall be required to be repaid by the Covered Bond Guarantor) (but shall 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 the Bond Trustee of any Excess Proceeds and payment to the Covered Bond Guarantor of such Excess Proceeds shall not reduce or discharge any of such obligations.

By subscribing for Covered Bond(s), each Covered Bondholder shall 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.

(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 NZ Dollars converted into NZ Dollars at the relevant Swap Rate) or if so directed by an Extraordinary Resolution of all the Covered Bondholders shall, (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) or (v) below, only if the Bond Trustee shall have certified in writing to the Issuer, the Guarantor 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, the Guarantor and to the Covered Bond Guarantor, that (x) each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuer and the Guarantor (if not already due and repayable against it following an Issuer Event of Default), 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 shall 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 shall become enforceable if any of the following events (each a **Covered Bond Guarantor Event of Default**) shall 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 on the Extended Due for Payment Date under Condition 5(a) (*Final redemption*) where the Covered Bond Guarantor shall be required to make payments of Guaranteed Amounts which relate to the Final Redemption Amount and which are Due for Payment on the Extended Due for Payment Date; or
- (ii) if 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) if the Covered Bond Guarantor ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (iv) the Covered Bond Guarantor shall stop payment or shall be unable, or shall admit inability, to pay its debts generally as they fall due or shall be adjudicated or found bankrupt or insolvent; or
- (v) proceedings are initiated against the Covered Bond Guarantor under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding-up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)); or a receiver and/or manager, administrative receiver, administrator, trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the Covered Bond Guarantor or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any part of its assets, or if the Covered Bond Guarantor shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding up, insolvency, bankruptcy, composition, reorganisation or other similar laws or shall make a conveyance, assignment or assignation for the benefit of, or shall enter into any composition with, its creditors generally; or
- (vi) a failure to satisfy the Amortisation Test (as set out in the Establishment Deed) on any Determination Date following service of a Notice to Pay on the Covered Bond Guarantor; or
- (vii) 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 shall take such proceedings or steps in accordance with the first and third paragraphs, respectively, of Condition 9(c) (*Enforcement*) and the Covered Bondholders shall 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 (*Taxation*)) 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 and the Guarantor) 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 Guarantor (in the case of Covered Bonds issued by ANZNIL) 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 shall 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 shall have 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 NZ Dollars at the relevant Swap Rate as aforesaid) 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 NZ Dollars at the relevant Swap Rate as aforesaid) and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

In exercising any of its powers, trusts, authorities and discretions the Bond Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall 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 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 the Security Trustee to take such steps as it may think fit to enforce the Security, but it shall not be bound to give any such direction and the Security Trustee shall not be bound to take any such steps or proceedings unless (i) the Bond Trustee shall have 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 NZ Dollars at the relevant Swap Rate as aforesaid) 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 NZ Dollars at the relevant Swap Rate as aforesaid); and (ii) each of the Bond Trustee and Security Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction. In exercising any of its powers, trusts, authorities and discretions under this paragraph each of the Bond Trustee and the Security Trustee shall only have regard to the interests of the Covered Bondholders of all Series equally and shall not have regard to the interests of any other Secured Creditors.

No Covered Bondholder, Receiptholder or Couponholder shall be entitled to institute proceedings directly against the Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) or the Covered Bond Guarantor or to take any step or action with respect to the Bond Trust Deed, the Covered Bonds, the Receipts, the Coupons, or the Security 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, himself institute such proceedings and/or prove in the winding up, administration or liquidation of the Issuer and/or the Guarantor 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. Principal Paying Agent, Paying Agents and Registrar

The names of the initial Principal Paying Agent, the initial Registrar 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 shall 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 aforesaid.

The Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) and the Covered Bond Guarantor are entitled, with the prior written approval of the Bond Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying Agent or Registrar and/or appoint additional or other Paying Agents or Registrar and/or approve any change in the specified office through which any Paying Agent or Registrar acts, provided that:

- (a) there will at all times be a Principal Paying Agent and 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) 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) 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
- (d) 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 shall, when necessary appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(f) (*General provisions applicable to payments*). 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 14 (*Notices*).

In acting under the Principal Agency Agreement, the Agents act solely as agents of the Issuer, the Guarantor and the Covered Bond Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders, Receiptholders or Couponholders. The Principal 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.

11. Meetings of Covered Bondholders, Modification, Waiver, Substitution and Legislative Exchange

Covered Bondholders, Receiptholders, Couponholders and other Secured Creditors should note that the Issuers, the Guarantor, the Covered Bond Guarantor and 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.

(a) Meetings

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 two 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 two 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 adjourned meeting shall be two 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: (i) 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 (ii) a resolution in writing signed by or on behalf of Covered Bondholders holding not less than seventy five per cent. 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 two or more of the Covered Bondholders; or (iii) a resolution 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. An Extraordinary Resolution passed at any meeting of the Covered Bondholders of a Series shall, 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 shall 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) (*Issuer Events of Default*) or to give a Covered Bond Guarantee Acceleration Notice pursuant to Condition 9(b) (*Covered Bond Guarantor Events of Default*) 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 shall not be treated as such for the purposes of the Bond Trust Deed (each a **Programme Resolution**) shall 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 Guarantor, 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 two 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 two 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 shall 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 NZ Dollars, the Principal Amount Outstanding of the Covered Bonds of any Series not denominated in NZ Dollars shall be converted into NZ Dollars at the relevant Swap Rate.

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 of the other Secured Creditors, at any time and from time to time, concur with the Issuer, the Guarantor, the Covered Bond Guarantor or any other party or direct the Security Trustee to concur with the Issuer, the Guarantor, the Covered Bond Guarantor or any other party in making any modification of the Covered Bonds of one or more Series, the related Receipts and/or Coupons or any Programme Document:

- (i) which in the opinion of the Bond Trustee may be expedient to make provided the Bond Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Covered Bondholders of any Series but such power does not extend to any such modification referred to in the definition of Series Reserved Matter; or

- (ii) 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 is made 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
- (iii) (without prejudice to (i) and (ii) above) which is made to enable Covered Bondholders and Secured Creditors or any of them to obtain the protection and/or other benefits of any legislation or regulation or any directive of any regulatory body including, without limitation, the RBNZ that is introduced in New Zealand for the purpose of supporting the issuance of covered bonds provided that the Bond Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Covered Bondholders of any Series.

Notwithstanding the above the Bond Trustee and the Security Trustee shall not be obliged to agree to any amendment, which, in the sole opinion of the Bond Trustee or the Security Trustee, (as applicable), would have the effect of (x) exposing the Bond Trustee or the Security Trustee, (as applicable), to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (y) increasing the obligations or duties, or decreasing the protections, of the Bond Trustee or the Security Trustee, (as applicable), in the Bond Trust Deed, the other Programme Documents and/or the Conditions.

The Bond Trustee may without the consent 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 shall 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, the Guarantor 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 shall not be treated as such for the purposes of the Bond Trust Deed, PROVIDED ALWAYS THAT the Bond Trustee shall 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) (*Events of Default and Enforcement*) but so that no such direction or request shall 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, shall be binding on the Covered Bondholders, the related Receiptholders and/or the Couponholders and, if, but only if, the Bond Trustee shall so require, shall be notified by the Issuer, the Guarantor or the Covered Bond Guarantor (as the case may be) to the Covered Bondholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

Subject to as provided below, the Bond Trustee shall be bound to waive or authorise, or direct the Security Trustee to waive or authorise, any breach or proposed breach by the Issuer, the Guarantor 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 shall 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 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 NZ Dollars at the relevant 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 NZ Dollars at the relevant 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 NZ Dollars at the relevant 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 NZ Dollars as aforesaid), and at all times then only if it shall be indemnified and/or secured and/or prefunded 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 Secured Creditors (other than any Secured Creditor who is a party to the relevant document) and without prejudice to its right in respect of any further or other breach, from time to time and at any time, but only if so directed by (a) the Bond Trustee, so long as there are any Covered Bonds outstanding or (b) all of the other Secured Creditors, if there are no Covered Bonds outstanding, authorise or waive any proposed or actual breach of any of the covenants or provisions contained in any Programme Document and/or agree to any modification to any Programme Document. Any such authorisation or waiver or modification shall be binding on the Secured Creditors and, unless the Bond Trustee otherwise agrees, notice thereof shall be given by the Issuer or the Guarantor or the Covered Bond Guarantor (as the case may be) to the Secured Creditors as soon as practicable thereafter.

Any such modification, waiver, authorisation or determination shall 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 shall be notified by the Issuer, to the Covered Bondholders of all Series of Covered Bonds for the time being outstanding and the other Secured Creditors in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

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 shall have regard to the general interests of the Covered Bondholders of each Series as a class (but shall 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, shall 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 shall not be entitled to require, nor shall any Covered Bondholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor, 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 (*Taxation*) and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Bond Trust Deed.

Prior to the Bond Trustee and/or the Security Trustee making or granting any waiver, authorisation or determination pursuant to this Condition, the Guarantor must send written confirmation to the Bond Trustee and Security Trustee that: (i) any such waiver, authorisation or determination would not require the RBNZ to be notified; or (ii) if such waiver, authorisation or determination would require the RBNZ to be notified, the Guarantor has provided all information required to be provided to the RBNZ and, if consent or confirmation of non-objection is required, the RBNZ has given its consent or confirmed its non-objection to the proposed waiver, authorisation or determination.

Subject to any required RBNZ consent or confirmation of non-objection, the Bond Trustee and Security Trustee shall concur in and effect any modifications to the Programme

Documents that are requested by the Covered Bond Guarantor or the Trust Manager to accommodate the accession of a new Servicer, new Swap Provider or new Agent to the Programme provided that (a) each of the Swap Providers provide written confirmation to the Security Trustee consenting to such modification of those documents to which they are a party (such consent not to be unreasonably withheld); (b) the Covered Bond Guarantor or the Trust Manager, as the case may be, has certified to the Security Trustee and the Bond Trustee in writing that such modifications are required in order to accommodate the addition of the new Servicer, new Swap Provider or new Agent to the Programme; and (c) all other conditions precedent to the accession of the new Servicer, new Swap Provider or new Agent to the Programme set out in the Programme Documents have been satisfied at the time of the accession.

(b) Substitution

The Bond Trust Deed provides that in connection with any scheme of amalgamation or reconstruction of the Issuer or, as the case may be, the Guarantor not involving the bankruptcy or insolvency of the Issuer or, as the case may be, the Guarantor and (A) where the Issuer or, as the case may be, the Guarantor does not survive the amalgamation or reconstruction or (B) where all or substantially all of the assets and business of the Issuer or the Guarantor, as the case may be, will be disposed of to, or succeeded to, by another entity (whether by operation of law or otherwise), the Bond Trustee shall, if requested by the Issuer and (where applicable) the Guarantor, be obliged, without the consent of the Covered Bondholders, Receiptholders or Couponholders, at any time to agree to the substitution in the place of (a) the Issuer as principal debtor under the Covered Bonds, Receipts, Coupons and the Bond Trust Deed or (b) the Guarantor as guarantor of Covered Bonds, of another company (the **Substituted Debtor**) being the entity with and into which the Issuer or the Guarantor, as the case may be, amalgamates or the entity to which all or substantially all of the business and assets of the Issuer or the Guarantor 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 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 or the Guarantor, as the case may be;
- (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 or the Guarantor, as the case may be;
- (iii) the obligations of the Substituted Debtor being or remaining guaranteed by the Guarantor on the terms set out in the Bond Trust Deed; and
- (iv) confirmations being received by the Bond Trustee from each Rating Agency that the substitution will not adversely affect the rating of the Covered Bonds.

Any such supplemental trust deed or undertaking shall, if so expressed, operate to release the Issuer or the Guarantor, as the case may be, or in either case the previous substitute as aforesaid from all of its obligations as principal debtor or guarantor, as the case may be, under the Bond Trust Deed.

In addition, subject as further provided in the Bond Trust Deed, the Bond Trustee may without the consent of the Covered Bondholders, Receiptholders or Couponholders at any time agree with the Issuer and the Guarantor to the substitution in place of the Issuer (or any previous substitute under this Condition) as the principal debtor under the Covered Bonds, Receipts, Coupons and the Bond Trust Deed of any Subsidiary of the Issuer or the Guarantor subject to (a) all amounts payable under the Bond Trust Deed continuing to be guaranteed by the Guarantor, (b) the Bond Trustee being satisfied that the interests of the Covered Bondholders

will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Bond Trust Deed being complied with.

Any substitution pursuant to this Condition 11(b) shall be binding on the Covered Bondholders, the Receiptholders and the Couponholders and, unless the Bond Trustee agrees otherwise, shall be notified by the Issuer to the Covered Bondholders not later than 14 days after any such substitution in accordance with Condition 14 (*Notices*).

It shall be a condition of any substitution pursuant to this Condition 11(b) that the Covered Bond Guarantee shall remain in place or be modified to apply mutatis mutandis and continue in full force and effect in relation to any Substituted Debtor.

(c) Rating Agencies

If:

- (i) a confirmation or affirmation of rating or other response by a Rating Agency is a condition to any action or step under any Programme Document; and
- (ii) the Trust Manager has delivered to the Covered Bond Guarantor (copied to the Seller and each Rating Agency) written confirmation that it has notified the Rating Agencies of the action or step and that the Trust Manager is satisfied, following discussions with the Rating Agencies, that the action or step, as applicable, will not result in a reduction, qualification or withdrawal of the ratings then assigned by the Rating Agencies and the Rating Agency does not consider such confirmation necessary,

the parties shall 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 action or step.

The Bond Trustee shall be entitled to treat as conclusive a certificate signed by an Authorised Signatory of the Issuer or the Covered Bond Guarantor as to any matter referred to in (ii) above and the Bond Trustee shall not be responsible for any loss, liabilities, costs, damages, expenses or inconvenience that may be caused as a result.

(d) Legislative Exchange

Following the coming into force in New Zealand, at any time after the Programme Date, of any legislation, rules, regulations or guidelines published by any governmental authority that provide for the regulation of covered bonds issued by New Zealand issuers, each Issuer may agree with the Bond Trustee and without the consent of the Security Trustee, the Covered Bondholders, the Receiptholders or the Couponholders, to exchange, provided that such exchange is necessary in the opinion of the Issuer (as certified to the Bond Trustee in accordance with Condition 9(d)(ii) below) for the Covered Bonds to comply with any new legislation, rules, regulations or guidelines and such compliance cannot be attained through the modification of the Programme Documents, all (but not some only) of the Covered Bonds of all Series then outstanding (the **Existing Covered Bonds**) for new Covered Bonds which are regulated by such new legislation, rules, regulations or guidelines (the **New Covered Bonds**) and to the extent permitted by such new legislation, rules, regulations or guidelines, are in identical form, amount and denomination as the Existing Covered Bonds and on the same economic terms and conditions as the Existing Covered Bonds (the **Legislative Exchange**) if not more than 60 nor less than 30 days' notice to the Covered Bondholders (in accordance with Condition 14 (*Notices*), the Bond Trustee and the Principal Paying Agent is given by each Issuer and provided that:

- (i) on the date on which such notice expires each Issuer delivers to the Bond Trustee a certificate signed by two Directors of such Issuer confirming that (a) no Issuer Event of Default (as defined in Condition 9 (*Events of Default and Enforcement*)) or Potential Issuer Event of Default (as defined in this Condition 11) and (b) no Covered Bond Guarantor Event of Default (as defined in Condition 9 (*Events of Default and*

Enforcement) or Potential Covered Bond Guarantor Event of Default (as defined in this Condition 11), shall have occurred and be continuing (disregarding for the purposes of this certificate any such event which occurs or which has occurred due to the implementation of such legislation, rules, regulations or guidelines);

- (ii) each Issuer delivers to the Bond Trustee a certificate signed by two directors of such Issuer certifying that the New Covered Bonds are in identical form, amount and denomination as the Existing Covered Bonds to the extent permitted by such new legislation, rules, regulations or guidelines and that such exchange is necessary in the opinion of the Issuer for the Covered Bonds to comply with the new legislation, rules, regulations or guidelines;
- (iii) each Issuer will comply with such other requirements as the Bond Trustee may direct in the interests of Covered Bondholders;
- (iv) the documents constituting the New Covered Bonds are in form and substance satisfactory to the Bond Trustee;
- (v) each Rating Agency which has previously assigned a rating to the Existing Covered Bonds confirms to the Relevant Issuer in writing that the New Covered Bonds will be assigned the same rating as is then applicable to the Existing Covered Bonds;
- (vi) if the Existing Covered Bonds are listed, quoted and/or traded on or by a competent and/ or relevant listing authority, stock exchange and/or quotation system on or before the date on which such notice expires, each Issuer delivers to the Bond Trustee a certificate signed by two Directors of such Issuer confirming that all applicable rules of such competent and/or relevant listing authority, stock exchange and/or quotation system have been or will be complied with (or compliance with such rules has been waived by the relevant listing authority, stock exchange and/or quotation system); and
- (vii) each Issuer will procure delivery of legal opinions addressed to the Bond Trustee on the date of such exchange, in form and content satisfactory to the Trustee as to such law as the Bond Trustee may request.

The Existing Covered Bonds will be cancelled concurrently with the issue of the New Covered Bonds and with effect on and from the date of issue thereof all references herein to Covered Bonds shall be deemed to be references to the New Covered Bonds and the Bond Trustee may, pursuant to the provisions described in this Condition 11, agree with the Relevant Issuer and the Covered Bond Guarantor such modifications to the Programme Documents as may be necessary for the issue of the New Covered Bonds under the new legislation, rules, regulations or guidelines.

For the purposes of this Condition 11:

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 any proposal:

- (i) to amend the dates of maturity or redemption of the Covered Bonds, or any date for payment of interest or Interest Amounts on the Covered Bonds or the obligation of the Issuer to pay additional amounts pursuant to Condition 7 (*Taxation*), (ii) to reduce or cancel the Principal Amount Outstanding of, or any premium payable on redemption of, the Covered Bonds, (iii) to reduce the rate or rates of

interest in respect of the Covered Bonds or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Covered Bonds, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount is set out in the Final Terms, to reduce any such amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or Specified Denomination of the Covered Bonds, (vii) to take any steps that as specified in the Final Terms may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, or (viii) to modify the provisions concerning the quorum required at any meeting of Covered Bondholders or the majority required to pass the Extraordinary Resolution.

12. Replacement of Covered Bonds, Receipts, Coupons and Talons and Exchange of Talons

- (a) Should any Covered Bond, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and listing authority, stock exchange and/or quotation system regulations at the specified office of the Principal Paying Agent in London (in the case of Bearer Covered Bonds, Receipts, Coupons or Talons) or the specified office of the Registrar (in the case of Registered Covered Bonds), or any other place approved by the Bond Trustee of which notice shall have been published in accordance with Condition 14 (*Notices*) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Covered Bond, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Covered Bonds, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Covered Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.
- (b) 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 (*Prescription*).

13. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Covered Bondholders, the Receiptholders or the Couponholders to create and issue further 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 shall be consolidated and form a single Series with the outstanding Covered Bonds of such Series.

14. Notices

All notices regarding the Bearer Covered Bonds will be valid if published in a leading English language daily newspaper of general circulation in London. It is expected that any such newspaper publication will be made in the *Financial Times* in London. The Issuer shall 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 shall approve.

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 Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such mailing the delivery of the relevant notice to 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 shall be deemed to have been given to the Covered Bondholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Covered Bondholder shall 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, as the case may be, in such manner as the Principal Paying Agent, the Registrar and/or Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. Indemnification of the Bond Trustee and the Security Trustee and the Bond Trustee and Security Trustee contracting with an Issuer, the Guarantor 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 shall 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 an Issuer, the Guarantor, 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, an Issuer, the Guarantor, 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.

Neither the Bond Trustee nor the Security Trustee will be responsible for any loss, expense or liability which may be suffered as a result of any Housing 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 and/or the Security Trustee. Neither the Bond Trustee nor the Security Trustee will be responsible for *inter alia*: (i) supervising the performance by an Issuer, the Guarantor or any other party to the Programme Documents of their respective obligations under the Programme Documents and the Bond Trustee and the Security Trustee will be entitled to assume, until they each have 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 an Issuer, the Guarantor or any

other party to the Programme Documents under the Programme Documents; (iii) monitoring the Housing Loan Portfolio, including, without limitation, whether the Housing Loan Portfolio is in compliance with the Asset Coverage Test, the Pre-Maturity Test or the Amortisation Test; or (iv) monitoring whether Housing Loans are Qualifying Housing Loans. Neither the Bond Trustee nor the Security Trustee will be liable to any Covered Bondholder or other Secured Creditor for any failure to make or to cause to be made on their 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 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. Limited Recourse and non-petition

- (a) Only the Security Trustee may pursue the remedies available under the general law or under the Security Deed to enforce the Security and no Transaction Party shall be entitled to proceed directly against the Covered Bond Guarantor to enforce the Security. In particular, each Transaction Party (other than the Covered Bond Guarantor and the Security Trustee) has agreed with and acknowledges to each of the Covered Bond Guarantor and the Security Trustee, and the Security Trustee agreed with and acknowledged to the Covered Bond Guarantor, that:
- (b) none of the Transaction Parties (nor any person on their behalf, other than the Security Trustee where appropriate) is entitled, otherwise than as permitted by the Programme Documents, to direct the Security Trustee to enforce the Security or take any proceedings against the Covered Bond Guarantor to enforce the Security;
- (i) none of the Transaction Parties (other than the Security Trustee) shall have the right to take or join any person in taking any steps against the Covered Bond Guarantor for the purpose of obtaining payment of any amount due from the Covered Bond Guarantor to any of such Transaction Parties;
- (ii) until the date falling two years after the Vesting Date none of the Transaction Parties nor any person on their behalf shall initiate or join any person in initiating an Insolvency Event in relation to the Trust other than a Receiver appointed under clause 15 of the Security Deed; and
- (iii) none of the Transaction Parties shall be entitled to take or join in the taking of any corporate action, legal proceedings or other procedure or step which would result in the Priorities of Payments not being complied with.
- (c) The Covered Bondholders agree with and acknowledge to each of the Covered Bond Guarantor and the Security Trustee, and the Security Trustee has agreed with and acknowledged to the Covered Bond Guarantor, that notwithstanding any other provision of any Programme Document, all obligations of the Covered Bond Guarantor to such party including, without limitation, the Secured Obligations, are limited in recourse to the Covered Bond Guarantor as set out below:
- (i) it will have a claim only in respect of the Charged Property and will not have any claim, by operation of law or otherwise, against, or recourse to, any of the Covered Bond Guarantor's other assets;
- (ii) sums payable to each party in terms of the Covered Bond Guarantor's obligations to such party shall be limited to the lesser of (a) the aggregate amount of all sums due and payable to such party and (b) the aggregate amounts received, realised or otherwise recovered and immediately available for payment by or for the account of the Covered Bond Guarantor in

respect of the Charged Property whether pursuant to enforcement of the Security or otherwise, net of any sums which are payable by the Covered Bond Guarantor in accordance with the Priorities of Payments in priority to or *pari passu* with sums payable to such party; and

(iii) upon the Security Trustee giving written notice to the relevant party that it has determined in its opinion, and the Servicer having certified to the Security Trustee, that there is no reasonable likelihood of there being any further realisations in respect of the Charged Property (whether arising from an enforcement of the Security or otherwise) which would be available to pay unpaid amounts outstanding under the relevant Programme Document, the relevant party shall have no further claim against the Covered Bond Guarantor in respect of any such unpaid amounts and the obligations to pay such unpaid amounts shall be discharged in full.

(d) To the extent permitted by law, no recourse under any obligation, covenant, or agreement of any person contained in the Programme Documents shall 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 shall 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.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Covered Bond under the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

The Bond Trust Deed (including the Guarantee and the Covered Bond Guarantee), the Principal Agency Agreement, the Covered Bonds, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law unless specifically stated to the contrary.

19. Jurisdiction

Each of the Issuers and the Guarantor agrees for the benefit of the holders of covered Bonds, Receipts, Coupons and Talons that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Covered Bonds and all matters connected with the Covered Bonds, Receipts, Coupons and Talons (including a dispute relating to any non-contractual obligation arising out of or in connection with them) (respectively, **Proceedings** and **Disputes**) and, for such purposes, irrevocably submits to the jurisdiction of such courts.

20. Service of process

Each of the Issuers and the Guarantor agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to the officer in charge of the London branch of Australia and New Zealand Banking Group Limited at 40 Bank Street, Canary Wharf, London E14 5EJ. If such person is not or ceases to be effectively appointed to accept service of process on the Issuer's or the Guarantor's behalf, the Issuer or the Guarantor, as applicable, shall appoint a further person in England to accept service of process on the Issuer's or the Guarantor's behalf and, failing such appointment, within 15 days, the Bond Trustee shall be entitled to appoint such a person by written notice addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor or to the specified office of the Principal Paying Agent. Nothing in this paragraph shall affect the right of the Bond Trustee to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds from each issue of Covered Bonds by ANZNBL will be used for the general corporate purposes of ANZNBL and its subsidiaries. The net proceeds from each issue of Covered Bonds by ANZNIL will be on-lent to ANZNBL for the general corporate purposes of ANZNBL and its subsidiaries. If, in respect of a particular Tranche or Series of Covered Bonds, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

ANZ NATIONAL BANK LIMITED

Background

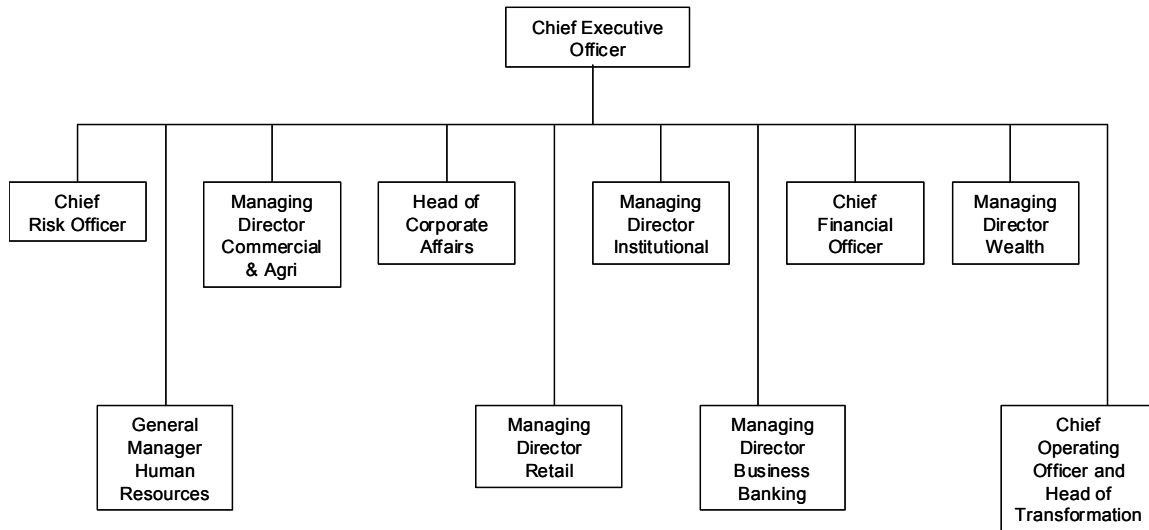
ANZNBL was incorporated under the New Zealand Companies Act 1955 on 23 October 1979 and was re-registered under the NZ Companies Act on 13 June 1997 and is a private company limited by shares with its registered office at Level 6, 1 Victoria Street, Wellington 6011, New Zealand and company number 35976. ANZNBL's principal executive offices are located at Level 10, 1 Victoria Street, Wellington 6011, New Zealand and the telephone number is +64 (4) 4366798. ANZNBL is a wholly-owned subsidiary of ANZBGL. ANZNBL is a registered bank under the Reserve Bank of New Zealand Act 1989.

ANZNBL is the largest full-service banking group in New Zealand with total assets of NZ\$114,313 million and total liabilities of NZ\$103,821 million as at 31 March 2011, and its two brands, "ANZ" and "The National Bank of New Zealand", have significant market share in most banking markets in New Zealand. As at 31 December 2010, ANZNBL held approximately 30 per cent. of the total assets held by registered banks in New Zealand and was supported by over 300 branches across its two brands with a customer base of approximately 2 million.

Business lines

The business of ANZNBL is organised into the following three major business segments: Retail, Commercial and Institutional. These segments are supported by centralised back office and corporate functions. Life insurance and fund management products are developed and procured through the OnePath Holdings (NZ) Limited group of companies (**OnePath**), which is a wholly owned subsidiary of ANZNBL.

The ANZNBL executive team is structured as follows:



Retail

The Retail segment provides banking and insurance products and services to individuals through separate ANZ and The National Bank of New Zealand branded distribution channels. Personal banking customers have access to a wide range of financial services and products, including core banking products such as checking accounts, various lending products and insurance products. The Wealth business is also part of the Retail segment and includes Private Banking, which offers a fully inclusive banking and investment service to high net worth individuals, and OnePath, which develops and procures life insurance, general insurance and fund management products which are distributed through the Private Banking distribution channel as well as the ANZ and The National Bank of New Zealand branded distribution channels and independent brokers.

Commercial

The Commercial segment provides services to Business Banking, Commercial, Agri-business and UDC customers.

Business Banking services are offered to small enterprises typically with annual revenues of less than \$5 million.

Commercial customers consist of primarily privately owned medium-to-large businesses with annual revenues from NZ\$2 million to NZ\$150 million. The relationship with these businesses ranges from simple banking requirements with revenue from deposit and transactional facilities and cashflow lending, to more complex funding arrangements with revenue sourced from a wider range of products.

The Commercial relationship businesses are supported by a specialist Property Finance unit.

Agri-business customers are part of a specialist sector within the wider Commercial segment and includes farm owners, their suppliers and agri-processors. Based on data sourced from the RBNZ's aggregate Standard Statistical Return for registered banks in New Zealand, as at 31 December 2010, ANZNBL had, across both brands, approximately 39 per cent. of total lending to the agriculture sector by registered banks in New Zealand.

UDC Finance Limited (**UDC**) is a finance company that is principally involved in the financing and leasing of plant, vehicles and equipment, mainly for small and medium sized businesses, as well as investment products. The business is funded predominantly through the New Zealand domestic retail debenture market.

UDC represents one of the non-bank brands of ANZNBL. UDC products are sold through UDC proprietary sales channels, intermediary channels and the ANZ Retail distribution network.

Institutional

The Institutional segment is responsible for coordinating and managing relationships with customers with annual revenues typically of greater than NZ\$150 million. It provides a full range of financial services to Institutional customers, including transaction banking, trade services and specialised lending. These relationships are managed along industry segment lines.

In addition, the Institutional segment provides specialist services to customers across ANZNBL, including transaction banking, trade services, specialised lending, foreign exchange and interest rate risk management services.

ANZNBL's Strategic Priorities

ANZNBL's strategy is to fully leverage its leading market position to deliver superior growth and returns. ANZNBL's strategy is underpinned by a programme of initiatives and priorities including:

- aligning services to customer needs, improving customer experience and increasing customer satisfaction while lowering cost to serve;
- investing in customer-facing systems and technology infrastructure, simplifying processes and using data driven customer insights to drive the business;
- continuing to manage credit risks and provisions;
- transforming the way banking services are delivered and reducing costs, including through transforming our service delivery channels and processes; and
- optimising profitability by targeting profitable customer segments and pricing credit appropriately for risk.

Branding strategy

ANZNBL operates a multi brand strategy.

In the Institutional banking market ANZNBL operates under the “ANZ” brand, while in the commercial, personal and business banking markets, it operates under the dual brands of “ANZ” and “The National Bank of New Zealand”.

In specialised markets, the ANZ National Group is further represented by the following brands:

- UDC (asset finance);
- Direct Broking (online share and fixed rate instrument trading);
- EFTPOS New Zealand (card merchant acquiring and terminal rental);
- Bonus Bonds; and
- OnePath insurance, superannuation and investment products.

Credit rating

At the date of this Prospectus, ANZNBL, has the following debt ratings for long-term unsubordinated unsecured obligations:

Standard and Poor's (Australia) Pty. Limited: AA (Outlook Stable);

Moody's: Aa2 (on review for possible downgrade); and

Fitch: AA- (Positive Outlook).

Fitch Ratings Limited, Moody’s Investors Service Ltd and Standard & Poor's Credit Market Services Europe Limited are established in the European Union and have applied for registration under the CRA Regulation. Although notification of the corresponding registration decision has not yet been provided by the relevant competent authority, the applications for registration have disclosed that each of Fitch Ratings Limited, Moody’s Investors Service Ltd and Standard & Poor's Credit Market Services Europe Limited intend to endorse select public ratings issued by Fitch and select public ratings issued by Moody’s and select public ratings by Standard & Poor's (Australia) Pty. Limited respectively.

Directors

The directors of ANZNBL, the business address of each of whom should be regarded for the purposes of this Prospectus as being Level 6, 1 Victoria Street, Wellington 6011, New Zealand, and their principal outside activities, where significant, are as follows:

Name of Director	Position	Principal Outside Activities
Mr D D Hisco.....	Chief Executive Officer and Director	N/A
Sir Dryden T Spring D Sc	Independent Non-Executive Chairman	Director, SkyCity Entertainment Group Ltd, SkyCity Investments Australia Limited and Port of Tauranga Ltd
Mr N M T Geary CBE	Independent Non-Executive Director	Director, Otago Innovation Ltd
Mr M R P Smith OBE.....	Non-Executive Director	Chief Executive Officer and Director, Australia and New Zealand Banking Group Limited, Director, the Financial Markets Foundation for Children, and the Institute of International Finance. Member of Visa International Senior Client Council, Financial Literacy Advisory Board, Chongqing Mayor's International Economic Advisory Council, Asia Business Council,

<u>Name of Director</u>	<u>Position</u>	<u>Principal Outside Activities</u>
Mr P R Marriott.....	Non-Executive Director	Business Council of Australia, and Shanghai International Financial Advisory Council. Chief Financial Officer Australia and New Zealand Banking Group Limited, Director, ASX Limited, ASX Clearing Corporation Limited, ASX Clear Pty Ltd (previously Australian Clearing House Pty Ltd), ASX Clear (Futures) Pty Ltd (previously SFE Clearing Corporation Pty Ltd), ASX Settlement Pty Ltd (previously ASX Settlement and Transfer Corporation Pty Ltd), Austraclear Ltd and ASX Settlement Corporation Limited.
Mr J F Judge.....	Independent Non-Executive Director	Director, Fletcher Building Limited, Fletcher Building Finance Limited. Chairman of the Crown organisation, Accident Compensation Corporation. Advisory Board Member of the University of Otago School of Business
Mr S Elliott.....	Non-Executive Director	Group Managing Director Institutional, Australia and New Zealand Banking Group Limited

As at the date of this Prospectus, no conflicts of interest and, other than in respect of any dealings between ANZNBL and any of the companies listed above under the "*Principal Outside Activities*" column above which may arise in the future and be referred to the Board of Directors of ANZNBL, no potential conflicts of interest exist between any duties owed to ANZNBL by members of its Board of Directors listed above and their private interests and/or other duties. In respect of potential conflicts of interest that may arise in the future, ANZNBL has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise.

Board Committees

To assist in the execution of its responsibilities, the board of ANZNBL (**ANZNBL Board**) has established committees, including an Audit Committee, a Remuneration Committee and a Risk Management Committee, each with a charter, to assist and support the ANZNBL Board in the conduct of its duties and obligations. The Chairman of the ANZNBL Board is a member of each committee.

Audit Committee — The purpose of the Audit Committee is to assist the ANZNBL Board in its review and approval of:

- (a) the financial reporting principles and policies, controls and procedures of ANZNBL and its subsidiaries;
- (b) the compliance of ANZNBL and its subsidiaries with applicable local financial reporting, prudential reporting and audit requirements as well as those of the Group;
- (c) the effectiveness of ANZNBL's internal control and risk management framework;
- (d) the work of Internal Audit;
- (e) the integrity of ANZNBL and its subsidiaries' financial statements and the independent audit thereof and compliance with relevant legal and regulatory requirements thereof;
- (f) ANZNBL's relationship with and selection of the external auditors; and

- (g) any due diligence procedures and the provision of significant reports to regulatory bodies.

The current members of the Audit Committee are Mr Judge (Chairman), Sir Dryden Spring, Mr Geary and Mr Marriott.

Remuneration Committee — This committee is responsible for reviewing and, where necessary, making recommendations to the ANZNBL Board in respect of remuneration policies and terms of service, including remuneration relating to the Chairman, Directors, Chief Executive, and nominated senior management and executive officers.

The current members of the Remuneration Committee are Sir Dryden Spring (Chairman), Mr Geary, Mr Judge and Mr Smith.

Risk Management Committee — The purpose of the Risk Management Committee is to:

- (a) assist the ANZNBL Board in the effective discharge of its responsibilities for business, market, credit, capital, financial, operational, compliance, liquidity and reputation risk management; and
- (b) liaise and consult with the Group Risk Management Committee to assist it to discharge its responsibilities.

The current members of the Risk Management Committee are Mr Geary (Chairman), Sir Dryden Spring, Mr Judge and Mr Marriott.

Significant Subsidiaries

The significant subsidiaries of ANZNBL are as follows:

- ANZNIL;
- OnePath Holdings (NZ) Limited; and
- UDC.

Recent Developments

The following are significant recent developments for ANZNBL.

Move to Single Core IT System

On 25 November 2010, ANZNBL announced that it will adopt one core banking system, the Systematics system currently used by The National Bank, across ANZ and The National Bank networks by late 2011 aimed at simplifying its business and delivering better service and better products for customers.

New Zealand Sovereign Credit Rating

On 22 November 2010, Standard & Poor's (Australia) Pty. Limited revised its outlook on the foreign currency sovereign credit ratings on New Zealand to negative from stable. At the same time, the "AA+" long-term and "A-1+" short-term sovereign credit ratings were affirmed. A reduction in the sovereign credit rating could cause a reduction in ANZNBL's credit rating and/or covered bond credit ratings. See also "*Risk factors – Ratings on the Covered Bonds*" and "*– Sovereign risk may destabilize global financial markets adversely affecting all participants, including ANZNBL*". Standard & Poor's (Australia) Pty. Limited is not established in the European Union and has not applied for registration under the CRA Regulation. However, Standard & Poor's Credit Market Services Europe Limited is established in the European Union and has applied for registration under the CRA Regulation. Although notification of the corresponding registration decision has not yet been provided by the relevant competent authority, the application for registration has disclosed that Standard & Poor's Credit Market Services Europe Limited intends to endorse select public credit ratings issued by Standard & Poor's (Australia) Pty. Limited.

Reserve Bank of New Zealand - Covered Bonds

On 21 January 2011, the RBNZ announced a regulatory limit would be applied to the issuance of covered bonds by New Zealand banks. The RBNZ stated that it will review the appropriateness of this limit within the next two years. In its May 2011 Financial Stability Report, the RBNZ stated that it is continuing to work on the development of the wider regulatory framework, including legislative changes to provide additional certainty for investors, and disclosure requirements. The RBNZ expects to finalise the framework by the end of 2011.

Under new Conditions of Registration imposed on ANZNBL from 31 March 2011, a limit of no more than 10 percent of total assets may be beneficially owned by a special purpose vehicle for the purpose of guaranteeing covered bonds. (See "*Supervision and Regulation of ANZ National Bank Limited and ANZ National (Int'l) Limited*" for the full text of this Condition of Registration.)

Canterbury Region Earthquakes

The Canterbury region of New Zealand has experienced two major earthquakes over the last year. The first, on 4 September 2010, measured 7.1 on the Richter scale, and caused significant damage to the city of Christchurch and surrounding towns. The second earthquake, on 22 February 2011, measured 6.3 on the Richter scale, and caused even greater damage to buildings and infrastructure across Christchurch. The second earthquake also caused some loss of life.

Christchurch is New Zealand's second largest city with approximately 350,000 people and is the main commercial hub for the South Island. The cost of remediating the impact of these two earthquakes has initially been estimated at approximately NZ\$20 billion. More reliable damage estimates and timeframes to reconstruct the city have yet to be established. The great majority of local government, commercial and personal customers have public (Earthquake Commission) as well as private insurance cover for the full costs of repairing or rebuilding damaged properties. The Government has appointed a commission to manage the overall reconstruction effort and is committed to rebuilding the city as soon as possible.

As at 28 February 2011, ANZNBL had the following lending assets in the affected area:

Personal	NZ\$2.3 billion
Business Banking	NZ\$1.3 billion
Commercial (including Rural customers)	NZ\$3.0 billion
Institutional	NZ\$1.4 billion

Firm loss estimates are not yet available although contacts with customers in the Institutional and Rural segments suggest minimal, if any, credit losses should be expected from those segments. Credit losses can be expected from the Personal, Business Banking and Commercial segments as some customers will be impacted by insurance shortfalls, loss of income, and business disruption, but those effects may take some time to be identified.

ANZNBL considers it holds sufficient provisions to cover expected credit losses given current information, and internal assessments about the potential medium term economic impacts of these earthquakes.

Moody's Review

On 18 May 2011, Moody's Investors Service Pty Limited (**Moody's**) downgraded ANZBGL's deposit and long term senior unsecured debt rating to Aa2/Stable. At this stage, Moody's ratings of ANZNBL's deposit and long term senior unsecured credit rating of Aa2 (on review for possible downgrade) remains under review.

See "*ANZ National Bank Limited – Credit Rating*" for disclosure in respect of compliance with the CRA Regulation by Moody's.

New Executive Appointment

On 2 May 2011, ANZNBL announced the appointment of Mr Peter Parussini as Head of Corporate Affairs subject to approval of the RBNZ. It is anticipated that Mr Parussini will commence his role in June 2011.

OnePath Diversified Yield and Regular Income Funds

On 22 June 2010, ANZNBL and OnePath (NZ) Limited (formerly known as ING (NZ) Limited) (**OnePath NZ**) reached settlements with the New Zealand Commerce Commission and the New Zealand Securities Commission in relation to the Commerce Commission's investigation into ANZNBL and OnePath NZ's marketing and promotion of the Diversified Yield and Regular Income Funds (**Funds**).

As part of the settlement with the Commerce Commission, NZ\$45 million was paid to eligible investors in the Funds, and ANZNBL and OnePath NZ paid the Commerce Commission NZ\$1 million towards their investigation costs. The method of payment to investors was determined by the Commerce Commission.

As part of the settlement with the Securities Commission, OnePath NZ engaged an external party to complete, by 1 February 2011, an audit and review its procedures and processes to the extent they relate to OnePath NZ's business of developing and offering investment products to the public, and to implement any recommendations of that review. ANZNBL gave an undertaking to facilitate and assist with the OnePath NZ audit, review and implementation. Those reviews have been completed and reported to the Commission. No exceptions were identified.

As part of the settlements, the Commerce Commission and the Securities Commission agreed not to take any further action against ANZNBL, OnePath NZ or their affiliates in relation to the Funds.

ANZ NATIONAL (INT'L) LIMITED

ANZNIL was incorporated under the New Zealand Companies Act 1955 on 8 December 1986 and was registered under the NZ Companies Act on 27 May 1996, and is a private company limited by shares whose place of registration is Wellington, New Zealand. The registered office of ANZNIL is located at Level 6, 1 Victoria Street, Wellington 6011, New Zealand and the telephone number is + 64 (4) 4366798. The New Zealand company number of ANZNIL is 328154.

The address of ANZNIL's principal executive offices is 28th Floor, 40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom and the phone number is +44 (0)20 3229 2017. ANZNIL is registered as a branch in England and Wales under branch number BR006645 and company number FC023994.

ANZNIL is a wholly-owned subsidiary of ANZNBL (see "*ANZ National Bank Limited*" above for details of ANZNBL).

The principal activities of ANZNIL include the provision of funding facilities to the ANZ National Group and wholesale financing, including issuance of US Commercial Paper, Euro-Commercial Paper, Covered Bonds, US Medium-Term Notes and Euro Medium-Term Notes.

ANZNIL's overseas activities are currently conducted through its London branch.

ANZNIL has no subsidiary companies. ANZNIL is largely dependent on its parent, ANZNBL, as ANZNBL fully guarantees all obligations under ANZNIL's funding programmes. ANZNIL has not made any principal investments since the date of its last audited financial statements, and there are no principal future investments on which the management has given firm commitment.

Directors

The directors of ANZNIL, the business address of each of whom should be regarded for the purposes of this Prospectus as being Level 6, 1 Victoria Street, Wellington 6011, New Zealand, and their principal outside activities, where significant, are as follows:

Mr D D Hisco	Director	Chief Executive Officer and Director, ANZ National Bank Limited
Mr N Freeman	Director	Chief Financial Officer, ANZ National Bank Limited
Ms J A Evans	Director	Chief Risk Officer, ANZ National Bank Limited

As at the date of this Prospectus, no potential conflict or conflicts of interest exist between any duties owed to ANZNIL by the members of its Board of Directors listed above and their private interests and/or other duties in respect of their management roles.

Board Practices

ANZNIL does not have an audit committee. The audit committee function is fulfilled by the ANZNBL Audit Committee, which is more fully described in the section entitled "*ANZ National Bank Limited — Board Committees*" on page 123 of this Prospectus.

Corporate Governance

ANZNIL must comply with all relevant provisions of the NZ Companies Act. ANZNIL is not listed on the NZX and is not an issuer of securities to the public in New Zealand. Accordingly, ANZNIL is not subject to the various corporate governance regimes promulgated in New Zealand, including the NZX Corporate Governance Best Practice Code and the Securities Commission Corporate Governance in New Zealand Principles and Guidelines.

ANZNIL's share capital consists of 500,000 ordinary shares, which are issued and fully paid, amounting to NZ\$500,000.

SUPERVISION AND REGULATION OF ANZ NATIONAL BANK LIMITED AND ANZ NATIONAL (INT'L) LIMITED

The supervisory role of the RBNZ

The Reserve Bank Act requires the RBNZ to exercise its powers of registration of banks and prudential supervision of registered banks for the purposes of:

- promoting the maintenance of a sound and efficient financial system; or
- avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ's policy around the registration of banks aims to ensure that only financial institutions of appropriate standing and repute are able to become registered banks. Subject to this requirement, the RBNZ has stated that it intends to keep to a minimum any impediments to the entry of new registered banks, in order to encourage competition in the banking system.

The RBNZ's supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole, and are not aimed at preventing individual bank failures or at protecting creditors. The RBNZ seeks to achieve this by drawing on and enhancing disciplines that are naturally present in the market.

As a consequence, the RBNZ places considerable emphasis on a requirement that the banks disclose, on a quarterly basis, information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those who the RBNZ considers are best placed to exercise that responsibility—the directors and management.

The main elements of the RBNZ's supervisory role include:

- requiring all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposure, minimum capital adequacy requirements and minimum standards for liquidity risk management, and are set out in more detail below;
- monitoring each registered bank's financial condition and compliance with conditions of registration, principally on the basis of published quarterly disclosure statements. This monitoring is intended to ensure that the RBNZ maintains familiarity with the financial condition of each bank and the banking system as a whole, and maintains a state of preparedness to invoke crisis management powers should this be necessary;
- consulting with the senior management of registered banks;
- using crisis management powers available to it under the Reserve Bank Act to intervene where a bank distress or failure situation threatens the soundness of the financial system;
- assessing whether a bank is carrying on business prudently;
- issuing guidelines on anti-money laundering and countering financing of terrorism;
- banks internal capital adequacy process and liquidity policy;
- issuing guidelines on corporate governance; and
- maintaining close working relationships with parent bank supervisors (such as APRA in Australia) on bank-specific issues, policy issues and general matters relating to the condition of the financial system in New Zealand and in the countries where parent banks are domiciled.

The disclosure statements that are required to be issued quarterly by registered banks contain comprehensive corporate details and full financial statements at the full and half year, and interim financial statements at the

off-quarters. They are subject to full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. Each bank director is required to sign his or her bank's disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

The RBNZ currently also requires all registered banks to obtain and maintain a credit rating from an approved organisation and publish that credit rating in the quarterly disclosure statements. In addition, the RBNZ has wide reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited.

It also possesses a number of crisis management powers. Those powers include recommending that a bank's registration be cancelled, investigating the affairs of a registered bank, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

If a registered bank is declared to be subject to statutory management, no person may, amongst other things:

- commence or continue any action or other proceedings including proceedings by way of counterclaim against that bank;
- issue any execution, attach any debt, or otherwise enforce or seek to enforce any judgment or order obtained in respect of that bank;
- take any steps to put that bank into liquidation; or
- exercise any right of set off against that bank.

As part of the RBNZ's supervisory powers, a person must obtain the written consent of the RBNZ before giving effect to a transaction resulting in that person acquiring or increasing a "significant influence" over a registered bank ("significant influence" means the ability to appoint 25 per cent. or more of the Board of Directors of a registered bank or a qualifying interest (e.g., legal or beneficial ownership) in 10 per cent. or more of its voting securities).

In assessing applications for consent to acquire a significant influence over a registered bank, the RBNZ has stated that it will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the RBNZ may impose such terms and conditions as it thinks fit.

On 31 March 2011, the revised disclosure requirements for banks came into effect. Banks' disclosure statements, covering the period up to 31 March 2011, will mostly be on the new basis.

The new disclosure regime removed the requirement for banks to publish a Key Information Summary each quarter and amends the Disclosure Statement (**DS**) requirements, allowing banks to publish a modified annual DS. In addition, a streamlined half-year DS and a brief off-quarter DS, must be published, each based on NZ IAS 34.

Previously, New Zealand banking groups applying the Basel II Internal Models Based Approach, including ANZNBL, were subject to a condition of registration that imposed a supervisory adjustment to a banking group's Basel II capital ratio where the capital ratio was less than 90 per cent. of capital as calculated under Basel I rules, subject to some adjustments. Under Conditions of Registration applicable from 31 March 2011, there is no longer any requirement to calculate capital ratios for the banking group under a Basel I approach.

New Zealand banking groups also have a condition of registration that requires the parent bank to have minimum solo capital ratios calculated under a Basel I approach. Solo capital ratios remain on the existing Basel I basis.

In December 2010, the RBNZ released a consultation document seeking submissions on a draft policy that would require locally incorporated registered banks, including ANZNBL, to obtain a notice of non-objection from the RBNZ before undertaking a significant acquisition, investment or business combination.

On 22 December 2010, the RBNZ released its policy setting out new corporate governance requirements for registered banks. The stated objective of the policy is to strengthen the underpinnings of financial stability by

imposing minimum standards and issuing guidance in areas of corporate governance that are relevant to the RBNZ Act. ANZNBL's Conditions of Registration have been amended to bring the changes into effect. A one year transition period applies.

On 14 March 2011, the RBNZ released a consultation paper on the pre-positioning requirements that banks will be expected to comply with to fully implement the Open Bank Resolution (**OBR**) policy. OBR is a long-standing policy option aimed at resolving a bank failure quickly, in such a way that the bank can be kept open for business, thus minimising stresses on the overall banking and payments system. Banks are currently being consulted on the systems requirements that are needed to ensure the concept can be put into operation. Submissions for the consultation paper close on 30 June 2011.

In its May 2011 Financial Stability Report, the RBNZ stated that New Zealand banks are generally well placed with respect to the Basel III capital regime as their capital holdings generally substantially exceed Basel II minimum requirements. The RBNZ went on to state that it will be developing its Basel III policy during 2011 and plans initial consultations later in the year.

The RBNZ has confirmed its previously stated intention that from 1 July 2011, it will increase the minimum one-year core funding ratio of the banking group from 65% to 70%. This will be effected by a change to ANZNBL's Conditions of Registration.

Conditions of Registration: ANZ National Bank Limited

The conditions of registration on ANZ National Bank Limited (the **Bank**), imposed by the RBNZ (**Conditions of Registration**), that have applied from on and from 19 May 2011 except as provided otherwise are as follows:

The registration of ANZ National Bank Limited (the **Bank**) as a registered bank is subject to the following conditions:

1. That the Banking Group complies with the following requirements:
 - (a) the total capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010 is not less than 8%;
 - (b) the tier one capital ratio of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010 is not less than 4%; and
 - (c) the capital of the Banking Group calculated in accordance with the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010 is not less than \$30 million.

For the purposes of this condition of registration the scalar referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010 is 1.06.

For the purposes of this condition of registration, the supervisory adjustment referred to in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010 defined as follows:

Supervisory adjustment = $(30\% \times \text{RM Exposure}) - (\text{RMRWA} \times 1.06)$ where, RM Exposure = non-defaulted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010.

RMRWA = risk weighted exposure for non-defaulted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010, calculated using the bank's long-run capital model with the weighted average probability of default for non-defaulted exposures calibrated to 1.25%.

- 1A. That:

- (a) the Bank has an internal capital adequacy assessment process (ICAAP); that with effect from 31 August 2008 the Bank's ICAAP accords with the requirements set out in the document "Guidelines on a Bank's internal capital adequacy assessment process ("ICAAP")" (BS12) dated December 2007;
 - (b) under its ICAAP the Bank identifies and measures its "other material risks" defined as all material risks of the Banking Group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010; and
 - (c) the Bank determines an internal capital allocation for each identified and measured "other material risk".
- 1B. That the Banking Group complies with all requirements set out in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010.
- 1C. That the Bank complies with the following requirements:
- (a) the total capital ratio of the Bank is not less than 8%; and
 - (b) the tier one capital ratio of the Bank is not less than 4%.

For the purposes of this condition of registration:

the total capital ratio is defined as capital as a percentage of risk-weighted exposures where capital and risk-weighted exposures are as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated October 2010; and

the tier one capital ratio is defined as tier one capital as a percentage of risk-weighted exposures where tier one capital and risk-weighted exposures are as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (Basel I approach)" (BS2) dated October 2010.

- 2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
- 3. That the Banking Group's insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:
 - (a) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
 - (b) In measuring the size of the Banking Group's insurance business:
 - (i) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - (A) The total consolidated assets of the group headed by that entity;
 - (B) If the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (ii) otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;

- (iii) the amounts measured in relation to subparagraphs (i) and (ii) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in subparagraphs (i) and (ii) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (iv) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.
4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the credit rating-contingent limit outlined in the following matrix:

Credit rating of the registered bank¹¹	Connected exposure limit (% of the Banking Group's Tier 1 capital)
AA/Aa2 and above.....	75
AA-/Aa3.....	70
A+/A1.....	60
A/A2.....	40
A-/A3.....	30
BBB+/Baa1 and below.....	15

Within the credit rating-contingent limit, credit exposures (of a non-capital nature and net of any allowances for impairment) to non-bank connected persons shall not exceed 15 percent of the Banking Group's Tier One capital.

For the purposes of this condition of registration, compliance with the credit rating-contingent connected exposure limit is determined in accordance with the Reserve Bank of New Zealand document entitled "Connected Exposures Policy" (BS8) dated October 2010.

5. That exposures to connected persons are not on more favourable terms (e.g., as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
- 5A. Before and on 31 March 2012, that the bank complies with the following corporate governance requirements:
- (a) the board of the Bank must contain at least two independent directors and that alternates for those directors, if any, must also be independent. In this context an independent director (or alternate) is a director (or alternate) who is not an employee of the Bank, and who is not a director, trustee, or employee of any holding company (as that term is defined in section 5 of the Companies Act 1993) of the Bank or any other entity capable of controlling or significantly influencing the Bank;
 - (b) the chairperson of the Bank's board must not be an employee of the Bank; and
 - (c) the Bank's constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the Bank).
6. On and after 1 April 2012, that the bank complies with the following corporate governance requirements:
- (a) the board of the bank must have at least five directors;
 - (b) the majority of the board members must be non-executive directors;
 - (c) at least half of the board members must be independent directors;

¹ This table uses the rating scales of Standard & Poor's, Fitch Ratings and Moody's Investors Services. (Fitch Ratings' scale is identical to Standard & Poor's.)

- (d) an alternate director,—
 - (i) for a non-executive director must be non-executive; and
 - (ii) for an independent director must be independent;
- (e) at least half of the independent directors of the bank must be ordinarily resident in New Zealand;
- (f) the chairperson of the board of the bank must be independent; and
- (g) the bank’s constitution must not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (i.e. the bank).

For the purposes of this condition of registration, “non-executive” and “independent” have the same meaning as in the Reserve Bank of New Zealand document entitled “Corporate Governance” (BS14) dated March 2011.

- 7. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, is made in respect of the Bank unless:
 - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
- 8. On and after 1 April 2012, that a person must not be appointed as chairperson of the board of the bank unless:
 - (a) the Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee; and
 - (b) the Reserve Bank has advised that it has no objection to that appointment.
- 9. On and after 1 April 2012, that the bank has a board audit committee, or other separate board committee covering audit matters, that meets the following requirements:
 - (a) the mandate of the committee must include: ensuring the integrity of the bank’s financial controls, reporting systems and internal audit standards;
 - (b) the committee must have at least three members;
 - (c) every member of the committee must be a non-executive director of the bank;
 - (d) the majority of the members of the committee must be independent; and
 - (e) the chairperson of the committee must be independent and must not be the chairperson of the bank.

For the purposes of this condition of registration, “non-executive” and “independent” have the same meaning as in the Reserve Bank of New Zealand document entitled “Corporate Governance” (BS14) dated March 2011.

- 10. That a substantial proportion of the bank’s business is conducted in and from New Zealand.
- 11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:
 - (a) that the Bank’s clearing and settlement obligations due on a day can be met on that day;
 - (b) that the Bank’s financial risk positions on a day can be identified on that day;

- (c) that the Bank’s financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
- (d) that the Bank’s existing customers can be given access to payments facilities on the day following any failure and on subsequent days.

For the purposes of this condition of registration, the term “legal and practical ability to control and execute” is explained in the Reserve Bank of New Zealand document entitled ‘Outsourcing Policy’ (BS11) dated January 2006.

12.
 - (a) That the business and affairs of the Bank are managed by, or under the direction and supervision of, the board of the Bank.
 - (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together **CEO**) is with the Bank, and the terms and conditions of the CEO’s employment agreement are determined by, and any decision relating to the employment or termination of employment of the CEO are made by, the board of the Bank.
 - (c) That all staff employed by the Bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.
13. That the Banking Group complies with the following quantitative requirements for liquidity-risk management:
 - (a) the one-week mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day;
 - (b) the one-month mismatch ratio of the Banking Group is not less than zero per cent at the end of each business day; and
 - (c) the one-year core funding ratio of the Banking Group is not less than 65 per cent at the end of each business day.

For the purposes of this condition of registration, the ratios identified must be calculated in accordance with the Reserve Bank of New Zealand documents entitled “Liquidity Policy” (BS13) dated March 2011 and “Liquidity Policy Annex: Liquid Assets” (BS13A) dated March 2010.

14. That the bank has an internal framework for liquidity risk management that is adequate in the Bank’s view for managing the Bank’s liquidity risk at a prudent level, and that, in particular:
 - (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
 - (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
 - (c) identifies the principal methods that the Bank will use for measuring, monitoring and controlling liquidity risk; and
 - (d) considers the material sources of stress that the Bank might face, and prepares the Bank to manage stress through a contingency funding plan.
15. That no more than 10% of total assets may be beneficially owned by a SPV. For the purposes of this condition, —

“total assets” means all assets of the Banking Group plus any assets held by any SPV that are not included in the banking group’s assets:

“SPV” means a person—

- (a) to whom any member of the Banking Group has sold, assigned, or otherwise transferred any asset;
- (b) who has granted, or may grant, a security interest in its assets for the benefit of any holder of any covered bond; and
- (c) who carries on no other business except for that necessary or incidental to guarantee the obligations of any member of the Banking Group under a covered bond:

“covered bond” means a debt security issued by any member of the Banking Group, for which repayment to holders is guaranteed by a SPV, and investors retain an unsecured claim on the issuer.

For the purposes of these conditions of registration, the term “Banking Group” means ANZ National Bank Limited’s financial reporting group (as defined in section 2(1) of the Financial Reporting Act 1993).

ANZNIL

ANZNIL is not a registered bank, and so is not directly subject to the conditions of registration imposed by the RBNZ, nor is it directly regulated by the RBNZ under the Reserve Bank Act. However, ANZNIL is part of the banking group for purposes of ANZNBL’s registration.

THE ANZNZ COVERED BOND TRUST

The ANZNZ Covered Bond Trust (**Trust**) is a special purpose trust established by the Establishment Deed under New Zealand law on 11 February 2011. The Covered Bond Guarantor is the trustee of the Trust.

The Covered Bond Guarantor's principal office is at Level 10, 141 Willis Street, Te Aro, Wellington 6011, New Zealand. The telephone number of the Covered Bond Guarantor's principal office is +64 4 498 2283.

The Covered Bond Guarantor is dependent on the Trust Manager, the Servicer and the Calculation Manager (among others) to provide certain management and administrative services to it, on the terms of the Establishment Deed and the other Programme Documents.

The principal activities of the Trust are set out in the Establishment Deed and include the acquisition, management and sale of, amongst other things, Housing 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 other business as the Trust Manager shall direct (with the prior written consent of the Security Trustee, prior to the release of the Security constituted by the Security Deed for as long as the Covered Bonds are outstanding).

The Trust has not engaged since its establishment, and will not engage whilst the Covered Bonds or the Term Advances remain outstanding, in any material activities other than activities incidental to its establishment, 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.

Beneficiaries

The Residual Income Beneficiary and the Residual Capital Beneficiary of the Trust as at the date of this Prospectus is The ANZ National Bank Staff Foundation.

Trust Manager

At the date of this Prospectus, the Trust Manager is ANZ Capel Court Limited. The registered office address of the Trust Manager is ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria 3008, Australia.

Pursuant to the Establishment Deed, the Trust Manager will act as manager of the Trust and will provide certain administrative services required by the Trust pursuant to the Programme Documents. As compensation for the performance of the Trust Manager's obligations under the Establishment Deed and as reimbursement for its related expenses, the Trust Manager will be entitled to a fee, which will be paid in accordance with the applicable Priority of Payments.

Directors

The directors of ANZ Capel Court Limited, the principal business address of each of whom should be regarded for the purposes of this Prospectus as being Level 10, 100 Queen Street, Melbourne, Victoria 3000, Australia, and their principal outside activities, where significant, are as follows:

David Trelawney Fisher	Executive Director	Head of Tech Assurance, Australia and New Zealand Banking Group Limited
Alison Mary Gray	Executive Director	Executive Director, Global Head Structured CM, Australia and New Zealand Banking Group Limited
Richard Marc Moscati	Executive Director	Group Treasurer, Australia and New Zealand Banking Group Limited
Jeremy John Robson	Executive Director	Deputy Chief Financial Officer, Australia and New Zealand Banking Group Limited

As at the date of this Prospectus, no potential conflicts or conflicts of interest exist between any duties owed to ANZ Capel Court Limited by the members of its Board of Directors listed above and their private interests and/or other duties in respect of their management roles.

Delegation by the Trust Manager

The Trust Manager may, in performing its functions under the Establishment Deed and the other Programme Documents, delegate to any service provider the performance of any of its functions and appoint any person to be delegate or sub-delegate, in each case subject to and in accordance with the provisions of the Establishment Deed and the Management Agreement, as the case may be.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Bond Trust Deed

The Bond Trust Deed, entered into between the Issuers, the Guarantor, the Covered Bond Guarantor and the Bond Trustee on 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 "*Terms and Conditions of the Covered Bonds*" below);
- (b) the covenants of the Issuers, the Guarantor and the Covered Bond Guarantor;
- (c) the terms of the Guarantee and the Covered Bond Guarantee (as described below);
- (d) the enforcement procedures relating to the Covered Bonds, the Guarantee 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 Guarantee and the Covered Bond Guarantee

The Guarantee

Where the Issuer is ANZNIL the Guarantor has guaranteed to the Bond Trustee, for the benefit of Covered Bondholders and the Bond Trustee, the prompt performance by ANZNIL of its obligations to pay on the due dates all moneys payable under the Bond Trust Deed, the Covered Bonds, the Receipts and the Coupons.

If ANZNIL defaults in the payment on the due date of any moneys payable under or pursuant to the Bond Trust Deed, the Covered Bonds, the Receipts or the Coupons, the Guarantor, as principal obligor, shall, following service of a written demand on the Guarantor by the Bond Trustee, pay or procure to be paid to or to the order of the Bond Trustee (for the benefit of itself and the Covered Bondholders (to be applied in accordance with the Programme Documents)), in the currency and at the place and in a manner specified by the Bond Trust Deed, the amount in respect of which such default has been made or to the extent only of any amounts still then unpaid.

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 Issuers and the Guarantor (in the case of Covered Bonds issued by ANZNIL) of their obligations to pay an amount equal to the Guaranteed Amounts as and when the same shall become Due for Payment.

Following the occurrence of an Issuer Event of Default and the service by the Bond Trustee of an Issuer Acceleration Notice on the Relevant Issuer and, if applicable, the Guarantor and a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor shall, 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) to or to the order of the Bond Trustee (for the benefit of the Covered Bondholders) an amount equal to those Guaranteed Amounts which shall 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 Relevant Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL) to the relevant Covered Bondholder, Receiptholders and/or Couponholders on the relevant date for payment, provided that no Notice to Pay shall be so served until an Issuer Acceleration Notice has been served by the Bond Trustee on the Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL).

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 Guarantor and the Covered Bond Guarantor, in respect of the Covered Bonds of each Series which shall 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 shall, 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.

Subject to the grace periods specified in Condition 9(b) (*Covered Bond Guarantor Events of Default*), 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 principal and interest (if any) in respect of the Covered Bonds, Receipts and Coupons by or on behalf of the Covered Bond Guarantor will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessment or other charges of whatever nature imposed or levied by or on behalf of New Zealand and/or, where the Relevant Issuer is acting through its branch, the jurisdiction, country or territory in which the branch through which the Relevant Issuer is acting as specified in the relevant Final Terms is located or in each case, 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. If any such withholding or deduction is required, the Covered Bond Guarantor shall pay the Guaranteed Amounts net of such withholding or deduction and shall account to the appropriate tax authority for the amount required to be withheld or deducted. The Covered Bond Guarantor shall 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 "*Taxation*" for further information.

Guarantor and Covered Bond Guarantor as principal debtor and not merely as surety

The Guarantor and the Covered Bond Guarantor have each agreed that its obligations under the Bond Trust Deed shall be as if it were principal debtor and not merely as surety or guarantor and shall be absolute and (in the case of the Covered Bond Guarantor following service of an Issuer Acceleration Notice and Notice to Pay or a Covered Bond Guarantee Acceleration Notice) unconditional, 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 an Issuer or the Guarantor, 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 which are received by the Bond Trustee from an Issuer, the Guarantor (in the case of Covered Bonds issued by ANZNIL) or any receiver, liquidator, administrator or other similar official appointed in relation to the Issuer or the Guarantor and are then held by it or under its control, shall be paid by the Bond Trustee on behalf of the Covered Bondholders of the relevant Series to the Covered Bond Guarantor for its own account, as soon as practicable, and shall be held by the Covered Bond Guarantor in the GIC Account, and the Excess Proceeds shall thereafter form part of the Security and shall 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 shall discharge *pro tanto* the obligations of the Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL) in respect of the Covered Bonds, Receipts and Coupons and the obligations of the Guarantor in respect of the Guarantee (as applicable and to the extent of the amount so received and subject to restitution of the same if such Excess Proceeds shall be required to be repaid by the Covered Bond Guarantor) (but shall be deemed not to have done so for the purposes of subrogation rights of the Covered Bond Guarantor contemplated by the Covered Bond Guarantee and 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 shall not reduce or discharge any such obligations.

By subscribing for Covered Bonds, each Covered Bondholder shall 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 shall reduce the Guaranteed Amounts *pro tanto*.

The Bond Trust Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

Intercompany Loan Agreement

On each Issue Date, the Intercompany Loan Provider will make a Term Advance to the Covered Bond Guarantor in an amount equal to either (i) if a Non-Forward Starting Covered Bond Swap is entered into on the relevant Issue Date, the Principal Amount Outstanding on the Issue Date of each Series or, as applicable, each Tranche of Covered Bonds in the Specified Currency of the relevant Series or Tranche of Covered Bonds or (ii) if a Forward Starting Covered Bond Swap is entered into on the relevant Issue Date, the NZ Dollar Equivalent of the Principal Amount Outstanding on the Issue Date of each Series or, as applicable, each Tranche of Covered Bonds, and for a matching term. Each Term Advance will be used by the Covered Bond Guarantor (if not denominated in NZ Dollars upon exchange into NZ Dollars under the applicable Covered Bond Swap): (A) if a New Housing Loan Portfolio is being acquired in connection with the issue of the related Series or Tranche of Covered Bonds (i) to fund (in whole or in part) the Purchase Price of the New Housing Loan Portfolio from the Seller in accordance with the terms of the Mortgage Sale Agreement; and/or (ii) acting on the directions of the Trust Manager, to invest in Substitution Assets in an amount not exceeding the prescribed limit in the Establishment Deed to the extent required to meet the Asset Coverage Test; and thereafter or otherwise the Covered Bond Guarantor may use such proceeds (subject to complying with the Asset Coverage Test): (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 Term Advance relates, to repay the Term Advance(s) corresponding to the Covered Bonds being so refinanced (after exchange into the currency of the Term Advance(s) being repaid, if necessary); and/or (C) to make a repayment of the Demand Loan, provided that the Calculation Manager has determined the outstanding balance of the Demand Loan by calculating the Asset Coverage Test as at the Intercompany Loan Drawdown Date having taken into account such repayment and the Calculation Manager has confirmed that the Asset Coverage Test will continue to be met after giving effect to such repayment; and/or (D) to make a deposit of all or part of the proceeds into the GIC Account (including, without limitation, to fund the Reserve Fund).

Neither the Relevant Issuer nor the Guarantor (in the case of Covered Bonds issued by ANZNIL) will be relying on repayment of any Term Advance in order to meet its repayment obligations under the Covered Bonds. The Covered Bond Guarantor will pay amounts due in respect of Term Advances in accordance with the relevant Priority of Payments. Prior to the service of a Notice to Pay on the Covered Bond Guarantor, amounts due in respect of each Term Advance will be paid by the Covered Bond Guarantor to, or as directed by, the Intercompany Loan Provider on each Trust 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 to pay any amounts due on the Term Advances will not affect the liability of the Relevant Issuer or the Guarantor (in the case of Covered Bonds issued by ANZNIL) to pay the relevant amount due on the Covered Bonds.

Any amounts owing by the Intercompany Loan Provider (as Issuer or, in the case of the Covered Bonds issued by ANZNIL, as Guarantor 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, as applicable, shall be set-off automatically (and without any action being required by the Covered Bond Guarantor, the Trust Manager, the Calculation Manager, the Intercompany Loan Provider or the Security Trustee) against any amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement in relation to the Term Advance corresponding to that Series or Tranche of Covered Bonds. The amount set-off shall 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 NZ Dollar Equivalent of such amount if the related Term Advance is denominated in NZ Dollars and the relevant Covered Bonds are not denominated in NZ Dollars) or the Principal Amount Outstanding of any relevant Covered Bonds purchased or otherwise acquired and cancelled by the Covered Bond Guarantor in accordance with Condition 5(i) (*Purchases*) or Condition 5(j) (*Cancellation*) (or the NZ Dollar Equivalent of such amount if the related

Term Advance is denominated in NZ Dollars and the relevant Covered Bonds are not denominated in NZ Dollars), as applicable, which amount shall be applied to reduce amounts payable under the Intercompany Loan Agreement in relation to the Term Advance corresponding to the relevant Covered Bonds and the Demand Loan Agreement in the following order of priority:

- (a) first, to reduce and discharge interest (including accrued interest) due and unpaid on the outstanding principal balance of such Term Advance;
- (b) second, to reduce and discharge the outstanding principal balance of such Term Advance;
- (c) third, to reduce and discharge any other amounts due and payable by the Covered Bond Guarantor to the Intercompany Loan Provider under the Intercompany Loan Agreement; and
- (d) fourth, to reduce and discharge amounts due and payable by the Covered Bond Guarantor to the Demand Loan Provider under the Demand Loan Agreement (see below).

The Intercompany Loan Agreement is governed by New Zealand law.

Demand Loan Agreement

Under the Demand Loan Agreement the Demand Loan Provider has agreed to make available to the Covered Bond Guarantor a NZ Dollar revolving credit facility under which the Demand Loan Provider may make Demand Loan Advances to the Covered Bond Guarantor. Each Demand Loan Advance will be denominated in NZ Dollars. The interest rate on the Demand Loan will be equal to the 30 day Bank Bill Rate plus a spread to be determined by the Demand Loan Provider. The balance of the Demand Loan will fluctuate over time, as described below.

The proceeds of each Demand Loan Advance may only be used by the Covered Bond Guarantor (a) as consideration (in whole or part) for the acquisition of Housing Loans and the Related Security from the Seller on a Transfer Date where the aggregate of the proceeds of the related Term Advance (if any) made on that date and/or (subject to paragraph (b) of the Pre-Acceleration Principal Priority of Payments) the Available Principal Receipts (if any) are not sufficient to pay the Purchase Price for the relevant New Housing Loan Portfolio; (b) to repay a Term Advance on the date on which the Series of Covered Bonds corresponding to such Term Advance matures; (c) to rectify a failure to meet the Asset Coverage Test; (d) to rectify a breach of the Pre-Maturity Test; (e) to rectify an Interest Rate Shortfall; or (f) to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw (if on any Trust Payment Date the Available Principal Receipts (if any) are not sufficient to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw that the Covered Bond Guarantor has agreed may remain in the Housing Loan Portfolio in accordance with the Mortgage Sale Agreement).

The Covered Bond Guarantor shall repay the principal on the Demand Loan in accordance with the applicable Priority of Payments and the terms of the Demand Loan Agreement and the Establishment Deed, using (i) funds in the applicable Trust Accounts; and/or (ii) proceeds from the sale of Substitution Assets and/or Authorised Investments; and/or (iii) proceeds of the sale, pursuant to the Establishment Deed, of Housing Loans and the Related Security to the Seller or to another person subject to the Seller's right of pre-emption; and/or (iv) the proceeds of a Term Advance pursuant to the terms of the Intercompany Loan Agreement (see "*Cashflows*" below).

At any time prior to an Issuer Event of Default and provided the conditions precedent have been satisfied, the Covered Bond Guarantor may re-borrow any amount of the Demand Loan repaid by the Covered Bond Guarantor in accordance with the Demand Loan Agreement and the relevant Priority of Payments. Unless otherwise agreed by the Demand Loan Provider, no further Demand Loan Advances will be required to be made to the Covered Bond Guarantor under the Demand Loan Facility following an Issuer Event of Default or Covered Bond Guarantor Event of Default.

If a demand for repayment of all or part of the Demand Loan is given, then subject to the applicable Priority of Payments, the principal amount of the Demand Loan shall be repaid on the next Trust Payment Date by an amount equal to the lesser of: (a) the amount requested to be repaid by the Demand Loan Provider; and (b) the maximum amount (as calculated by the Calculation Manager) that will not result in a breach of the Asset Coverage Test after giving effect to such repayment. If on any Trust Payment Date the Asset Coverage Test

will be breached after giving effect to a repayment of the Demand Loan, no amount will be repayable on the Demand Loan on such date.

Any amounts owing by the Demand Loan Provider (as Issuer or, in the case of Covered Bonds issued by ANZNIL, as Guarantor 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, which are not set-off in accordance with the order of priority contained in paragraphs (a) to (c) of the description of the Intercompany Loan Agreement (set out above) shall be set-off automatically (and without any action being required by the Covered Bond Guarantor, the Trust Manager, the Calculation Manager, the Intercompany Loan Provider or the Security Trustee) against any amounts payable by the Covered Bond Guarantor under the Demand Loan Agreement in the following order of priority:

- (A) *first*, to reduce and discharge interest (including accrued interest) due and unpaid on the Demand Loan;
- (B) *second*, to reduce and discharge the outstanding principal balance of the Demand Loan; and
- (C) *third*, to reduce and discharge any other amounts due and payable by the Covered Bond Guarantor to the Demand Loan Provider under the Demand Loan Agreement.

The Demand Loan Agreement is governed by New Zealand law.

Mortgage Sale Agreement

Sale by the Seller of Housing Loans and Related Security

Housing Loans and the Related Security have been and will be sold to the Covered Bond Guarantor from time to time pursuant to the terms of the Mortgage Sale Agreement entered into on the Programme Date between ANZNBL as Seller, Calculation Manager, Issuer, Guarantor, Servicer and All Moneys Mortgage Beneficiary, ANZNIL, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.

The types of Housing Loans forming part of the Housing Loan Portfolio will vary over time provided that at the time the relevant Housing Loans are sold to the Covered Bond Guarantor, the Housing Loans are Qualifying Housing Loans (as described below) on the relevant Transfer Date. Accordingly, New Housing Loans sold by the Seller to the Covered Bond Guarantor on a Transfer Date may have characteristics that differ from Housing Loans already in the Housing 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 Housing Loans and Related Security from the Seller in the four circumstances described below:

- (a) *first*, in relation to the issue of Covered Bonds from time to time in accordance with the Programme, the proceeds of a Demand Loan Advance and/or a Term Advance (after being swapped into NZ Dollars at the applicable Swap Rate if the Term Advance is not denominated in NZ Dollars), together with (if applicable) any Available Principal Receipts available for that purpose, may be applied in whole or in part by the Covered Bond Guarantor to acquire Housing Loans and the Related Security from the Seller on the relevant Transfer Date;
- (b) *second*, if at any time prior to the service of an Asset Coverage Test Breach Notice (which has not 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 (d) inclusive of the Pre-Acceleration Principal Priority of Payments; and
 - (ii) the Trust Manager considers (having regard to the composition of the Housing 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 (d) inclusive of the Pre-Acceleration Principal Priority of Payments should be utilised to acquire New Housing Loans and the Related Security,

then the Covered Bond Guarantor shall use the Available Principal Receipts to acquire New Housing Loans and Related Security from the Seller on the relevant Transfer Date;

- (c) *third*, the Covered Bond Guarantor is required to ensure that the Adjusted Aggregate Housing Loan Amount is maintained at all times in compliance with the Asset Coverage Test (as determined by the Calculation Manager on each Determination Date). If on any Determination Date the Adjusted Aggregate Housing Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds, the Seller will use all reasonable efforts to offer to sell sufficient New Housing Loans and the Related Security to the Covered Bond Guarantor so the Asset Coverage Test is met on or before the next Determination Date; and
- (d) *fourth*, if the Servicer notifies the Covered Bond Guarantor and the Seller that the Interest Rate Shortfall Test has not been met and the Covered Bond Guarantor and the Security Trustee notify the Servicer and the Seller that further Housing Loans and the 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 in accordance with the Mortgage Sale Agreement sufficient New Housing Loans and the Related Security to the Covered Bond Guarantor on or before the next succeeding Determination Date to rectify the Interest Rate Shortfall on that Determination Date.

In exchange for the sale of the Housing Loans and the Related Security to the Covered Bond Guarantor, the Seller will receive a cash payment of the Purchase Price and the payment of the Deferred Consideration in accordance with the applicable Priority of Payments.

The Seller and the Covered Bond Guarantor may agree that the Purchase Price for each New Housing Loan Portfolio shall be set-off against any amount payable on the Transfer Date by ANZNBL as Intercompany Loan Provider and/or Demand Loan Provider under the Intercompany Loan Agreement and/or the Demand Loan Agreement.

The Purchase Price for a New Housing Loan Portfolio shall be paid on the applicable Transfer Date.

The Seller will be required to repurchase Housing Loans and the Related Security sold to the Covered Bond Guarantor in the circumstances described below under "*Repurchase by the Seller following breach of Representations and Warranties*".

Qualifying Housing Loans

The sale of Housing Loans and the Related Security to the Covered Bond Guarantor will be subject to certain conditions being satisfied on the relevant Transfer Date, including that each Housing Loan is a Qualifying Housing Loan. A Qualifying Housing Loan is a Housing Loan that satisfies the following eligibility criteria:

- (a) it is due from a Qualifying Borrower;
- (b) it is repayable in NZ Dollars;
- (c) it is fully drawn;
- (d) its term does not exceed 30 years;
- (e) it has a Current Principal Balance no greater than \$2,000,000;
- (f) it is secured by a Mortgage over Property in New Zealand which is a registered first ranking mortgage;
- (g) 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 Housing Loan);
- (h) it is not 30 days or more in arrears;
- (i) its sale does not contravene or conflict with any applicable law;
- (j) it has been approved and originated by the Seller in accordance with the Servicing Procedures and the Seller has verified the ability of the Borrower to meet his or her payment obligations under the Housing Loan; and

- (k) the Borrower has made at least one interest payment under the Housing Loan.

On each Transfer Date, the Representations and Warranties (described below in "*Representations and Warranties*") will be given by the Seller in respect of the Housing Loans and the Related Security sold by the Seller to the Covered Bond Guarantor on that Transfer Date.

Transfer of Title to the Housing Loans to the Covered Bond Guarantor

Housing Loans will be sold by the Seller to the Covered Bond Guarantor by way of statutory assignment. Notice of the sale will not be initially provided to the Borrowers. Mortgages will be sold by the Seller to the Covered Bond Guarantor by way of equitable assignment.

The completion and delivery of transfers of Mortgages to the Covered Bond Guarantor and the notifications to the relevant Borrowers notifying such Borrowers of the sale of Housing Loans in the Housing Loan Portfolio and the Related Security to the Covered Bond Guarantor and the transfer of custody of the Housing Loan Files to the Covered Bond Guarantor, or the Trust Manager on its behalf, may be completed by the Covered Bond Guarantor, or the Trust Manager on its behalf, after the earliest to occur of the following events (**Title Perfection Events**):

- (a) the occurrence of an Issuer Event of Default and the service on the Issuers and the Guarantor of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor of a Notice to Pay unless the Seller has notified the Covered Bond Guarantor that it will accept the offer set out in a Selected Housing Loan Offer Notice within the prescribed time in relation to the Housing Loans and the Related Security specified in the Selected Housing Loan Offer Notice, in which case, the completion and delivery of transfers to the Covered Bond Guarantor and the notifications to the relevant Borrowers and the transfer of custody shall not occur in relation to the Housing Loans and the Related Security as specified; or
- (b) in respect of Selected Housing Loans and the Related Security only, at the request of the Covered Bond Guarantor, or the Trust Manager on its behalf, following the acceptance of an offer to sell the Selected Housing Loans and the Related Security (in accordance with the Programme Documents) to any person who is not the Seller; or
- (c) the Seller and/or the Covered Bond Guarantor being required to perfect legal title to the Housing Loans and/or the Related Security by law or by an order of a court of competent jurisdiction; or
- (d) the Security under the Security Deed or any material part of the Security being in the opinion of the Security Trustee (acting reasonably) in jeopardy and the Security Trustee determining or being directed by the Bond Trustee or, if there are no Covered Bonds outstanding, the Majority Secured Creditors, to take that action to reduce that jeopardy; or
- (e) the termination of ANZNBL's role as Servicer under the Servicing Agreement unless (i) at the relevant date of termination any Substitute Servicer is a member of the ANZ Group or (ii) the Security Trustee otherwise consents (such consent to be given if a Rating Affirmation Notice has been delivered by the Trust Manager to the Covered Bond Guarantor and the Security Trustee in respect of the termination of ANZNBL's role as Servicer);
- (f) the Seller requesting the perfection of a sale of Housing Loans and the Related Security and transfer of custody of the Housing Loan Files by giving notice in writing to the Covered Bond Guarantor and the Security Trustee;
- (g) the occurrence of an Insolvency Event in relation to the Seller; or
- (h) the Seller's unsecured, unsubordinated, long-term senior debt obligations have been downgraded below Baa3 by Moody's or BBB- by Fitch.

The Seller undertakes (to the extent that any of the following is vested in it) to hold all right, title, interest and benefit (both present and future) in and under (A) the Housing Loans in the Housing Loan Portfolio and the Related Security, following the acquisition of such Housing Loans and the Related Security by the Covered Bond Guarantor and (B) any sums that are or may become due in respect thereof, on trust for the Covered Bond Guarantor (excluding from such trust any Housing Loans which have been repurchased by the Seller).

On the Programme Date, the Seller delivered a registrable power of attorney appointing the Covered Bond Guarantor as its attorney to: (I) sign, execute, deliver and submit by way of e-dealing any client authority and instruction form for an e-dealing that conforms with the Land Transfer Act 1952 and is approved by the New Zealand Law Society and the Registrar General of Land (an **A&I Form**) relating to any Housing Loans in accordance with the Mortgage Sale Agreement; and (II) sign and/or perform all other instruments, assurances, acts, matters and things which in the opinion of ANZNBL and the Covered Bond Guarantor or any person who replaces the Covered Bond Guarantor as trustee of the Trust (as conclusively evidenced by the execution or performance by the Covered Bond Guarantor or that person of any instrument, assurance, act, matter or thing) are or may be necessary, incidental or desirable in relation to the execution, sealing, delivery or submission of an A&I Form or any other step necessary to perfect the Covered Bond Guarantor's legal title to the Housing Loans. The power of attorney will not be exercisable by the Covered Bond Guarantor until the occurrence of a Title Perfection Event. Upon the occurrence of a Title Perfection Event, the Servicer must deliver to or at the written direction of the Covered Bond Guarantor all Housing Loan Files, and the Covered Bond Guarantor must as soon as practicable take all necessary steps to protect the Covered Bond Guarantor's interest in, and title to, the Housing Loans and the Related Security, including: (1) signing, in accordance with the New Zealand Law Society guidelines, the necessary A&I Forms (where necessary under the Seller's Power of Attorney) and submitting by way of e-dealing any transfer or caveat with LINZ; (2) initiating legal proceedings to take possession of the Housing Loan Files that have not been delivered by the Servicer; and (3) the giving of notice of the transfers to the relevant Borrowers, insurers and other interested persons.

The Seller shall indemnify each of the Covered Bond Guarantor and the Security Trustee from and against any and all costs, fees and expenses (including, without limitation, legal fees and expenses and any applicable GST thereon) which may be properly incurred by the Covered Bond Guarantor and/or the Security Trustee by reason of doing any act, matter or thing in order to perfect legal title to the Housing Loans and the Related Security (where entitled to do so as provided above).

Representations and Warranties

Neither the Covered Bond Guarantor, the Trust Manager nor the Security Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in respect of the Housing Loans and the Related Security to be sold to the Covered Bond Guarantor. Instead, each will rely entirely on the Representations and Warranties to the Covered Bond Guarantor, the Trust Manager and the Security Trustee made by the Seller and contained in the Mortgage Sale Agreement. The Seller makes the following Representations and Warranties to the Covered Bond Guarantor, the Trust Manager and the Security Trustee in relation to each Housing Loan and the Related Security on the relevant Transfer Date:

- (a) At the time the Seller entered into the Housing Loan the Housing Loan and each Related Security complied with all applicable laws.
- (b) The Housing Loan was originated by the Seller in accordance with, in all material respects, its Servicing Procedures in force at the time of the origination of the Housing Loan and the exercise of any discretion by the Seller in making the Housing Loan was consistent with the practice of a Prudent Mortgage Lender.
- (c) Immediately prior to making the Housing Loan, the nature and amount of the Housing Loan and the Related Security and the circumstances of the relevant Borrower and the relevant Property satisfied the Servicing Procedures in all material respects.
- (d) The Servicing Procedures of the Seller are consistent with those of a Prudent Mortgage Lender.
- (e) The terms of the Housing Loan and any Related Security, have not been impaired, waived, altered or modified in any respect, except changes to the terms of the Housing Loan to which a Prudent Mortgage Lender would have agreed, recorded in a written instrument forming part of the mortgage documentation applicable to the Housing Loan.
- (f) The Housing Loan and its Related Security have been made on the terms of, or on terms not materially different from, documents forming part of the standard mortgage documentation of the Seller.
- (g) The Housing Loan, the related Mortgage and any Related Security are enforceable in accordance with their terms against the relevant Borrower or security provider (as the case may be) (subject to laws relating to insolvency and creditors' rights generally).

- (h) The Housing Loan is a Qualifying Housing Loan, satisfying the requirements set out in the Mortgage Sale Agreement except that the Seller makes no representation as to the sanity of any Borrower.
- (i) The Housing Loan was originated in the ordinary course of the residential secured lending activities of the Seller.
- (j) At the time the Seller entered into the Housing Loan, it had 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 Housing Loan.
- (k) The Seller is the sole legal and beneficial owner of the Housing Loan, the related Mortgage and any other Related Security, and no Security Interest exists in relation to its right, title and interests in the Housing Loan, the related Mortgage and any other Related Security, and the Seller 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 Related Security (other than Security Interests arising by operation of law).
- (l) To the best of the Seller's knowledge and belief it holds, or it is able to obtain, all documents (whether in paper or electronic form) necessary to enforce the provisions of, and the security created by, the related Mortgage and each Related Security.
- (m) The Seller has complied with its material obligations under the Housing Loan.
- (n) The Housing Loan is (or is a combination of) a fixed interest rate Housing Loan or a variable interest rate Housing Loan. If it is a variable interest rate Housing Loan, the terms of the Housing Loan allow the Seller to change the applicable variable interest rate in accordance with the applicable Housing Loan Conditions.
- (o) Except if the Housing Loan is subject to a fixed rate of interest at any time and, except as may be provided by applicable laws or any binding code or arrangement applicable to banks or other lenders in the business of making retail home loans, the interest payable on the Housing 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 relevant Housing Loan and any change will be effective on notice being given to the Borrower in accordance with the Housing Loan Conditions.
- (p) Prior to making the Housing Loan, the Seller instructed, or required to be instructed on its behalf, solicitors or conveyancing practitioners to carry out, in relation to the relevant Property, all investigations, searches and other actions and enquiries which a Prudent Mortgage Lender or its solicitors or conveyancing practitioners normally would have made when lending to an individual an amount equal to the amount advanced on the security of residential property in New Zealand, and received a solicitor's certificate which, either initially or after further investigation, revealed no material matter which would have caused a Prudent Mortgage Lender to decline the Housing Loan, having regard to the Servicing Procedures.
- (q) In relation to a Housing Loan prior to making the Housing Loan, and where required under the relevant Servicing Procedures the relevant Property was valued in accordance with the Servicing Procedures and, where the Servicing Procedures required a full registered valuation, by an independent registered valuer appointed by the Seller or as otherwise permitted under the Servicing Procedures, and the results of each such valuation would be acceptable to a Prudent Mortgage Lender.
- (r) The Seller has not agreed to waive any of its rights against any valuer, solicitor, conveyancing practitioner or other professional who has provided information, carried out work or given advice in connection with the Housing Loan or its Related Security.
- (s) There is no obligation on the Seller under the Housing Loan to make any further financial accommodation available to the relevant Borrower.
- (t) Each Housing Loan and its Related Security complies with the relevant requirements for credit contracts and consumer credit contracts in the Credit Contracts Act 1981 and the Credit Contracts and Consumer Finance Act 2003 (CCCFA) (to the extent those statutes are applicable to the Housing Loan and its Related Security) (or to the extent that it does not, the non-compliance will not affect the enforceability of the terms of the Housing Loan or the Related Security).

- (u) The Seller has not been notified of any application to a court in respect of any Housing Loan or other document included in the Housing Loan Files by the Commerce Commission or any Borrower or guarantor under the CCCFA to reopen a credit contract in accordance with section 125 of the CCCFA.
- (v) So far as the Seller is aware, the relevant Borrower is not in material breach of the terms of the Housing Loan.
- (w) The Seller has taken such steps as a Prudent Mortgage Lender would take to ensure that, as at the date of completion of the Housing Loan, the relevant Property was insured under a policy with an insurance company against fire and other commercial risks usually covered by a Prudent Mortgage Lender for an amount not less than the full reinstatement value of the Property at or around the time that the Housing Loan was made.
- (x) The relevant Property subject to a Mortgage is a residential property situated in New Zealand.
- (y) In respect of each Property subject to a Mortgage, the Seller has received a solicitor's certificate stating that all reasonable steps will be taken to register the Mortgage and provide a valid and enforceable security as required by the Seller in its instructions to the solicitor.
- (z) Since the origination of the Housing Loan, full and proper accounts, books and records have been kept showing clearly all material transactions, payments, receipts, notices and proceedings relating to the Housing Loan and its Related Security and all such accounts, books and records are up to date, accurate in all material respects and have been kept to standards acceptable to a Prudent Mortgage Lender and are in the possession of the Seller.
- (aa) So far as the Seller is aware, no fraud has been perpetrated by the relevant Borrower or other person (whether or not an agent or staff member of the Seller, or otherwise) in or in relation to or in connection with the origination or completion of the Housing Loan or its Related Security and none of the documents, reports, applications, forms and deeds given, made, drawn up or executed in relation to such origination or completion has been given, made, drawn up or executed in a fraudulent manner.
- (bb) The Seller has not received written notice of any litigation or claim calling into question in any material way the title of the Seller to the Housing Loan and/or the Related Security.
- (cc) The Seller is lawfully entitled to assign the Housing Loan, the related Mortgage and any other Related Security, upon the terms and conditions of the Mortgage Sale Agreement and no consent to the sale and assignment of the Housing Loan, the related Mortgage and any other Related Security, or notice of that sale and assignment is required to be given by or to any person including, without limitation, any Borrower and such sale and assignment of the Housing Loan, the related Mortgage and any other Related Security is permitted under the Housing Loan Conditions and the terms of the related Mortgage and any other Related Security.
- (dd) Upon the acceptance of the offer contained in a New Housing Loan Portfolio Notice, beneficial ownership of the Housing Loan, the related Mortgage and any other Related Security, will vest in the Covered Bond Guarantor free and clear of all Security Interests (other than Security Interests arising by operation of law).
- (ee) Neither the entry by the Seller into the Mortgage Sale Agreement nor the sale of the rights, title, interests and benefits in the Housing Loans and the Related Security contemplated by the Mortgage Sale Agreement will have a material adverse effect on any Housing Loan or its Related Security.
- (ff) All formal approvals, consents and other steps necessary to permit the sale of the Housing Loan and the Related Security under the Mortgage Sale Agreement have been obtained or taken.
- (gg) The Housing Loan Conditions preserve the Seller's ability to appropriate moneys paid into an account by a Borrower in such way as the Seller determines.

All Moneys Mortgage Trust

The Mortgage in respect of a Housing Loan in the Housing Loan Portfolio may constitute an "all money mortgage" in that such Mortgage purports to secure the repayment of indebtedness which a Borrower owes, or

may owe, to the Seller, as applicable, from time to time that is not assigned to the Covered Bond Guarantor (such as business loans) (**Associated Debt**) as well as securing the repayment of the Housing Loan (each, an **All Moneys Mortgage**). Pursuant to a trust to be established on the date that an All Moneys Mortgage is assigned by the Seller to the Covered Bond Guarantor (each such trust, an **All Moneys Mortgage Trust**), the Covered Bond Guarantor will hold the beneficial interest in such All Moneys Mortgage and the proceeds of enforcement of such All Moneys Mortgage on trust for the benefit of itself and the Seller. Each of the Covered Bond Guarantor and the Seller, as applicable, will have an interest in the trust property, but in the event that enforcement proceedings are instituted against a Borrower under the terms of the All Moneys Mortgage, any proceeds which are available to be distributed will be distributed under the terms of the All Moneys Mortgage Trust, first, to meet all costs, charges and expenses of the All Moneys Mortgage Trustee (being the Covered Bond Guarantor), the Trust Manager or the relevant mortgagee or any receiver, receiver and manager or attorney incurred in the enforcement of the Housing Loan and the Related Security; second, to the Covered Bond Guarantor, the amount required to pay, in full, the Current Principal Balance of each related Housing Loan in the Housing Loan Portfolio together with accrued interest and arrears of interest and expenses payable, the payment of which is secured by the All Moneys Mortgage; third, following the repayment in full of the amounts referred to above, to the Seller the amount required to pay, in full, all amounts due and payable under the related Associated Debt (including accrued interest and any other amounts due in respect thereof), the payment of which is secured by the All Moneys Mortgage; and fourth, as to any excess, to the Borrower in respect of the relevant All Moneys Mortgage. An All Moneys Mortgage may be enforceable on the occurrence of a default by the relevant Borrower under the terms of the Housing Loan or under the terms of the Associated Debt.

If the Covered Bond Guarantor or, following the service of a Covered Bond Guarantee Acceleration Notice, the Security Trustee receives notice from the Seller that a Mortgage in the Housing Loan Portfolio is an All Moneys Mortgage that secures indebtedness of a Borrower that is owing to the Seller, the Covered Bond Guarantor or the Security Trustee (as the case may be) will not dispose of, or create an interest in, the Mortgage or the Housing Loan secured by the Mortgage, unless the Covered Bond Guarantor or the Security Trustee (as the case may be) notifies the relevant third party receiving that interest in the Mortgage, or the Housing Loan secured by the Mortgage, of the All Moneys Mortgage Trust and the terms of any agreement with respect to the disposal of, or the creation of the interest in, the Mortgage or the Housing Loan (except where the agreement is with the Seller) includes a requirement on the relevant acquirer to hold the Mortgage upon trust for itself and the Seller (and any subsequent purchaser of the Associated Debt) on the same terms as the All Moneys Mortgage Trust and undertakings by the relevant acquirer in favour of, and enforceable by, the Seller and any third party purchaser of any Associated Debt unless expressly agreed otherwise by the Seller.

Neither the Covered Bond Guarantor nor the Security Trustee will grant, provide or agree to any release, discharge, surrender, waiver or variation of that Related Security without the prior written consent of the Seller. If the Seller reasonably believes that the Covered Bond Guarantor or the Security Trustee intends to dispose of, or create an interest in, any Related Security which also secures, or relates to, Associated Debt the Seller may lodge a caveat to protect its interest in the relevant Associated Debt.

Repurchase by the Seller following breach of Representations and Warranties

If the Seller receives a Housing Loan Repurchase Notice from the Covered Bond Guarantor identifying a Housing Loan in the Housing Loan Portfolio which did not, as at any date on which such Representation and Warranty was deemed to be given, materially comply with the Representations and Warranties set out in the Mortgage Sale Agreement, then the Covered Bond Guarantor will be required to sell and the Seller will be required to repurchase any such Housing Loan and the Related Security, unless the Related Security also secures another Housing Loan in the Housing Loan Portfolio that is not also subject to repurchase, for the Repurchase Price payable at the Repurchase Date.

Product Switches, Further Advances and Cash Redraws

A Housing Loan in the Housing Loan Portfolio will be subject to a Product Switch when the Seller agrees to a variation in the Housing Loan Conditions applicable to a Borrower's Housing Loan which means that the Housing Loan would no longer be a Qualifying Housing Loan and/or moving a Borrower to an alternative mortgage product, including a change in Product Type.

If the Seller agrees to a Product Switch in relation to a Housing Loan in the Housing Loan Portfolio, the Covered Bond Guarantor shall be required to sell and the Seller shall be required to repurchase that Housing Loan and (if applicable) the Related Security on the Repurchase Date, being (except to the extent that the Seller

and the Covered Bond Guarantor, or the Trust Manager on its behalf, agree otherwise) the next Trust Payment Date to occur following expiry of period of five days following the date of service by the Seller of a Seller Housing Loan Repurchase Notice on the Covered Bond Guarantor or at the Seller's earlier election, unless:

- (a) the Product Switch is a change to a New Product Type which at that time has been approved for acceptance by the Covered Bond Guarantor or the Trust Manager on its behalf; or
- (b) the Seller has obtained the written agreement of the Covered Bond Guarantor, or the Trust Manager on its behalf, that the Housing Loan may remain in the Housing Loan Portfolio.

The Covered Bond Guarantor is under no obligation whatsoever to agree that a Housing Loan to which an application for or an offer of a Product Switch relates may remain in the Housing Loan Portfolio, and any such decision shall be made at the Covered Bond Guarantor's absolute discretion, provided that in no circumstances shall the Covered Bond Guarantor agree that a Housing Loan to which an application for or an offer of a Product Switch relates may remain in the Housing Loan Portfolio if the Housing Loan would not be a Qualifying Housing Loan immediately after the Product Switch occurs. Any Housing Loan subject to a Product Switch repurchased by the Seller shall be repurchased at the Repurchase Price payable as at the Repurchase Date.

A Housing Loan in the Housing Loan Portfolio will be subject to a Further Advance if the Seller makes any advance of further money to the relevant Borrower following the making of the initial advances of money in respect of such Housing Loan which is secured by the same Mortgage but does not include any Cash Redraw. A Housing Loan in the Housing Loan Portfolio will be subject to a Cash Redraw if the Seller re-advances to the relevant Borrower some or all of the Overpayments that the Borrower has made under the Housing Loan.

As part of the sale of each New Housing Loan Portfolio, the Seller agrees to transfer to the Covered Bond Guarantor all right, title, interest or benefit of the Seller in and to the relevant New Housing Loan Portfolio that arises or is acquired by the Seller after the relevant Transfer Date (including, without limitation, each Further Advance and Cash Redraw), such right, title, interest or benefit to vest immediately upon such right, title, interest or benefit arising or being acquired and without any further act or document being required.

If the Seller makes a Further Advance or a Cash Redraw in relation to a Housing Loan in the Housing Loan Portfolio the Covered Bond Guarantor is entitled under the Mortgage Sale Agreement to request the Seller to repurchase the Housing Loan related to the Further Advance or Cash Redraw (as the case may be).

The Covered Bond Guarantor is under no obligation whatsoever to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw, and any such decision shall be made at the Covered Bond Guarantor's absolute discretion, provided that in no circumstances shall the Covered Bond Guarantor agree to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw if: (i) the Housing Loan would not be a Qualifying Housing Loan immediately after the Further Advance or Cash Redraw is made; or (ii) on the Determination Date following the date on which the Further Advance or Cash Redraw is made it is determined by the Trust Manager that either there will be insufficient Available Principal Receipts that are able to be applied for that purpose on the next Trust Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments or a Reimbursement Demand Loan Advance will not be made by the Demand Loan Provider for that purpose, in respect of that request, for whatever reason. The Covered Bond Guarantor, or the Trust Manager on its behalf, shall notify the Seller on or before the relevant Trust Payment Date as to whether the Covered Bond Guarantor has agreed to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding the Cash Redraw.

If the Covered Bond Guarantor, or the Trust Manager on its behalf, notifies the Seller that it has determined not to pay the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw, then the Seller must serve a Seller Housing Loan Repurchase Notice on the Covered Bond Guarantor. The Covered Bond Guarantor shall be required to sell and the Seller shall be required to repurchase the relevant Housing Loan and (if applicable) the Related Security on the relevant Repurchase Date in accordance with the Mortgage Sale Agreement. Any Housing Loan repurchased by the Seller pursuant to these provisions shall be repurchased at the Repurchase Price of the Housing Loan payable as at the Repurchase Date less the Further Advance or the Cash Redraw (as the case may be).

Seller remains responsible

The Seller will be solely responsible for funding a Further Advance and/or a Cash Redraw to a Borrower in respect of any Housing Loan in the Housing Loan Portfolio and the Covered Bond Guarantor is not required to make or fund any Further Advance or Cash Redraw unless it expressly agrees to do so in accordance with the Mortgage Sale Agreement.

Defaulted Housing Loans

If a Housing Loan becomes a Defaulted Housing Loan, then that Defaulted Housing Loan will be attributed a zero value in the calculation of the Asset Coverage Test and the Amortisation Test on the relevant Determination Date.

General ability to repurchase

The Seller may, at any time prior to the occurrence of an Issuer Event of Default, by serving a Seller Housing Loan Repurchase Notice on the Covered Bond Guarantor (copied to the Trust Manager), offer to repurchase a Housing Loan and its Related Security (unless the Related Security also secures another Housing Loan in the Housing Loan Portfolio that is not also subject to the offer contained in the Seller Housing Loan Repurchase Notice) from the Covered Bond Guarantor for the Repurchase Price of the Housing Loan payable as at the Repurchase Date. The Covered Bond Guarantor shall be under no obligation whatsoever to accept such an offer. In no circumstances shall the Covered Bond Guarantor (or the Trust Manager on its behalf) accept any such offer unless the Calculation Manager has first confirmed that, after giving effect to the sale of the Housing Loan and Related Security, the Asset Coverage Test will be met.

Timing of repurchase and payment of repurchase price

A repurchase of the right, title and interest in a Housing Loan and Related Security in the circumstances described under "*Repurchase by the Seller following breach of Representations and Warranties*", "*Product Switches, Further Advances and Cash Redraws*" and "*General ability to repurchase*" will take place on a date agreed by the Seller and the Covered Bond Guarantor, or the Trust Manager on its behalf, or on the next Trust Payment Date to occur following expiry of a period of five days following the date of the service by the Seller of a Seller Housing Loan Repurchase Notice or the date of the service by the Covered Bond Guarantor of the Housing Loan Repurchase Notice (as applicable), whereupon the Seller shall pay to the Covered Bond Guarantor an amount equal to the Repurchase Price for such Housing Loan or Housing Loans.

Right of pre-emption

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 Housing Loans and the Related Security. The Covered Bond Guarantor may be required to sell Selected Housing Loans and the Related Security in the circumstances described in "*Establishment Deed – Sale of Selected Housing Loans and the Related Security if the Pre-Maturity Test is breached*", "*Establishment Deed – Sale of Selected Housing Loans following the Demand Loan Provider making demand that the Demand Loan be repaid*", "*Establishment Deed – Sale of Selected Housing Loans and the Related Security following service of an Asset Coverage Test Breach Notice*" and "*Establishment Deed – Sale of Selected Housing Loans and the Related Security following service of a Notice to Pay*" below.

In connection with the sale of Selected Housing Loans and Related Security, the Covered Bond Guarantor will serve on the Seller a Selected Housing Loan Offer Notice offering to sell those Selected Housing Loans and the Related Security 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), for an amount not less than the Current Principal Balance of the Selected Housing 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. If the Seller accepts the Covered Bond Guarantor's offer to sell the relevant Selected Housing Loans and the Related Security in accordance with the foregoing, the Seller shall, within ten Local Business Days of service of the Selected Housing Loan Offer Notice on the Seller, countersign and return to the Covered Bond Guarantor the relevant Selected Housing Loan Offer Notice, provided that if an Issuer Event of Default has occurred but no liquidator, statutory manager, receiver, receiver and manager or administrator has been appointed to the Seller, the Seller's right to accept the offer (and therefore exercise its right of pre-emption) will be conditional upon the delivery within such ten Local Business Day period of a solvency certificate in a form

acceptable to the Covered Bond Guarantor (or the Trust Manager on its behalf) and the Security Trustee (each acting reasonably). Upon receipt by the Covered Bond Guarantor (or the Trust Manager on its behalf) of a countersigned Selected Housing Loan Offer Notice, the Seller will repurchase from the Covered Bond Guarantor and the Covered Bond Guarantor shall transfer to the Seller free from the Security created by the Security Deed: (a) the relevant Selected Housing Loans referred to in the relevant Selected Housing Loan Offer Notice; and (b) unless the Related Security also secures another Housing Loan in the Housing Loan Portfolio that is not also subject to the offer contained in the Selected Housing Loan Offer Notice, the Related Security. Completion of such repurchase shall take place on such date as the Covered Bond Guarantor (or the Trust Manager on its behalf) and the Seller may agree (provided that such date shall not be later than the earlier to occur of the date which is (i) ten Local Business Days after receipt by the Covered Bond Guarantor (or the Trust Manager on its behalf) of the Selected Housing Loan Offer Notice countersigned by the Seller or (ii) the Final Maturity Date of the Earliest Maturing Covered Bonds), when the Seller shall pay to the GIC Account (or as the Covered Bond Guarantor (or the Trust Manager on its behalf) shall direct) an amount in cash equal to the repurchase price specified in the relevant Selected Housing Loan Offer Notice.

If the Seller rejects the Covered Bond Guarantor's offer or fails to accept it in accordance with the foregoing, the Covered Bond Guarantor will offer to sell the Selected Housing Loans and the Related Security to other Purchasers (as described under "*Establishment Deed – Method of Sale of Selected Housing Loans*", below).

For the purposes hereof:

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

- (A) the NZ Dollar Equivalent of the Required Redemption Amount; plus or minus
- (B) the NZ Dollar Equivalent of any swap termination amounts payable under the Covered Bond Swaps corresponding to the Series to or by the Covered Bond Guarantor; minus
- (C) (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
- (D) the NZ Dollar Equivalent of any swap termination amounts payable to or by the Covered Bond Guarantor under the Interest Rate Swap.

The Mortgage Sale Agreement is governed by New Zealand law.

Servicing Agreement

Pursuant to the terms of the Servicing Agreement entered into on the Programme Date between the Covered Bond Guarantor, ANZNBL as Servicer and as Seller, the Trust Manager and the Security Trustee, the Servicer has agreed to administer and service the Housing Loans in the Housing Loan Portfolio and the Related Security on behalf of the Covered Bond Guarantor and to provide certain other administration and management services.

The Servicer will be required to administer and service the Housing Loans in the Housing Loan Portfolio and the Related Security in accordance with the Servicing Procedures.

Subject to the Housing Loan Conditions, the Mortgage Sale Agreement and the Servicing Agreement, the Servicer has the full power, authority and the right to do or cause to be done any and all things which it reasonably considers necessary, convenient or incidental to the administration of the Housing Loans in the Housing Loan Portfolio and the Related Security.

Undertakings of the Servicer

Pursuant to the terms of the Servicing Agreement, the Servicer has covenanted with and undertaken to the Covered Bond Guarantor (for itself and as All Moneys Mortgage Trustee), the Trust Manager and the Security Trustee that, without prejudice to any of its specific obligations under the Servicing Agreement, it will:

- (a) administer and service the Housing Loans in the Housing Loan Portfolio and the Related Security in accordance with the Servicing Procedures;
- (b) provide the Services in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Lender;
- (c) maintain all authorisations, licences, permits, approvals and other registrations as may be required under any applicable legislation to act as servicer of the Housing Loans in the Housing Loan Portfolio and the Related Security;
- (d) prepare and collate all reasonably necessary performance statistics of the Housing Loans in the Housing Loan Portfolio and Related Security;
- (e) provide to the Covered Bond Guarantor and the Trust Manager promptly from time to time such information, documents, records, reports or other information relating to the Housing Loans in the Housing Loan Portfolio and the Related Security or the operations of the Servicer as may be reasonably requested by either of them;
- (f) maintain a loan account in respect of each Housing Loan in the Housing Loan Portfolio and give all notices, documents or statement required to be given under the Servicing Procedures to the relevant Borrower;
- (g) not, without the consent of the Security Trustee, consent to the creation or existence of a Security Interest in any Housing Loan in the Housing Loan Portfolio or the Related Security, except either as permitted by the Servicing Procedures or as expressly provided for or permitted by the Programme Documents;
- (h) electronically identify each Housing Loan in the Housing Loan Portfolio and the Related Security in its electronic database in order to identify the Housing Loan Scheduled Payments and other relevant cashflows in respect of each Housing Loan in the Housing Loan Portfolio and the Related Security;
- (i) except as required by law or required or permitted by, the Servicing Procedures and the Housing Loan Conditions, not without the consent of the Covered Bond Guarantor release the Borrower from any amount owing in respect of a Housing Loan in the Housing Loan Portfolio or otherwise vary or discharge any such Housing Loan or the Related Security;
- (j) not grant any extension of the maturity of a Housing Loan in the Housing Loan Portfolio or allow any reduced payment that would result in such extension except:
 - (i) as required or permitted by the Servicing Procedures and the Housing Loan Conditions;
 - (ii) as approved by the Covered Bond Guarantor (as directed by the Trust Manager) and the relevant Mortgage Insurer (if applicable); or
 - (iii) as required by applicable law and any regulatory undertakings binding on the Servicer;
- (k) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in NZ 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; and
- (l) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Housing Loan pursuant to the Mortgage Sale Agreement, notify the Covered Bond Guarantor in writing of such event.

Interest Rate Shortfall Test

The Servicer shall, if the Interest Rate Swap is not in effect in accordance with its terms, determine on each Determination Date, having regard to:

- (a) the fixed interest rate and the variable interest rate and any other discretionary rate or margin in respect of the Housing Loans in the Housing Loan Portfolio which the Servicer proposes to set under the Servicing Agreement for the next succeeding Trust Payment Period (the **relevant Trust Payment Period**); and
- (b) the other resources available to the Covered Bond Guarantor, including the Covered Bond Swap Agreements (if any) and the Reserve Fund (as advised by the Covered Bond Guarantor, or the Trust Manager on its behalf),

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 Loan Agreement (or, if a Notice to Pay has been served on the Covered Bond Guarantor, the Covered Bond Guarantee), and the Demand Loan Agreement 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 Covered Bond Swap Providers under the 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 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**).

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 Local Business Days of the relevant Determination Date, of the amount of the Interest Rate Shortfall and the fixed interest rate and the variable interest rate and the other discretionary rates or margins which would, in the Servicer's opinion, need to be set in order for no shortfall to arise, and the Interest Rate Shortfall Test to be met on the next succeeding Determination Date, having regard to the date(s) on which the changes to the fixed interest rate and the variable interest rate and the other discretionary rates or margins would take effect, following which (A) (subject to the Servicing Agreement and the Mortgage Sale Agreement), the Servicer shall set the fixed interest rate and the variable interest rate (as the case may be) and/or other discretionary rates or margins applicable to Housing Loans in the Housing Loan Portfolio at such levels; and/or (B) the Covered Bond Guarantor or the Security Trustee 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, further Housing 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 Housing Loans and the Related Security to the Covered Bond Guarantor on or before the next succeeding Determination Date to rectify the Interest Rate Shortfall on that Determination Date.

Yield Shortfall Test

The Servicer shall, if at any time following an Issuer Event of Default (and for so long as such Issuer Event of Default continues unremedied) or the service of an Asset Coverage Test Breach Notice which has not been revoked, the Interest Rate Swap is not in effect in accordance with its terms, determine on each Determination Date, having regard to the aggregate of:

- (a) the fixed interest rate and the variable interest rate (as the case may be) and any other discretionary rate or margin, in respect of the Housing Loans in the Housing 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 Covered Bond Swap Agreements (if any),

whether the Covered Bond Guarantor would receive an aggregate amount of interest from the Housing Loans in the Housing Loan Portfolio and the amounts under the Swap Agreements during the relevant Trust Payment

Period which would give an annual yield that is sufficient to enable the Covered Bond Guarantor to make the payments and provisions in items (a)-(e) (inclusive) of the Guarantee Priority of Payments in full on the next 12 Trust Payment Dates to occur following the end of the Collection Period commencing immediately prior to the Determination Date (the **Yield Shortfall Test**).

If the Servicer determines that the Yield Shortfall Test will not be met, it will give written notice to the Covered Bond Guarantor and the Security Trustee, within five Local Business Days of the relevant Determination Date, of the amount of the yield shortfall and the fixed interest rate and the variable interest rate and the other discretionary rates or margins in respect of the Housing Loans in the Housing Loan Portfolio which would, in the Servicer's opinion, need to be set in order for no shortfall to arise, and the Yield Shortfall Test to be met, having regard to the date(s) on which the changes to the fixed interest rate and the variable interest rate and the other discretionary rates or margins would take effect, and at all times acting in accordance with the standards of a Prudent Mortgage Lender. If the Covered Bond Guarantor or the Security Trustee notifies the Servicer that, having regard to the obligations of the Covered Bond Guarantor, the fixed interest rate and the variable interest rate and/or the other discretionary rates or margins should be increased, the Servicer will take all steps which are necessary and are in accordance with the standards and practices of a Prudent Mortgage Lender to increase the fixed interest rate and the variable interest rate and/or any other discretionary rates or margins, including giving any notice which is required in accordance with the Servicing Agreement and/or the Housing Loan Conditions.

Remuneration

The Servicer is entitled to an administration fee for the provision of the Services, which shall be agreed in writing between the Covered Bond Guarantor (or the Trust Manager on its behalf), the Security Trustee and the Servicer. The Covered Bond Guarantor will on each Trust Payment Date, subject to the applicable Priority of Payments as further consideration for the Services supplied to it by the Servicer under the Servicing Agreement reimburse the Servicer for all out-of-pocket costs, expenses and charges properly incurred by the Servicer in the performance of the Services, including any such costs, expenses or charges not reimbursed to the Servicer on any previous Trust Payment Date.

Collections

The Servicer acts as collecting agent for the Covered Bond Guarantor in respect of all payments in respect of the Housing Loans in the Housing Loan Portfolio (including, without limitation, a Housing Loan Scheduled Payment). If the Servicer receives, during a Collection Period, any money whatsoever arising from the Housing Loans in the Housing Loan Portfolio and the Related Security which money belongs to the Covered Bond Guarantor and such money is to be paid to the GIC Account pursuant to the Servicing Agreement or any of the other Programme Documents or otherwise, the Servicer shall hold such money on trust for the Covered Bond Guarantor and shall ensure that all such moneys are capable of being readily identified. All such amounts described above received by the Servicer during a Collection Period shall be credited to the GIC Account either on the Trust Payment Date immediately following the end of that Collection Period (for so long as ANZNBL has short-term credit ratings of no lower than P-1 from Moody's and no lower than F1 from Fitch and a long-term credit rating of no lower than A from Fitch) or, in any other case, within two Local Business Days of receipt.

ANZNBL shall, if it credits money received during a Collection Period to the GIC Account in accordance with the Servicing Agreement, on the Trust Payment Date immediately following the end of that Collection Period, credit an additional amount to the GIC Account calculated as interest on the amount of that money for the period during which it was held by ANZNBL. Any such interest is to be calculated on the Determination Date immediately following the end of the Collection Period by ANZNBL in its absolute discretion on the daily balance of the amount of money for the period during which it was held by ANZNBL and at a rate determined on the first day of that Collection Period as the rate equal to the applicable 30 day Bank Bill Rate determined by ANZNBL in its sole discretion.

Removal or resignation of the Servicer

The Covered Bond Guarantor, or the Trust Manager on its behalf (with the consent of the Security Trustee), or the Security Trustee may (acting on the directions of (if there are Covered Bonds outstanding) the Bond Trustee or (if there are no Covered Bonds outstanding) the Majority Secured Creditors), upon written notice to the Servicer, terminate the appointment of the Servicer if any of the following events (each a **Servicer Termination Event**) occurs:

- (a) the Servicer fails to remit, or pay, any amount due under the Programme Documents within seven Local Business Days of receipt of a notice from either the Covered Bond Guarantor or the Trust Manager to do so;
- (b) the Servicer fails to prepare and submit to the Covered Bond Guarantor or the Trust Manager in a timely and accurate fashion any information so required under the Programme Documents which the Security Trustee considers (acting on the directions of (if there are Covered Bonds outstanding) the Bond Trustee or (if there are no Covered Bonds outstanding) the Majority Secured Creditors) is materially prejudicial to the Covered Bondholders and, if capable of remedy, is not remedied within 20 Local Business Days after notice delivered to the Servicer by the Covered Bond Guarantor or the Trust Manager;
- (c) an Insolvency Event occurs in respect of the Servicer;
- (d) the Servicer fails to observe or perform any term, covenant, condition or obligation provided for in the Programme Documents (other than those referred to in paragraphs (a) and (b) above which the Security Trustee considers (acting on the directions of (if there are Covered Bonds outstanding) the Bond Trustee or (if there are no Covered Bonds outstanding) the Majority Secured Creditors) is materially prejudicial to the Covered Bondholders and continues unremedied for 20 Local Business Days after notice delivered to the Servicer by the Covered Bond Guarantor or the Trust Manager (or such longer period as may be agreed between the Servicer and the Covered Bond Guarantor); or
- (e) the Servicer's unsecured, unsubordinated, long-term senior debt obligations have been downgraded below Baa3 by Moody's or BBB- by Fitch.

Any termination of the appointment of the Servicer (and the appointment of a Substitute Servicer as described below) is conditional upon the Trust Manager having delivered a Rating Affirmation Notice to the Covered Bond Guarantor, the Seller, the Servicer and the Substitute Servicer in respect of such termination of the appointment of the Servicer and appointment of the Substitute Servicer.

In addition, subject to the fulfilment of a number of conditions, at any time including, without limitation, that a Substitute Servicer has been appointed, the Servicer may resign at any time by giving not less than 12 months' notice to the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the All Moneys Mortgage Beneficiaries provided that:

- (a) each of the Covered Bond Guarantor (or the Trust Manager on its behalf), the Seller and the Security Trustee consents in writing to such resignation (such consent not to be unreasonably withheld or delayed);
- (b) a Substitute Servicer shall have been appointed and, among other things, such Substitute Servicer has entered into an agreement in accordance with the Servicing Agreement; and
- (c) the rights of the Covered Bond Guarantor under such agreement are subject to a Security Interest in favour of the Security Trustee on terms satisfactory to the Security Trustee.

Any Substitute Servicer appointed in accordance with the Servicing Agreement must:

- (a) have experience of administering and servicing housing loans secured on residential property in New Zealand;
- (b) have all authorisations, permissions and licences for the purposes of administering and servicing mortgages of residential property in New Zealand; and
- (c) agree to enter into an agreement with the Covered Bond Guarantor, the Trust Manager and the Security Trustee substantially on the same terms as the Servicing Agreement or on such terms as are satisfactory to the Covered Bond Guarantor, or the Trust Manager on its behalf and the Security Trustee.

Upon termination or resignation of the appointment of the Servicer, the Servicer must, subject to all applicable privacy legislation forthwith deliver (and in the meantime, hold on trust for, and to the order of, the Security Trustee) the Housing Loan Files, all books of account, papers, records, registers, correspondence and documents in its possession or under its control relating to the affairs of, or belonging to, the Covered Bond Guarantor and

the Housing Loans in the Housing Loan Portfolio and the Related Security (if practicable, on the date of receipt) any moneys and any other assets then held by the Servicer on behalf of the Covered Bond Guarantor and any other assets of the Trust to, or at the direction of, the Covered Bond Guarantor, and the Servicer shall take such further action as the Covered Bond Guarantor (or the Trust Manager on its behalf) and the Security Trustee shall require provided that the Servicer shall not be required to take or direct to be taken any such further action unless it has been indemnified to its satisfaction.

The Servicing Agreement will terminate automatically at such time as the Covered Bond Guarantor has no further interest in any of the Housing Loans in the Housing Loan Portfolio or the Related Security.

The Servicer may sub-contract or delegate the performance of all or any of its powers and obligations under the Servicing Agreement, provided that it meets conditions as set out in the Servicing Agreement.

Neither the Bond Trustee nor the Security Trustee is obliged to act as Servicer in any circumstances.

The Servicing Agreement is governed by New Zealand law.

Asset Monitor Agreement

Under the terms of the Asset Monitor Agreement entered into on the Programme Date between the Asset Monitor, the Covered Bond Guarantor, the Trust Manager, ANZNBL as Issuer, Guarantor, Seller and Calculation Manager, ANZNIL, the Bond Trustee and the Security Trustee, the Asset Monitor has agreed, subject to receipt of the information to be provided by the Calculation Manager to the Asset Monitor, to test and report on the arithmetic accuracy of the calculations performed by the Calculation Manager on the Determination Date immediately prior to each anniversary of the Programme Date, for the purpose of determining compliance by the Covered Bond Guarantor with the Asset Coverage Test or the Amortisation Test, as applicable, for such Determination Date.

If the long-term credit ratings of the Calculation Manager (or if the Calculation Manager is not so rated, if the long-term unsecured, unguaranteed and unsubordinated debt obligation credit ratings of the Calculation Manager's holding company) fall below Baa3 by Moody's or BBB- by Fitch (and for as long as they remain below such credit ratings), the Asset Monitor will be required to report on such arithmetic accuracy in respect of every Determination Date as soon as reasonably practical.

If any test conducted by the Asset Monitor reveals arithmetic errors in the relevant calculations performed by the Calculation Manager such that the Asset Coverage Test or the Amortisation Test has been failed on the relevant Determination Date (where the Calculation Manager had recorded it as being satisfied) or the reported Adjusted Aggregate Housing Loan Amount or the reported Amortisation Test Aggregate Housing Loan Amount was mis-stated by the Calculation Manager by an amount exceeding 1 per cent. of the actual Adjusted Aggregate Housing Loan Amount or the actual Amortisation Test Aggregate Housing Loan Amount, as applicable, (as at the date of the relevant Asset Coverage Test or the relevant Amortisation Test), the Asset Monitor will be required to conduct such tests in respect of every Determination Date for a period of six months thereafter.

The Asset Monitor is entitled, in the absence of manifest error, to assume that all information provided to it by the Calculation Manager for the purpose of reporting on the arithmetic accuracy of the calculations performed by the Calculation Manager is true and correct 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 such information. The Asset Monitor Report will be delivered to the Calculation Manager, the Covered Bond Guarantor, ANZNBL, ANZNIL, the Bond Trustee and the Security Trustee.

The Covered Bond Guarantor will pay to the Asset Monitor a fee of NZ\$5,000 per report (exclusive of GST, if any) for each time the Asset Monitor is required to perform the tests under the Asset Monitor Agreement.

The Covered Bond Guarantor, or the Trust Manager on its behalf, may, at any time, but only with the prior written consent of the Security Trustee acting on the instructions of the Bond Trustee (if there are Covered Bonds outstanding) or (if there are no Covered Bonds outstanding) the Majority Secured Creditors, terminate the appointment of the Asset Monitor by giving 40 Local Business Days prior written notice to the Asset Monitor, provided that such termination may not be effected unless and until a replacement has been found by the Covered Bond Guarantor, or the Trust Manager on its behalf (such replacement to be approved by the

Security Trustee who shall give such approval if the replacement is an accountancy firm of national standing in New Zealand).

The Asset Monitor may, at any time, resign by giving 40 Local Business Days prior written notice to the Covered Bond Guarantor, the Trust Manager and the Security Trustee, save that such 40 Local Business Days notice period shall not be required if (i) the Covered Bondholders agree to the resignation of the Asset Monitor by Extraordinary Resolution or (ii) the Asset Monitor is required to resign pursuant to the applicable professional standards to which it is subject at the time of such resignation.

Upon giving notice of termination or receiving notice of resignation, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall use its best endeavours to promptly appoint a substitute asset monitor pursuant to an agreement, on substantially the same terms as the terms of the Asset Monitor Agreement, to provide the services set out in the Asset Monitor Agreement. If a substitute asset monitor is not appointed by the date which is 20 Local Business Days prior to a Determination Date in respect of which the Calculation Manager's calculations are to be tested in accordance with the terms of the Asset Monitor Agreement, then the Covered Bond Guarantor, or the Trust Manager on its behalf, shall use all reasonable endeavours to appoint an accountancy firm of national standing in New Zealand approved by the Security Trustee to carry out the relevant tests on a one-off basis. The Covered Bond Guarantor, or the Trust Manager on its behalf, shall promptly notify the Rating Agencies of the appointment of any substitute asset monitor or accountancy firm to carry out the relevant tests.

Neither the Bond Trustee nor the Security Trustee will be obliged to act as Asset Monitor in any circumstances.

The Asset Monitor Agreement is governed by New Zealand law.

Establishment Deed

The Establishment Deed, made between the Covered Bond Guarantor, the Trust Manager, ANZNBL as Issuer, Guarantor, Seller, Servicer and Calculation Manager, ANZNIL as Issuer, the Bond Trustee and the Security Trustee, establishes the Trust and provides that the Covered Bond Guarantor will be the trustee of the Trust. The purpose of the Trust is the acquisition, management and sale of, amongst other things, Housing 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 other business as the Trust Manager shall direct (with the prior written consent of the Security Trustee, prior to the release of the Security constituted by the Security Deed for as long as the Covered Bonds are outstanding).

Beneficiaries

The Beneficiaries of the Trust are the Residual Income Beneficiary and the Residual Capital Beneficiary. Pursuant to the Establishment Deed, the Residual Income Beneficiary is entitled to an annual distribution equal to the net income, if any, of the Trust for each fiscal year. The Residual Capital Beneficiary is not entitled to receive any distributions in respect of the Trust other than its right to receive the Settlement Amount of NZ\$2,000 on the vesting date.

Asset Coverage Test

Under the terms of the Establishment Deed, the Covered Bond Guarantor must ensure that, for so long as Covered Bonds remain outstanding, on each Determination Date prior to the service of a Notice to Pay on the Covered Bond Guarantor, the Adjusted Aggregate Housing Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Determination Date (the **Asset Coverage Test**).

If on any Determination Date prior to the service of a Notice to Pay on the Covered Bond Guarantor the Adjusted Aggregate Housing Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on such date, then the Covered Bond Guarantor (or the Trust Manager on its behalf) shall immediately notify the Bond Trustee and the Security Trustee in writing thereof, and the Covered Bond Guarantor will use all reasonable endeavours to (i) acquire sufficient further Housing Loans and the 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 Housing Loans and Related Security*"); (ii) purchase Substitution Assets; or (iii) make drawings under the Demand Loan

Agreement, in each case in order to ensure that the Asset Coverage Test is met on the immediately succeeding Determination Date (by reference to the Adjusted Aggregate Housing Loan Amount and the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds, in each case as calculated on such date). If the Adjusted Aggregate Housing Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on the immediately succeeding Determination Date referred to above, the Asset Coverage Test will be breached and the Bond Trustee will 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 breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Determination Date to occur following the service of an Asset Coverage Test Breach Notice, 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 Covered Bond Guarantor (or the Trust Manager on its behalf) shall immediately notify in writing the Bond Trustee thereof.

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 Housing Loans and the Related Security (as further described under "*Sale of Selected Housing Loans and Related Security following service of an Asset Coverage Test Breach Notice*");
- (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 more particularly described in "*Allocation and distribution of Available Revenue Receipts and Available Principal Receipts following service of an Asset Coverage Test Breach Notice*" below; and
- (c) the Issuers will not be permitted to issue any further Covered Bonds.

If an Asset Coverage Test Breach Notice has been served and has not been revoked by the Bond Trustee on or before the next Determination Date to occur following the service of the Asset Coverage Test Breach Notice, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled and in certain circumstances required to serve an Issuer Acceleration Notice. Following service of an Issuer Acceleration Notice, the Bond Trustee will be required to serve a Notice to Pay on the Covered Bond Guarantor.

For the purposes hereof:

Adjusted Aggregate Housing Loan Amount means the amount calculated on each Determination Date as follows:

$$(A + B + C + D + E) - Z$$

where,

- A = the lower of: (i) the sum of the LVR Adjusted Housing Loan Balance Amount of each Housing Loan in the Housing Loan Portfolio; and (ii) the sum of the Asset Percentage Adjusted Housing Loan Balance Amount of each Housing Loan in the Housing Loan Portfolio; as at the Determination Date.

The **LVR Adjusted Housing Loan Balance Amount** shall be calculated for a Housing Loan, on the relevant Determination Date, as:

- (a) for each Housing Loan in the Housing Loan Portfolio that is not then a Defaulted Housing Loan, the lesser of (A) the outstanding Current Principal Balance of the Housing Loan as at the last day of the immediately preceding Collection Period and (B) 80 per cent. of the Latest Valuation for the Property charged by a Mortgage which secures the Housing Loan as at the last day of the immediately preceding Collection Period (but without double counting across Housing Loans); and
- (b) for each Housing Loan in the Housing Loan Portfolio that is then a Defaulted Housing Loan, zero;

less:

- (A) where a Housing Loan in the Housing Loan Portfolio or the Related Security was, in the immediately preceding Collection 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, and the Seller has not repurchased the Housing Loan and the Related Security to the extent required by the terms of the Mortgage Sale Agreement: an amount equal to the LVR Adjusted Housing Loan Balance Amount (calculated as at the last day of the immediately preceding Collection Period) for each Housing Loan to which this paragraph (A) applies; and
- (B) where the Seller, in any preceding Collection Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Collection 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 Collection 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 Housing Loan Balance Amount**" shall be calculated for a Housing Loan, on the relevant Determination Date, as the Asset Percentage multiplied by:

- (a) for each Housing Loan in the Housing Loan Portfolio that is not then a Defaulted Housing Loan, the lower of:
 - (i) the outstanding Current Principal Balance of the Housing Loan as at the last day of the immediately preceding Collection Period; and
 - (ii) 100 per cent. of the Latest Valuation for the Property charged by a Mortgage which secures the Housing Loan as at the last day of the immediately preceding Collection Period (but without double counting across Housing Loans); and
- (b) for each Housing Loan in the Housing Loan Portfolio that is then a Defaulted Housing Loan, zero;

less:

- (i) where a Housing Loan in the Housing Loan Portfolio or the Related Security was, in the immediately preceding Collection 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, and the Seller has not repurchased the Housing 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 Housing Loan Balance Amount (calculated as at the last day of the immediately preceding Collection Period) for each Housing Loan to which this paragraph (i) applies; and
 - (ii) where the Seller, in any preceding Collection Period, was in material breach of any other warranty under the Mortgage Sale Agreement and/or the Servicer was, in any preceding Collection 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 Collection 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 any Term Advances and/or any Demand Loan Advances which have not been applied as at the Determination Date;
- C** = the aggregate principal balance of any Substitution Assets and Authorised Investments as at the relevant Determination Date;

D = the aggregate amount of Housing Loan Principal Receipts collected by the Servicer during the immediately preceding Collection Period and credited, or to be credited on the immediately succeeding Trust Payment Date, to the GIC Account (without double counting any amounts already covered in B above) but excluding any amounts due to be applied on or before the immediately succeeding Trust Payment Date in accordance with the applicable Priority of Payments;

E = the aggregate amount as at the Determination Date of:

- (a) Sale Proceeds credited to the GIC Account (including, without limitation, the amount of any Sale Proceeds standing to the credit of the Pre-Maturity Ledger); and
- (b) remaining Available Principal Receipts credited to the GIC Account under paragraph (h) of the Pre-Acceleration Principal Priority of Payments and standing to the credit of the Principal Ledger,

(in each case without double counting any amounts already covered in D above but excluding any amounts due to be applied on or before the immediately succeeding Trust Payment Date in accordance with the applicable Priority of Payments); and

Z = the product of:

- (a) weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding calculated by the Calculation Manager as at the Determination Date (provided that if the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding is less than one, such weighted average remaining maturity shall be deemed for the purposes of this calculation, to be one);
- (b) the NZ Dollar Equivalent of the then aggregate Principal Amount Outstanding of the Covered Bonds;
- (c)
 - (i) for so long as the Interest Rate Swap is in effect in accordance with the terms thereof, $(B + C + D + E) / (A + B + C + D + E)$; or
 - (ii) otherwise, one; and
- (d) the then Negative Carry Factor, where the "**Negative Carry Factor**" is the percentage rate per annum equal to the sum of (i) 0.50 per cent.; and (ii) the weighted average of the Relevant Spread of each Series of Covered Bonds then outstanding determined by reference to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the applicable Series of Covered Bonds, where the "**Relevant Spread**" is (A) in the case of a Series of floating rate Covered Bonds the Specified Currency of which is NZ Dollars, the Margin for the Series specified in the applicable Final Terms; and (B) in any other case the Floating Rate Payer Spread in the applicable Covered Bond Swap.

"**Asset Percentage**" means, on any Determination Date, save where otherwise agreed with the Rating Agencies, the lowest of:

- (i) 90 per cent.;
- (ii) such percentage figure determined on the Determination Date falling in March, June, September and December of each year (and on such other dates as may be agreed, from time to time, with Fitch) in accordance with the terms of the Establishment Deed, being the percentage figure that is necessary to ensure that the Covered Bonds maintain the then current credit ratings assigned to them by Fitch; and
- (iii) such percentage figure as may be selected by the Covered Bond Guarantor, or the Calculation Manager acting on its behalf, from time to time, in accordance with the terms of the Establishment Deed, and notified to Moody's and the Security Trustee on the Determination Date, or if no notification is made to

Moody's and the Security Trustee on such Determination Date, on the last date of such notification. 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 credit rating by Moody's using Moody's expected loss methodology (regardless of the actual Moody's credit rating of the Covered Bonds at the time).

There is no obligation on the Covered Bond Guarantor to ensure that an AAA credit rating is maintained by Fitch or an Aaa credit rating is maintained by Moody's and the Covered Bond Guarantor is under no obligation to change the percentage figure selected by it and notified to Fitch, Moody's and the Security Trustee in line with the level of credit enhancement required to ensure an AAA credit rating by Fitch or an Aaa credit rating by Moody's using Moody's expected loss methodology.

Amortisation Test

The Covered Bond Guarantor must ensure that, for so long as Covered Bonds are outstanding, on each Determination 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, the Issuers and the Guarantor and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security), the Amortisation Test Aggregate Housing Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Determination Date (the **Amortisation Test**).

If on any Determination 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, the Issuers and the Guarantor and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security), the Amortisation Test Aggregate Housing Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Determination Date then the Amortisation Test will be breached and a Covered Bond Guarantor Event of Default will occur. The Covered Bond Guarantor, or the Trust Manager on its behalf, shall immediately notify 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 Housing Loan Amount** will be calculated on each Determination Date following the service of a Notice to Pay on the Covered Bond Guarantor as follows:

$$A + B + C - Z$$

where,

A = the aggregate of the **Amortisation Test Current Principal Balance** of each Housing Loan, which shall be the product of:

- (a) the lesser of (i) the outstanding Current Principal Balance of the Housing Loan as calculated on the last day of the immediately preceding Collection Period and (ii) 80 per cent. of the Latest Valuation for the Property charged by a Mortgage which secures the Housing Loan as at the immediately preceding Collection Period (but without double counting across Housing Loans); and
- (b) M, where:
 - (i) for each Housing Loan that is not then a Defaulted Housing Loan, M = 1.0; or
 - (ii) for each Housing Loan that is then a Defaulted Housing Loan, M = 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 Housing Loan Revenue Receipts received in the immediately preceding Collection 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; and
- Z** = the product of:
- (a) the weighted average remaining maturity of all Covered Bonds (expressed in years) then outstanding;
 - (b) the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds;
 - (c)
 - (i) for so long as the Interest Rate Swap is in effect in accordance with the terms thereof, $(B + C) / (A + B + C)$; or
 - (ii) otherwise, one; and
 - (d) the Negative Carry Factor.

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

The Covered Bond Guarantor, or the Trust Manager on its behalf, is required to immediately offer to sell Selected Housing Loans to Purchasers following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, after taking into account the amount standing to the credit of the Pre-Maturity Ledger and subject to (a) any Pre-Maturity Demand Loan Advance having been made by the Demand Loan Provider, and (b) the exercise of any right of pre-emption by the Seller in accordance with the Mortgage Sale Agreement.

The Pre-Maturity Test will be breached in relation to a Series of Hard Bullet Covered Bonds if ANZNBL's short-term credit rating from Moody's falls to P-2 (or lower) or from Fitch falls to F1 (or lower) during the period commencing on the day 12 months prior to the Final Maturity Date of the Series of Hard Bullet Covered Bonds.

The proceeds from any such sale 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 on the GIC Account in respect of the Series of Hard Bullet Covered Bonds following such repayment in full shall be applied by the Covered Bond Guarantor, acting on the directions of the Trust Manager in accordance with the applicable Priority of Payments unless an Issuer is in breach of the Pre-Maturity Test in respect of any other Series of Hard Bullet Covered Bonds, in which case sufficient cash shall be 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 "Credit Structure" below.

For a description of the Pre-Maturity Test, see "Credit Structure – Pre-Maturity Test" below.

Sale of Selected Housing Loans following the Demand Loan Provider making demand that the Demand Loan be repaid

If, prior to the service of an Asset Coverage Test Breach Notice or a Notice to Pay, the Demand Loan Provider has demanded that all or part of the Demand Loan be repaid, the Covered Bond Guarantor will, subject to first utilising any Available Principal Receipts that are available for that purpose in accordance with the applicable Priority of Payments, be obliged to sell Selected Housing Loans and the Related Security in the Housing Loan Portfolio in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Housing Loans and the Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be deposited into the GIC Account and applied in accordance with the applicable Priority of Payments. Any such sale will be subject to the condition that the Asset Coverage Test is satisfied after receipt of the proceeds of such sale and repayment of the amount of the Demand Loan that the Demand Loan Provider has requested repayment of, after giving effect to such repayment.

Sale of Selected Housing 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 service of a Notice to Pay, the Covered Bond Guarantor will, subject to first utilising the proceeds of any advance made by the Demand Loan Provider under the Demand Loan Agreement, be obliged to sell Selected Housing Loans and the Related Security in the Housing Loan Portfolio in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Housing Loans and the Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be deposited into the GIC Account and applied in accordance with the applicable Priority of Payments.

Sale of Selected Housing 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 Covered Bond Guarantor will be obliged to sell Selected Housing Loans and the Related Security in the Housing Loan Portfolio in accordance with the Establishment Deed (as described below), subject to the rights of pre-emption enjoyed by the Seller to buy the Selected Housing Loans and the Related Security pursuant to the Mortgage Sale Agreement. The proceeds from any such sale will be deposited into the GIC Account and applied in accordance with the Guarantee Priority of Payments.

Method of Sale of Selected Housing Loans

If the Covered Bond Guarantor is required to sell Selected Housing Loans and the Related Security to Purchasers following repayment of the Demand Loan being demanded by the Demand Loan Provider, 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 Covered Bond Guarantor, or the Trust Manager on its behalf, will be required to ensure that before offering Selected Housing Loans for sale:

- (a) the Selected Housing Loans are selected on a basis that is representative of the Housing Loans in the Housing Loan Portfolio as a whole and that if a Housing Loan is selected, its Related Security is also selected unless the Related Security also secures a Housing Loan in the Housing Loan Portfolio that is not also a Selected Housing Loan; and
- (b) the Selected Housing 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 Demand Loan Provider requesting repayment of the Demand Loan (or a part of it), such amount that would ensure that, if the Selected Housing Loans were sold at their Current Principal Balance plus the arrears of interest and accrued interest thereon, the amount of the Demand Loan that the Demand Loan Provider has requested repayment of as calculated on the date of the request could be repaid, subject to satisfaction of the Asset Coverage Test following such repayment; or
 - (ii) following the service of an Asset Coverage Test Breach Notice (but prior to service of a Notice to Pay), such amount that would ensure that, if the Selected Housing 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 Determination Date taking into account the payment obligations of the Covered Bond Guarantor on the Trust Payment Date following that Determination Date; or
 - (iii) following a breach of the Pre-Maturity Test or service of a Notice to Pay:

$$N \times \frac{\text{Aggregate Current Principal Balance for all Housing Loans in the Housing Loan Portfolio}}{\text{Aggregate NZ Dollar Equivalent of the Required Redemption Amount in respect of each Series of Covered Bonds then outstanding}}$$

where "N" is an amount equal to the NZ Dollar Equivalent of:

- (x) in respect of Selected Housing Loans and the Related Security being sold following a breach of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds, the Required Redemption Amount of each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached less amounts standing to the credit of the Pre-Maturity Ledger; or
- (y) in respect of Selected Housing 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 Authorised Investments and the principal amount of any Substitution Assets that have not been sold in accordance with the Establishment Deed (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) (see "*Limit on Investing in Substitution Assets and Authorised Investments*" below).

The Covered Bond Guarantor, or the Trust Manager on its behalf, will offer the Selected Housing 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), for an amount not less than the Current Principal Balance of the Selected Housing 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 a breach of the Pre-Maturity Test or service of a Notice to Pay on the Covered Bond Guarantor if the Selected Housing 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, either:

- (a) 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) (where the Covered Bonds are not subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee);
- (b) 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) (where the Covered Bonds are subject to an Extended Due for Payment Date in respect of the Covered Bond Guarantee); or
- (c) 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,

then the Covered Bond Guarantor, or the Trust Manager on its behalf, will offer the Selected Housing 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 but prior to the occurrence of a Covered Bond Guarantor Event of Default, in addition to offering Selected Housing Loans for sale to Purchasers in respect of the Earliest Maturing Covered Bonds, the Covered Bond Guarantor, or the Trust Manager on its behalf (subject to the right of pre-emption in favour of the Seller in the Mortgage Sale Agreement) is permitted to offer for sale a portfolio of Selected Housing Loans, in accordance with the provisions summarised above, in respect of other Series of Covered Bonds.

The Covered Bond Guarantor, or the Trust Manager on its behalf, will also be permitted to offer for sale to Purchasers part of any portfolio of Selected Housing Loans (a **Partial Portfolio**). Except in circumstances where the portfolio of Selected Housing 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, the sale price of the Partial Portfolio shall (as a proportion of the Adjusted Required Redemption Amount) be at least equal to the proportion that the aggregate Current Principal Balance of the

Housing Loans in the Partial Portfolio bears to the aggregate Current Principal Balance of the Housing Loans in the relevant portfolio of Selected Housing Loans.

The Covered Bond Guarantor, or the Trust Manager on its behalf, 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 Housing Loans (if such terms are commercially available in the market) to advise it in relation to the sale of the Selected Housing Loans to Purchasers (except where the Seller is buying the Selected Housing Loans in accordance with its right of pre-emption in the Mortgage Sale Agreement). The terms of the agreement giving effect to the appointment in accordance with such tender shall be approved by the Security Trustee. The Security Trustee shall approve the appointment of the portfolio manager if (i) the portfolio manager is an investment bank or accountant of recognised standing; and (ii) two Authorised Signatories of the Covered Bond Guarantor have certified to the Security Trustee that such appointment is on a basis intended to incentivise the portfolio manager to achieve the best price for the sale of the Selected Housing Loans (on terms which are commercially available in the market), which certificate shall be conclusive and binding on all parties.

In respect of any sale of Selected Housing Loans and the Related Security following service of an Asset Coverage Test Breach Notice (if not revoked) or a Notice to Pay, the Covered Bond Guarantor, or the Trust Manager on its behalf, will instruct the portfolio manager to use all reasonable endeavours to procure that Selected Housing 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 Housing Loans (which shall give effect to the recommendations of the portfolio manager) will be subject to the prior written approval of the Security Trustee (unless the Selected Housing Loans are being sold to the Seller following the exercise of its rights of pre-emption under the Mortgage Sale Agreement). The Security Trustee will not be required to release the Selected Housing Loans from the Security unless the conditions relating to the release of the Security (as described under "*Security Deed – Release of Security*" below) are satisfied.

Following the service of a Notice to Pay, if Purchasers accept the offer or offers from the Covered Bond Guarantor so that some or all of the Selected Housing Loans and the Related Security shall be sold prior to the next following 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 next following Extended Due for Payment Date in respect of the Earliest Maturing Covered Bonds, then the Covered Bond Guarantor, or the Trust Manager on its behalf, will, subject to the prior written approval of the Security Trustee, enter into a sale and purchase agreement with the related Purchasers, 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 Housing Loans and the Related Security unless expressly agreed by the Security Trustee or otherwise agreed with the Seller.

Limit on Investing in Substitution Assets and Authorised Investments

Provided no Asset Coverage Test Breach Notice is outstanding, there has been no breach of the Pre-Maturity Test and prior to the service of a Notice to Pay on the Covered Bond Guarantor, the Covered Bond Guarantor, acting on the directions of the Trust Manager, will be permitted to invest Available Revenue Receipts, Available Principal Receipts and the proceeds of Term Advances and Demand Loan Advances standing to the credit of the GIC Account in Substitution Assets, provided that the aggregate amount so invested in Substitution Assets does not exceed 10 per cent. of the total assets of the Trust at any one time and provided that 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 shall be sold by the Covered Bond Guarantor, acting on the directions of the Trust Manager, as quickly as reasonably practicable, and the proceeds credited to the GIC Account after which the Covered Bond Guarantor shall 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.

Covenants of the Covered Bond Guarantor

The Covered Bond Guarantor has covenanted with the Trust Manager and for the benefit of the Secured Creditors that:

- (a) it will act continuously as trustee of the Trust until the Trust is terminated in accordance with the Establishment Deed or until it has retired or been removed in accordance with the Establishment Deed;
- (b) it will exercise due diligence in carrying out its functions and duties under the Establishment Deed;
- (c) it will take all such corporate actions which are necessary (including, without limitation, obtaining all such corporate authorisations and approvals) to ensure that it is able to exercise all its powers and remedies and perform all its obligations under the Programme Documents;
- (d) except where required by statute or law, it will not sell, mortgage, charge or part with the possession of any of the assets of the Trust (or permit any of its officers to do so) except as permitted by the Programme Documents;
- (e) it will forward promptly to the Trust Manager all notices, reports, circulars and other documents received by it as holder of the assets of the Trust;
- (f) it will act honestly and in good faith in the performance of its duties and the exercise of its discretions under the Programme Documents in relation to the Trust, having regard to the interests of the Beneficiaries and the Secured Creditors;
- (g) it will exercise such diligence and prudence as a prudent person of business would exercise in performing its express functions and in exercising its discretions under the Programme Documents in relation to the Trust, having regard to the interests of the Beneficiaries and the Secured Creditors;
- (h) it will use its best endeavours to carry on and conduct its business insofar as it relates to the Establishment Deed and the other Programme Documents in a proper and efficient manner;
- (i) it will not create any Security Interest over the assets of the Trust for the benefit of any person except for the Security;
- (j) it will give any reasonable assistance to the Trust Manager in relation to the Trust as is reasonably requested by the Trust Manager (at the cost of the Trust Manager);
- (k) it will act on all written directions given to it by the Trust Manager which it is satisfied are given in accordance with the terms of the Programme Documents;
- (l) it will promptly notify the Trust Manager and the Rating Agencies of the occurrence of an event requiring mandatory retirement of the Covered Bond Guarantor pursuant to the terms of the Establishment Deed;
- (m) it will remain Tax Resident in New Zealand while it is acting as trustee of the Trust; and
- (n) except to the extent it is required to do so, it will not perform any of its duties, or exercise any rights in relation to the Trust, or otherwise manage the Trust outside of New Zealand.

Indemnification of Covered Bond Guarantor

Subject to the Establishment Deed and the applicable Priority of Payments, the Covered Bond Guarantor will be indemnified out of the assets of the Trust against all costs, expenses, loss and liabilities properly incurred by the Covered Bond Guarantor (including, for the avoidance of doubt, any liability of it under an indemnity given by it) in performing any of its duties or exercising any of its powers under the Establishment Deed in relation to the Trust to the extent that the cost, expense, loss or liability has been incurred by the Covered Bond Guarantor in connection with the performance of its duties or the exercise of its powers in respect of the trust and except to the extent that any such cost, expense, loss or liability is caused by the Covered Bond Guarantor's breach of trust, fraud, gross negligence or wilful default.

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.

The Establishment Deed is governed by New Zealand law.

Management Agreement

The Trust Manager will provide certain Cash Management Services and the Calculation Manager will provide certain Calculation Management Services to the Covered Bond Guarantor and the Security Trustee pursuant to the terms of the Management Agreement entered into on the Programme Date between the Covered Bond Guarantor, the Trust Manager, ANZNBL as Seller, Servicer, Account Bank and Calculation Manager and the Security Trustee.

The Cash 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 Housing Loan Revenue Receipts and the Housing Loan Principal Receipts collected during each Collection Period and the amount of Available Revenue Receipts and Available Principal Receipts to be distributed on the immediately following Trust Payment Date;
- (c) determining the amount of Losses incurred on the Housing Loans in the Housing Loan Portfolio during each Collection 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) directing the Covered Bond Guarantor in relation to the application of 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 Housing Loan Portfolio is in compliance with the Asset Coverage Test on each Determination Date prior to an Issuer Event of Default and service of a Notice to Pay on the Covered Bond Guarantor in accordance with the Establishment Deed, as more fully described under "*Credit Structure – Asset Coverage Test*" below;
- (b) determining whether the Housing Loan Portfolio is in compliance with the Amortisation Test on each Determination 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 in accordance with the Establishment Deed, as more fully described under "*Credit Structure – Amortisation Test*", below;
- (c) on each Local Business Day during the Pre-Maturity Test Period, 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 Liquidity*" below.

The Establishment Deed provides that, subject to the applicable Priority of Payments, the Trust Manager will be indemnified by the Covered Bond Guarantor against all costs, expenses, loss and liability properly incurred by the Trust Manager in its capacity as Trust Manager of the Trust except to the extent that the relevant cost, expense, loss or liability is caused or contributed to by the Trust Manager's fraud, gross negligence or wilful default.

In certain circumstances the Covered Bond Guarantor and/or the Security Trustee will each have the right to terminate the appointment of the Calculation Manager, in which event the Covered Bond Guarantor will use its reasonable endeavours to appoint a substitute calculation manager (subject to the Security Trustee's prior written approval and delivery by the Trust Manager to the Covered Bond Guarantor and the Security Trustee of a

Rating Affirmation Notice). Any substitute calculation manager will have substantially the same rights and obligations as the Calculation Manager (although the fee payable to the substitute calculation manager may be higher).

In certain circumstances the Covered Bond Guarantor and/or the Security Trustee may terminate the appointment of the Trust Manager to perform the Cash Management Services, in which event the Covered Bond Guarantor will use its reasonable endeavours to appoint a substitute (subject to the Security Trustee's prior written approval and delivery by the Trust Manager to the Covered Bond Guarantor and the Security Trustee of a Rating Affirmation Notice). Any substitute trust manager will have substantially the same rights and obligations as the Trust Manager (although the fee payable to the substitute trust manager may be higher).

The Trust Manager is entitled to a fee for the provision of the Cash Management Services under the Management Agreement which has been agreed in writing between the Covered Bond Guarantor, the Security Trustee and the Trust Manager.

The Calculation Manager is entitled to a fee for the provision of the Calculation Management Services under the Management Agreement which has been agreed in writing between the Covered Bond Guarantor, the Security Trustee and the Calculation Manager. The Management Agreement is governed by New Zealand law.

Delegation Agreement

Pursuant to the terms of the Delegation Agreement entered into on the Programme Date between the Trust Manager and ANZNBL, the Trust Manager has delegated certain of its functions in relation to the Trust and the Cash Management Services to ANZNBL. The Delegation Agreement may be terminated at any time by either party by giving three months written notice to the other party (or such shorter period as the parties may agree). Following the occurrence of an Issuer Event of Default, the Covered Bond Guarantor is permitted to terminate the Delegation Agreement upon written notice to ANZNBL and the Trust Manager.

The Delegation Agreement is governed by New Zealand law.

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 Housing Loans and amounts payable by the Covered Bond Guarantor under the Intercompany Loan Agreement to the Intercompany Loan Provider and/or under the Demand Loan Agreement to the Demand Loan Provider 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 Swap and each Covered Bond Swap) (the **Swaps**) will be between a swap provider (the **Swap Provider**) and the Covered Bond Guarantor (and the Trust Manager and the Security Trustee) and will be governed by, and subject to, an agreement in the form of the 2002 ISDA Master Agreement as published by the International Swaps & Derivatives Association, Inc. (**ISDA**) together with its Schedule and Credit Support Annex (to be in the form of the 1995 Credit Support Annex (Transfer – English Law) published by ISDA) and the Confirmation evidencing the relevant swap transaction (together, the **Swap Agreement**).

Interest Rate Swap Agreement

Some of the Housing Loans in the Housing Loan Portfolio from time to time pay a variable amount of interest. Other Housing Loans pay a fixed rate of interest for a period of time. However, the NZ Dollar payments to be made by the Covered Bond Guarantor under the Covered Bond Swaps, the Term Advances and the Demand Loan will be based on the 30 day Bank Bill Rate or the rate for such other period as may be agreed in relation to a particular Series of Covered Bonds. To provide a hedge against the variance between:

- (a) the rates of interest payable on the Housing Loans in the Housing Loan Portfolio; and
- (b) the Bank Bill Rate for the applicable interest or calculation period,

the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the Interest Rate Swap Provider will enter into an Interest Rate Swap under the Interest Rate Swap Agreement.

The Interest Rate Swap Agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.

Covered Bond Swap Agreements

Where Covered Bonds are issued in a currency and/or on an interest rate basis different to the Interest Rate Swap, the Covered Bond Guarantor will enter into one or more Covered Bond Swaps with one or more Covered Bond Swap Providers. Each Covered Bond Swap may be either a **Forward Starting Covered Bond Swap** or a **Non-Forward Starting Covered Bond Swap** and each will constitute the sole Transaction (as described in the relevant Covered Bond Swap) under a single Covered Bond Swap Agreement (such Covered Bond Swap Agreements, together, the **Covered Bond Swap Agreements**). Where the Covered Bond Guarantor enters into a Forward Starting Covered Bond Swap, the related Term Advance made under the Intercompany Loan Agreement will be made in NZ 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 Housing Loans and the Interest Rate Swap and amounts payable by the Covered Bond Guarantor under the Covered Bond Guarantee in respect of the Covered Bonds (after service of a Notice to Pay).

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 Housing Loans and the Interest Rate Swap and amounts payable by the Covered Bond Guarantor under the related Term Advance (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 on the second Business Day following service of a Notice to Pay in the case of the first such Interest Payment Date) after service of a Notice to Pay on the Covered Bond Guarantor, an amount equal to the amounts that are then payable by the Covered Bond Guarantor under the Covered Bond Guarantee in respect of interest payable under the relevant Series 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 NZ Dollars calculated by reference to the 30 day Bank Bill Rate (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 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 of Covered Bonds in exchange for payment by the Covered Bond Guarantor of the NZ Dollar Equivalent of that amount.

Under the Non-Forward Starting Covered Bond Swaps:

- (a) if the related Term Advance is made in NZ Dollars, the Covered Bond Guarantor will pay to the Covered Bond Swap Provider on each Trust Payment Date an amount in NZ Dollars calculated by reference to the 30 day Bank Bill Rate 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 NZ Dollars calculated by reference to the 30 day Bank Bill Rate (or the rate for such period as may be specified in the relevant Confirmation) plus a spread; and
- (b) if the related Term Advance is made in a currency other than NZ 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 Term Advance (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 NZ Dollar Equivalent of the first mentioned amount. Thereafter, the Covered Bond Guarantor will pay to the Covered Bond Swap

Provider on each Trust Payment Date an amount in NZ Dollars calculated by reference to the 30 day Bank Bill Rate 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 the relevant currency equal to the relevant amount of interest then payable under the related Term Advance in accordance with the Intercompany Loan 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 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 Term Advance in exchange for payment by the Covered Bond Guarantor of the NZ Dollar Equivalent of that amount.

Each Covered Bond Swap will terminate on the later of (i) Trust Payment Date that falls on or immediately following the Final Maturity Date for the relevant Series or Tranche of Covered Bonds; and (ii) the date on which all of the relevant Series of Covered Bonds have been repaid or redeemed in full.

Rating Downgrade Event

Under the terms of each Swap Agreement, in the event that the credit rating(s) of the Swap Provider is downgraded by a Rating Agency below the credit rating(s) specified in the relevant Swap Agreement (in accordance with the Rating Agencies' criteria) for that Swap Provider, that Swap Provider agrees, in accordance with the relevant Swap Agreement, to take certain remedial measures which may include:

- (a) providing collateral for its obligations under the Swap Agreement;
- (b) arranging for its obligations under the relevant Swap Agreement to be transferred to a replacement entity provided that either (i) such entity is an entity with the credit ratings specified by the relevant Rating Agency or (ii) the relevant Rating Agency has confirmed that such transfer will not adversely affect the credit ratings of the then outstanding Covered Bonds;
- (c) procuring another entity to become co-obligor or guarantor in respect of its obligations under the Swap Agreement provided that either (i) such entity is an entity with the credit ratings specified by the relevant Rating Agency or (ii) the relevant Rating Agency has confirmed that such co-obligor or guarantor will not adversely affect the credit ratings of the then outstanding Covered Bonds; or
- (d) taking such other action or putting in place such alternative hedging as it may be confirmed by the relevant Rating Agency.

A failure to take such steps within the time periods specified in the Swap Agreement will allow the Covered Bond Guarantor to terminate the Swap Agreement.

Other Termination Events

A Swap Agreement may also be terminated early in certain other circumstances, including but not limited to:

- (a) at the option of any party to the Swap Agreement, if there is a failure by the other party to pay any amounts due under such Swap Agreement within the specified grace period;
- (b) upon the occurrence of an insolvency event in relation to the Swap Provider or the merger of one of the parties to such Swap Agreement without an assumption of the obligations under such Swap Agreement;
- (c) there is a change of law, a change in application of the relevant law or consolidation, amalgamation, merger, transfer of assets, reorganisation, reincorporation or reconstitution of or by a party which results in the Covered Bond Guarantor or the 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 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 Swap Provider);

- (d) an event or circumstance occurs which results in the illegality of the obligations to be performed by either party under the Swap Agreement or a force majeure event which renders performance impossible or impracticable;
- (e) in relation to a Covered Bond Swap only, if the corresponding Series of Covered Bonds are redeemed or cancelled;
- (f) the making of an amendment (without the consent of the Swap Provider) to the Priorities of Payments which has a material adverse effect on the amounts paid to the Swap Provider under the Priorities of Payments such that the Covered Bond Guarantor's obligations under the Swap Agreement are further contractually subordinated to its obligations to any other Secured Creditor; and
- (g) the making of an amendment (without the consent of the Swap Provider), such that the Swap Provider would, immediately after such amendment, be required to pay more or receive less under the Swap Agreement than would otherwise have been the case immediately prior to such amendment or such that the Swap Provider would suffer an adverse consequence as a result of such amendment.

Upon the termination of 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 the relevant Swap Agreement.

Swap Agreement Credit Support Document

The Covered Bond Guarantor and each Swap Provider will also enter into a credit support document in the form of the ISDA 1995 Credit Support Annex (Transfer – English Law) to the ISDA Master Agreement (the **Swap Agreement Credit Support Document**). The 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 the 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 Swap Agreement (the **Swap Collateral**) and the Covered Bond Guarantor will be obliged to return equivalent collateral in accordance with the terms of the Swap Agreement Credit Support Document. The Swap Agreement Credit Support Document will be governed by English Law.

Swap Collateral required to be posted by the relevant Swap Provider pursuant to the terms of the Swap Agreement Credit Support Document at present may be delivered in the form of cash only. Cash amounts will be paid into an account designated as a **Swap Collateral Cash Account** opened and held with the Account Bank. References to the Swap Collateral Cash Account and to payments from such account are deemed to be a reference to payments from such account as and when opened by the Covered Bond Guarantor.

If the 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 Swap Provider in accordance with the terms of the 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 to the Charged Property.

Governing Law

The Swap Agreements and any non-contractual obligations arising out of or in connection with it will be governed by English Law.

Account Bank Agreement

Pursuant to the terms of the Account Bank Agreement entered into on the Programme Date between the Covered Bond Guarantor, ANZNBL as Account Bank, Calculation Manager and All Moneys Mortgage Beneficiary, the Trust Manager and the Security Trustee, the Covered Bond Guarantor will maintain with the

Account Bank the GIC Account described below, the Transactions Accounts and the Swap Collateral Cash Account, which will be operated in accordance with the Management Agreement, the Establishment Deed, the Security Deed and the relevant Swap Agreements.

Pursuant to the terms of the Account Bank Agreement, the Covered Bond Guarantor will maintain in its name, but in its capacity as All Moneys Mortgages Trustee, with the Account Bank a further bank account (the **All Moneys Mortgage Trust Account**). The All Moneys Mortgage Trustee will deposit, on its receipt, the proceeds of enforcement of any All Moneys Mortgage which constitutes All Moneys Mortgage Trust Property in the All Moneys Mortgage Trust Account in accordance with the Mortgage Sale Agreement.

The Covered Bond Guarantor or the Security Trustee may, upon written notice to the Account Bank, terminate the appointment of the Account Bank if 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 (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 Local 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 with the prior written consent of the Security Trustee) and such failure remains unremedied for a period of ten Local Business Days after the Trust Manager or the Security Trustee has given notice of such failure to the Account Bank.

The Covered Bond Guarantor or the Security Trustee shall, upon written notice to the Account Bank, terminate the appointment of the Account Bank if the following matters occur:

- (a) if the Account Bank ceases to be a Qualified Institution and the Account Bank does not, within 30 Local Business Days of the occurrence of such event, obtain a guarantee of its obligations under the Account Bank Agreement from a Qualified Institution; or
- (b) if an Insolvency Event occurs in respect of the Account Bank.

The Account Bank Agreement is governed by New Zealand law.

Security Deed

Pursuant to the terms of the Security Deed entered into on the Programme Date by the Covered Bond Guarantor, the Trust Manager, the Bond Trustee, the Security Trustee and the other Secured Creditors, as security for payment of the Secured Obligations, the Covered Bond Guarantor:

- (a) grants a security interest in all of its present and after acquired right, title and interest in the assets of the Trust which comprise present and after-acquired personal property to which the PPSA applies (**Charged Personal Property**) in favour of the Security Trustee; and
- (b) charges all of its present and future right, title and interest in, and all of its present and future rights in relation to, any assets of the Trust which are land and any other property other than any Charged Personal Property (**Charged Other Property**), in favour of the Security Trustee.

The Security is a fixed charge in respect of all Charged Other Property except where, but only to the extent that, the Security is not legally and fully effective as a fixed charge, in which event the Security shall be a floating charge. Any floating charge shall become a fixed charge automatically and immediately in respect of all Charged Other 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

- (b) in respect of any such Charged Other 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 Other 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 of Housing Loans (including Selected Housing Loans) and the Related Security by or on behalf of the Covered Bond Guarantor pursuant to and in accordance with the Programme Documents, the Security Trustee will, on the date of such sale (subject to the written request of the Covered Bond Guarantor or the Trust Manager on its behalf), take all reasonable steps necessary to release those Housing Loans and the Related Security from the Security created by and pursuant to the Security Deed, only if:

- (a) the Security Trustee provides its prior written consent to the terms of such sale as described under "*Establishment Deed – Method of Sale of Selected Housing Loans*" above; and
- (b) in the case of the sale of Selected Housing Loans, the Trust Manager provides to the Security Trustee a certificate confirming that the Selected Housing Loans being sold have been selected on a basis that is representative of the Housing Loans in the Housing Loan Portfolio as a whole.

In the event of the repurchase of a Housing Loan and its Related Security by the Seller pursuant to and in accordance with the Programme Documents, the Security Trustee will, on the date of the repurchase, release that Housing Loan and the Related Security from the Security created by and pursuant to the Security Deed.

Enforcement

If a Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Security Trustee shall be entitled to appoint a Receiver, and/or enforce the Security constituted by the Security Deed (including selling the Housing Loan Portfolio), and/or take such steps as it shall 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.

The Security Deed is governed by New Zealand law.

CREDIT STRUCTURE

The Covered Bonds will be direct, unsecured and unconditional obligations of the Relevant Issuer (and the Guarantor if ANZNIL is the Issuer). The Covered Bond Guarantor has no obligation to pay the Guaranteed Amounts under the Covered Bond Guarantee until the occurrence of (i) an Issuer Event of Default and service by the Bond Trustee on the Issuers, the Guarantor and the Covered Bond Guarantor of an Issuer Acceleration Notice and the service on the Covered Bond Guarantor of a Notice to Pay or, (ii) if earlier, following the occurrence of a Covered Bond Guarantor Event of Default, and the service by the Bond Trustee on the Covered Bond Guarantor, the Issuers and the Guarantor of a Covered Bond Guarantee Acceleration Notice. Neither the Issuers nor the Guarantor will be relying on any payments by the Covered Bond Guarantor in order to pay interest or repay principal under the Covered Bonds or amounts under the Guarantee (in the case of Covered Bonds issued by ANZNIL).

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 Relevant Issuer and the Guarantor (if ANZNIL is the Issuer);
- (b) the Pre-Maturity Test is intended to provide liquidity to the Covered Bond Guarantor 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 service of a Notice to Pay on the Covered Bond Guarantor;
- (e) a Reserve Fund will be established in the GIC Account to trap Available Revenue Receipts if the credit ratings of ANZNBL's short term, unsecured, unsubordinated and unguaranteed obligations fall to F1 (or lower) by Fitch or to P-2 (or lower) by Moody's; and
- (f) under the terms of the Account Bank Agreement, the Account Bank has agreed to pay a rate of interest per annum equal to the 30 day Bank Bill Rate (which shall be the rate determined by the Account Bank on each Determination Date or, in the case of the first Collection Period, the First Transfer Date) 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 Issuers. The Covered Bond Guarantor has agreed to pay an amount equal to the Guaranteed Amounts when the same shall become Due for Payment but which would otherwise be unpaid by the Relevant Issuer and the Guarantor (in the case of Covered Bonds issued by ANZNIL). The obligations of the Covered Bond Guarantor under the Covered Bond Guarantee constitute direct, unconditional (following service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice) and unsubordinated obligations of the Covered Bond Guarantor, secured as provided in the Security Deed. 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 (whereupon the Covered Bonds will become immediately due and payable as against the Relevant Issuer (and the Guarantor if ANZNIL is 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 Relevant Issuer, the Guarantor (if ANZNIL is 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. All Moneys received or recovered by the Security Trustee or any Receiver after the service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or realisation of the Security shall be held by it in the Trust Accounts on trust to be applied 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 Local 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 will be breached in relation to a Series of Hard Bullet Covered Bonds if ANZNBL's short-term credit rating from Moody's falls to P-2 (or lower) or from Fitch falls to F1 (or lower) and the Final Maturity Date of the Series of Hard Bullet Covered Bonds falls within 12 months from the relevant Pre-Maturity Test Date. If the Pre-Maturity Test is breached within such specified period and certain actions are not taken, an Issuer Event of Default will occur.

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* 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, the assets of the Covered Bond Guarantor are subject to the Asset Coverage Test. Accordingly, for so long as Covered Bonds remain outstanding, the Covered Bond Guarantor must ensure that on each Determination Date prior to the service of a Notice to Pay, the Adjusted Aggregate Housing Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds from time to time. The Asset Coverage Test will be tested by the Calculation Manager on each Determination Date.

Pursuant to the terms of the Mortgage Sale Agreement, the Seller has agreed to use all reasonable endeavours to offer to sell Housing Loans and the Related Security to the Covered Bond Guarantor in order to ensure that the Housing Loan Portfolio is in compliance with the Asset Coverage Test. The consideration payable to the Seller for the sale of such Housing Loans and Related Security to the Covered Bond Guarantor to rectify a breach of the Asset Coverage Test will be funded by a drawing under the Demand Loan Agreement.

Alternatively, the Covered Bond Guarantor may purchase Substitution Assets or request drawings under the Demand Loan Agreement (as directed by the Trust Manager) in order to ensure that the Covered Bond Guarantor is in compliance with the Asset Coverage Test.

If the Adjusted Aggregate Housing Loan Amount is less than the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds on a Determination Date and also on the next following Determination Date, the Asset Coverage Test will be breached and the Bond Trustee will 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 breach). The Bond Trustee shall be deemed to revoke an Asset Coverage Test Breach Notice if, on the next Determination Date to occur following the service of an Asset Coverage Test Breach Notice, 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 on the next Determination Date after service of such Asset Coverage Test Breach Notice 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, 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 to or *pari passu* with amounts due on the Covered Bonds.

Pursuant to the Establishment Deed, the Covered Bond Guarantor must ensure that on each Determination 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 and/or the realisation of the Security and/or the commencement of winding up proceedings against the Trust, the Amortisation Test Aggregate Housing Loan Amount is in an amount at least equal to the NZ Dollar Equivalent of the aggregate Principal Amount Outstanding under the Covered Bonds.

See further "*Summary of the Principal Documents – Establishment Deed – Amortisation Test*", above.

Reserve Fund

The Covered Bond Guarantor is required to establish a reserve fund with the GIC Account which will be credited with the proceeds of Available Revenue Receipts or a Term Advance up to an amount equal to the Reserve Fund Required Amount in accordance with the applicable Priority of Payments.

If ANZNBL's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and F1+ by Fitch the Reserve Fund Required Amount will be nil and otherwise, an amount equal to the NZ Dollar Equivalent of three month's interest due on each Series of Covered Bonds then outstanding together with an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) of the Pre-Acceleration Revenue Priority of Payments (see "*Cashflows - Pre-Acceleration Revenue Priority of Payments*" below).

CASHFLOWS

As described above under Credit Structure, until a Notice to Pay or Covered Bond Guarantee Acceleration Notice is served on the Covered Bond Guarantor, the Covered Bonds will be obligations of the Relevant Issuer (and the Guarantor if ANZNIL is the Issuer) only. The Relevant Issuer (or the Guarantor if ANZNIL is the Issuer) are liable to make payments when due on the Covered Bonds, whether or not ANZNBL 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 GIC Account or the Transaction Accounts (if applicable) and their order of priority:

- (a) prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice and/or commencement of winding-up proceedings against the Trust and/or realisation of the Security;
- (b) following service of a Notice to Pay (but prior to the service of a Covered Bond Guarantee Acceleration Notice and/or commencement of winding-up proceedings against the Trust and/or realisation of the Security); and
- (c) following the service of a Covered Bond Guarantee Acceleration Notice and/or commencement of winding-up proceedings against the Trust and/or realisation of the Security,

all in accordance with the Establishment Deed and Security Deed, as applicable.

Allocation and distribution of Available Revenue Receipts prior to the service of a Notice to Pay, or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or the realisation of the Security

Prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or realisation of the Security, Available Revenue Receipts standing to the credit of the Transaction Accounts shall be allocated and distributed as described below.

On the Determination Date immediately preceding each Trust Payment Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall 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 Determination Date falling within the Pre-Maturity Test Period and ending on the Final Maturity Date of the relevant Series of Hard Bullet Covered Bonds, whether or not the amount standing to the credit of the Pre-Maturity Ledger at such date is less than the NZ Dollar Equivalent of the Required Redemption Amount for each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached at such date.

If the Covered Bond Guarantor has been so directed by the Trust Manager on each Trust Payment Date the Covered Bond Guarantor shall 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 paragraph (a), which in each case shall be paid when due and except for Swap Collateral Excluded Amounts due to the Swap Provider by the Covered Bond Guarantor under the relevant Swap Agreement, which shall be paid directly to the relevant Swap Provider), the Covered Bond Guarantor, acting on the direction of the Trust Manager, will apply Available Revenue Receipts from the Transaction Accounts or the GIC Account (if

the Trust Manager has not directed the Covered Bond Guarantor to transfer funds to the Transaction Accounts in accordance with the Establishment Deed) 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*, in or towards satisfaction of any amounts due and payable by the Covered Bond Guarantor to itself as trustee of the Trust, the Bond Trustee and the Security Trustee, any remuneration due and payable to each Agent under the provisions of the Principal Agency Agreement and 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 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 to discharge any liability of the Covered Bond Guarantor for Taxes;
- (b) *second*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, 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 any applicable GST (or other similar Taxes) thereon;
 - (ii) any remuneration then due and payable to the Calculation Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Calculation Manager under the provisions of 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;
 - (iii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with any applicable GST (or other similar Taxes) thereon;
 - (iv) amounts due and payable to the Asset Monitor pursuant to the terms of the Asset Monitor Agreement (other than the amounts referred to in paragraph (i) below), together with any applicable GST (or other similar Taxes) thereon; and
 - (v) 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;
- (c) *third*, 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 Swap (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swap but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premium received from any replacement Interest Rate Swap Provider) pursuant to the terms of the Interest Rate Swap Agreement;
- (d) *fourth*, 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, *pro rata* and *pari passu* according to the respective amounts thereof, of:
 - (i) any amounts due or to become due and payable to the Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable (other than in respect of principal) by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond

Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreement; and

- (ii) any amounts due or to become due and payable (excluding principal amounts) to the Intercompany Loan Provider *pro rata* and *pari passu* in respect of each Term Advance pursuant to the terms of the Intercompany Loan Agreement, but in the case of any such payment, after taking into account any amounts (other than principal) receivable from the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the Trust Payment Date or such date in the future as the Calculation 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 and, if applicable, any amounts (other than principal) receivable from the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement on the Trust Payment Date or such date in the future as the Trust Manager may reasonably determine;

- (e) *fifth*, if the Covered Bond Guarantor, or the Trust Manager on its behalf, is required to credit the Pre-Maturity Ledger following a breach of the Pre-Maturity Test, on the Trust Payment Date in or towards a credit to the Pre-Maturity Ledger and deposit into the GIC Account of an amount equal to (i) the NZ Dollar Equivalent of the Required Redemption Amount for each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached calculated as at the immediately preceding Determination Date, less (ii) any amounts standing to the credit of the Pre-Maturity Ledger as at the immediately preceding Determination Date;
- (f) *sixth*, 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 Determination Date;
- (g) *seventh*, 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 Housing Loan Portfolio (or the relevant part thereof);
- (h) *eighth*, in or towards payment *pro rata* and *pari passu* in accordance with the respective amounts thereof of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements, except to the extent such amounts have been paid out of any premiums received from any relevant replacement Swap Provider;
- (i) *ninth*, in or towards payment of any indemnity amount due to the Asset Monitor pursuant to the Asset Monitor Agreement;
- (j) *tenth*, any interest amount due, or to become due and payable in respect of the Demand Loan, to the Demand Loan Provider pursuant to the terms of the Demand Loan Agreement;
- (k) *eleventh*, in or towards payment of the Deferred Consideration then due and payable to the Seller for the transfer of the Housing Loans and the Related Security to the Covered Bond Guarantor; and
- (l) *twelfth*, the remainder:
 - (i) subject to subparagraph (ii) below:
 - (A) except for the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed, to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger); and

- (B) on the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed, to the Residual Income Beneficiary by way of distribution of the Net Annual Income of the Trust which has vested absolutely in the Residual Income Beneficiary (with a corresponding debit to the Residual Income Beneficiary Ledger); and
- (ii) to the extent the Covered Bond Guarantor, or the Trust Manager on its behalf, is not satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (I), to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger) and either:
 - (A) paid to the Commissioner of Inland Revenue to meet any unpaid income tax liability in respect of the income of the Trust and distribution of income of the Trust; or
 - (B) upon being satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (I), paid to the Residual Income Beneficiary by way of distribution of the income of the Trust (with a corresponding debit to the Residual Income Beneficiary Ledger).

Allocation and distribution of Available Revenue Receipts 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 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 and/or the commencement of winding-up proceedings against the Trust and/or realisation of the Security, all Available Revenue Receipts will continue to be applied in accordance with the Pre-Acceleration Revenue Priority of Payments save that, whilst any Covered Bonds remain outstanding, no moneys will be applied under paragraph (d)(ii), (j), (k) or (l) of the Pre-Acceleration Revenue Priority of Payments, and 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 service of a Notice to Pay, or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or the realisation of the Security

Prior to the service of a Notice to Pay or a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security, Available Principal Receipts standing to the credit of the GIC Account or the Transaction Accounts (if applicable) shall be allocated and distributed as described below.

On each Determination Date, the Covered Bond Guarantor, or the Trust Manager on its behalf, shall calculate the amount of Available Principal Receipts available for distribution on the immediately following Trust Payment Date.

If the Covered Bond Guarantor has been so directed by the Trust Manager, on each Trust Payment Date, 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 Covered Bond Guarantor, acting on the directions of the Trust Manager, will apply Available Principal Receipts from the Transaction Accounts or the GIC Account (if the Trust Manager has not directed the Covered Bond Guarantor to transfer funds to the Transaction Accounts in accordance with the Establishment Deed) (other than Swap Collateral Excluded Amounts due to the Swap Provider by the Covered Bond Guarantor under the relevant Swap Agreement which shall be paid directly to the relevant Swap

Provider in accordance with the terms of the relevant Swap Agreement) 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 Covered Bond Guarantor, or the Trust Manager on its behalf, is required to credit the Pre-Maturity Ledger on the Trust Payment Date, in or towards a credit to the Pre-Maturity Ledger and deposit into the GIC Account of an amount equal to (A) the NZ Dollar Equivalent of the Required Redemption Amount for each Series of Hard Bullet Covered Bonds in respect of which the Pre-Maturity Test has been breached calculated as at the immediately preceding Determination Date, less (B) any amounts standing to the credit of the Pre-Maturity Ledger as at the immediately preceding Determination Date;
- (b) *second*, to acquire New Housing Loans and the Related Security offered to the Covered Bond Guarantor by the Seller in accordance with the terms of the Mortgage Sale Agreement and/or to acquire Substitution Assets up to a prescribed limit in an amount sufficient to ensure that taking into account the other resources available to the Covered Bond Guarantor, the Covered Bond Guarantor is in compliance with the Asset Coverage Test;
- (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 Covered Bond Guarantor is in compliance with the Asset Coverage Test;
- (d) *fourth*, 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 each relevant Term Advance by making the following payments:
 - (i) the amounts (in respect of principal) due or to become due and payable to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment (relating solely to principal) due and payable by the Covered Bond Guarantor under the Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any replacement Swap Provider) in accordance with the terms of the Covered Bond Swap Agreement; and
 - (ii) where appropriate, after taking into account any amounts in respect of principal receivable from a Covered Bond Swap Provider 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 and payable or to become due and payable to the Intercompany Loan Provider *pro rata* and *pari passu* in respect of each relevant Term Advance;
- (e) *fifth*, to:
 - (i) pay the Purchase Price for New Housing Loans and the Related Security sold 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; and
 - (ii) pay to the Seller the Purchase Price of any Further Advances and/or to reimburse the Seller for funding any Cash Redraws that the Covered Bond Guarantor has agreed may remain in the Housing Loan Portfolio in accordance with the Mortgage Sale Agreement;
- (f) *sixth*, to repay such amount of the principal outstanding on the Demand Loan that is due or to become due and payable to the Demand Loan Provider pursuant to the terms of the Demand Loan Agreement, to the extent that such payment would not cause the Asset Coverage Test to be breached;
- (g) *seventh*, if the principal balance of the Demand Loan is zero, in or towards payment of the Deferred Consideration then due to the Seller for the transfer of the Housing Loans and the Related Security to the Covered Bond Guarantor; and
- (h) *eighth*, to deposit the remaining Available Principal Receipts into the GIC Account.

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 be 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 and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security, all Available Principal Receipts will continue to be applied in accordance with the Pre-Acceleration Principal Priority of Payments save that, whilst any Covered Bonds remain outstanding, no moneys will be applied under paragraph (b) 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 and/or the commencement of winding-up proceedings against the Trust and/or the realisation of the Security, all Available Revenue Receipts and Available Principal Receipts will be applied as described below.

If the Covered Bond Guarantor has been so directed by the Trust Manager, on each Trust Payment Date, 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 Covered Bond Guarantor, or the Trust Manager on its behalf, will create and maintain ledgers for each Series of Hard Bullet Covered Bonds and record amounts allocated to such Series of Hard Bullet Covered Bonds, 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 thereof.

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 Covered Bond Guarantor, acting on the direction of the Trust Manager, shall 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 relevant Series.

Guarantee Priority of Payments

On each Trust Payment Date (except for amounts due to third parties described below under (b)(ii) which in each case shall be paid when due, and except for Swap Collateral Excluded Amounts due to the Swap Provider by the Covered Bond Guarantor under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider) the Covered Bond Guarantor, acting on the direction of the Trust Manager, will apply Available Revenue Receipts and Available Principal Receipts 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*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof 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 under the provisions of the Bond Trust Deed together with interest and any 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 under the provisions of the Security Deed together with interest and any applicable GST (or other similar Taxes) thereon;

- (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 under the Establishment Deed together with interest and any applicable GST (or other similar Taxes) thereon;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agents under the provisions of the Principal Agency Agreement together with any applicable GST (or other similar Taxes) thereon; and
 - (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 to pay or discharge any liability of the Covered Bond Guarantor for Taxes;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof 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 any applicable GST (or other similar Taxes) thereon;
 - (ii) any remuneration then due and payable to the Calculation Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Calculation Manager in the Trust Payment Period in which such Trust Payment Date occurs under the provisions of the Management Agreement, together with any applicable GST (or other similar Taxes) thereon;
 - (iii) amounts (if any) due and payable to the Account Bank (including costs) pursuant to the terms of the Account Bank Agreement, together with any applicable GST (or other similar Taxes) thereon;
 - (iv) amounts due and payable to the Trust Manager under the Establishment Deed and the Management Agreement, together with any applicable GST (or other similar Taxes) thereon; and
 - (v) amounts due and payable to the Asset Monitor (other than the amounts referred to in paragraph (k) below) pursuant to the terms of the Asset Monitor Agreement, together with any applicable GST (or other similar Taxes) thereon;
- (d) *fourth*, 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 Swap (including any termination payment due and payable by the Covered Bond Guarantor under the Interest Rate Swap but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any replacement Interest Rate Swap Provider) in accordance with the terms of the Interest Rate Swap Agreement;
- (e) *fifth*, 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, *pro rata* and *pari passu* according to the respective amounts thereof, of:
- (i) any amounts due or to become due and payable to the Covered Bond Swap Provider (other than in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable (other than in respect of principal) by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts

have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the Covered Bond Swap Agreement; and

- (ii) 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 Principal Paying Agent on behalf of the Covered Bondholders, Receiptholders and Couponholders *pro rata* and *pari passu* 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 the Covered Bond Swap Provider under the relevant 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 (e) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the Scheduled Interest that is or will be Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and the amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under sub-paragraph (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;

- (f) *sixth*, in or towards payment on the Trust Payment Date or to provide for payment in the immediately succeeding Trust Payment Period, *pro rata* and *pari passu* according to the respective amounts thereof of:

- (i) any amounts (in respect of principal) due or to become due and payable to any Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable (in respect of principal) by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the Covered Bond Swap Agreement; and
- (ii) (where appropriate, after taking into account any amounts in respect of principal receivable from the 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 Principal Paying Agent on behalf of the Covered Bondholders *pro rata* and *pari passu* in respect of each Series of Covered Bonds,

provided that if the amount available for distribution under this paragraph (f) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the Scheduled Principal that is or will be Due for Payment in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and the amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under sub-paragraph (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;

- (g) *seventh*, 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, *pro rata* and *pari passu* according to the respective amounts thereof of:

- (i) any amounts due or to become due and payable to the Covered Bond Swap Provider (whether or not in respect of principal) *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) (except to the extent that such amounts have been paid out of any premiums received from any relevant replacement Covered Bond Swap Provider) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
- (ii) such Final Redemption Amount *pro rata* and *pari passu* 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 Principal Paying 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 Agreements and, if applicable, any amounts (whether or not in respect of principal) receivable from the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement, provided that if the amount available for distribution under this paragraph (g) (excluding any amounts received or to be received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of such Final Redemption Amount in respect of the relevant Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst all such Series of Covered Bonds on a *pro rata* and *pari passu* basis and any amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap Agreement in respect of each Series of Covered Bonds under sub-paragraph (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;

- (h) *eighth*, 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)-(g) (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);
- (i) *ninth*, in or towards payment *pro rata* and *pari passu* according to the respective amounts thereof of any Excluded Swap Termination Amount due and payable by the Covered Bond Guarantor under the Swap Agreements, except to the extent that such amounts have been received from any relevant replacement Swap Provider;
- (j) *tenth*, in and towards payment of all amounts due and payable (whether in respect of principal or interest) under the Intercompany Loan Agreement;
- (k) *eleventh*, in or towards payment of certain costs, expenses and indemnity amounts due by the Covered Bond Guarantor to the Asset Monitor pursuant to the Asset Monitor Agreement;
- (l) *twelfth*, in and towards payment of all amounts due and payable in respect of the Demand Loan pursuant to the terms of the Demand Loan Agreement;
- (m) *thirteenth*, in or towards payment of the Deferred Consideration then due and payable to the Seller for the transfer of the Housing Loans and the Related Security to the Covered Bond Guarantor; and
- (n) *fourteenth*, the remainder:
 - (i) subject to subparagraph (ii) below:
 - (A) except for the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed, to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger); and

- (B) on the Trust Payment Date that occurs on or immediately after the day on which the Net Annual Income of the Trust for a Fiscal Period has vested absolutely in the Residual Income Beneficiary in accordance with the Establishment Deed to the Residual Income Beneficiary by way of distribution of the Net Annual Income of the Trust which has vested absolutely in the Residual Income Beneficiary (with a corresponding debit to the Residual Income Beneficiary Ledger); and
- (ii) to the extent the Covered Bond Guarantor, or the Trust Manager on its behalf, is not satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (n), to be deposited into the GIC Account (with a corresponding credit to the Residual Income Beneficiary Ledger) and either:
 - (A) paid to the Commissioner of Inland Revenue to meet any unpaid income tax liability in respect of the income of the Trust and distribution of income of the Trust; or
 - (B) upon being satisfied that the Residual Income Beneficiary has paid or made provision for payment of income tax (if any) in respect of the income of the Trust and distributions made or to be made under this paragraph (n) paid to the Residual Income Beneficiary by way of distribution of the income of the Trust (with a corresponding debit to the Residual Income Beneficiary Ledger).

Termination payments in respect of Swaps, premiums received in respect of replacement Swaps

If the Covered Bond Guarantor receives any termination payment from a Swap Provider in respect of a Swap, such termination payment will first be used (prior to the occurrence of a Covered Bond Guarantor Event of Default and service of a Covered Bond Guarantee Acceleration Notice and/or the commencement of winding up proceedings against the Trust and/or realisation of the Security) to pay a replacement Swap Provider to enter into a replacement Swap with the Covered Bond Guarantor (and, for the avoidance of doubt the amount of such termination payment received from the Swap Provider shall not form part of the Available Revenue Receipts or Available Principal Receipts), unless a replacement Swap has already been entered into on behalf of the Covered Bond Guarantor or if no replacement Swap is entered into in which case the termination payment shall 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 first be used to make any termination payment due and payable by the Covered Bond Guarantor with respect to the previous Swap (and, for the avoidance of doubt, the amount of such premium used to pay the applicable termination payment shall not form part of the Available Revenue Receipts or Available Principal Receipts), unless such termination payment has already been made on behalf of the Covered Bond Guarantor in which case the premium shall be applied 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 and/or realisation of the Security and/or the commencement of winding-up proceedings against the Trust

From and including the time when the Bond Trustee serves a Covered Bond Guarantee Acceleration Notice on the Covered Bond Guarantor and/or winding-up proceedings are commenced against the Trust and/or the Security is realised, 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 Swap Collateral Excluded Amounts due to the Swap Providers by the Covered Bond Guarantor, under the relevant Swap Agreement which shall be paid directly to the relevant Swap Provider), after the Security becomes enforceable, for the benefit of the Secured Creditors in respect of the Secured Obligations, shall be held by it in the Trust Accounts on trust to be applied (save to the extent required otherwise by law), 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) (**Post-Enforcement Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof 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 appointed by the Security Trustee under the provisions of the Security 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; and
 - (iii) all amounts due and payable or to become due and payable to the Covered Bond Guarantor under the provisions of the Establishment Deed together with interest and any applicable GST (or similar Taxes) thereon;
- (b) *second*, in or towards satisfaction of any remuneration then due and payable to the Agents under or pursuant to the Agency Agreements together with any applicable GST (or similar Taxes) thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof:
- (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) any remuneration then due and payable to the Calculation Manager and any costs, charges, liabilities and expenses then due or to become due and payable to the Calculation Manager under the provisions of the Management Agreement, together with any applicable GST (or other similar Taxes) thereon;
 - (iii) 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
 - (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 under the provisions of the Establishment Deed and the Management Agreement, together with any applicable GST (or other similar Taxes) thereon;
- (d) *fourth*, in or towards satisfaction of any amounts due and payable to the Interest Rate Swap Provider (including any termination payment, but excluding any Excluded Swap Termination Amount) pursuant to the terms of the Interest Rate Swap Agreement;
- (e) *fifth*, in or towards satisfaction of *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable to the Covered Bond Swap Provider *pro rata* and *pari passu* in respect of each relevant Covered Bond Swap (including any termination payment due and payable by the Covered Bond Guarantor under the relevant Covered Bond Swap Agreement, but excluding any Excluded Swap Termination Amount) in accordance with the terms of the relevant Covered Bond Swap Agreement; and
 - (ii) 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 *pro rata* and *pari passu* 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 (e) (excluding any amounts received from the Covered Bond Swap Provider) would be insufficient to pay the NZ Dollar Equivalent of the amounts due and payable under the Covered Bond Guarantee in respect of each Series of Covered Bonds under sub-paragraph (ii) above, the shortfall will be divided amongst all such Series of

Covered Bonds on a *pro rata* and *pari passu* basis and any amount payable by the Covered Bond Guarantor to the Covered Bond Swap Provider under the relevant Covered Bond Swap in respect of each relevant Series of Covered Bonds or provision to be made in respect thereof under sub-paragraph (i) 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;

- (f) *sixth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, of any Excluded Swap Termination Amounts due and payable by the Covered Bond Guarantor under the Swap Agreements;
- (g) *seventh*, in or towards payment of all amounts outstanding under the Intercompany Loan Agreement;
- (h) *eighth*, in or towards payment of any amounts outstanding under the Demand Loan Agreement;
- (i) *ninth*, in or towards payment of the Deferred Consideration then due to the Seller for the transfer of the Housing Loans and the Related Security to the Covered Bond Guarantor; and
- (j) *tenth*, the remainder as a distribution to the Beneficiaries in accordance with the Establishment Deed.

THE HOUSING LOAN PORTFOLIO

Each New Housing Loan Portfolio acquired by the Covered Bond Guarantor consists of Housing 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 Housing Loan Portfolio means a portfolio of New Housing Loans and the Related Security (other than any New Housing 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 Housing 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 (f) (inclusive) below:

- (a) all sums of principal and interest (including, for the avoidance of doubt, all Arrears of Interest that are currently due and payable as at the Acquisition Cut-Off Date and all interest and expenses that have been capitalised) and any other sum due or to become due under or in respect of such New Housing Loans and the Related Security after the Acquisition Cut-Off Date (but excluding, for the avoidance of doubt, all Accrued Interest as at the Acquisition Cut-Off Date) in respect of such New Housing Loans and including, without limitation, 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 Housing Loan Conditions;
- (b) the benefit of all other securities for such principal, interest and other sums payable (including, without limitation, any interest of the Seller in any life policy), any guarantee in respect of such New Housing Loans and any other collateral security for the repayment of the relevant Housing 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 Housing Loan 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 Housing Loans and the Related Security, or any part thereof affecting the decision of the Seller to make or offer to make such Housing Loans or part thereof; and
- (f) the benefit of certain Insurance Contracts, in each case so far as they relate to such New Housing Loans comprised in that portfolio of New Housing 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.

Any schedule of New Housing Loans attached to any New Housing Loan Portfolio Notice may be provided in a document stored upon electronic media (including, but not limited to, electronic mail and CD-ROM).

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*".

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 Issuers, the Guarantor and the Covered Bond Guarantor believe to be reliable, but none of the Issuers, the Covered Bond Guarantor, the 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 Issuers, the Covered Bond Guarantor, the Guarantor, nor any other party to the Principal Agency Agreement 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

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.

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 Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system.

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 Euroclear and Clearstream, Luxembourg. 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 Euroclear or Clearstream, Luxembourg, 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

New Zealand Taxation

The following is a generalised summary of the New Zealand taxation implications of investing in the Covered Bonds and is based on the taxation laws in force as at the date of this Prospectus under the Income Tax Act 2007. It is important to note that the tax implications of the investment will depend on the circumstances of each taxpayer. Prospective Covered Bondholders should consult a tax adviser on the tax implications of investing in the Covered Bonds in relation to each prospective Covered Bondholders specific circumstances.

Resident Withholding Tax

The Issuer, the Guarantor or the Covered Bond Guarantor, as the case may be, will deduct New Zealand resident withholding tax at the rate required by law from the payment of interest (including amounts deemed to be interest) to the Covered Bondholder, Receiptholder or Couponholder if:

- (a) the person deriving the interest is a resident of New Zealand for income tax purposes or is engaged in business in New Zealand through a fixed establishment in New Zealand (a **New Zealand Bondholder**); and
- (b) at the time of such payment, the New Zealand Bondholder does not hold a valid RWT exemption certificate.

If resident withholding tax is required to be deducted from the payment of any interest by the Issuer, the Guarantor or by the Covered Bond Guarantor under the Covered Bond Guarantee, the Issuer, the Guarantor or the Covered Bond Guarantor (as the case may be) will not be obliged to pay any additional amount.

Non-Resident Withholding Tax

New Zealand law requires, in certain circumstances, a deduction on account of non-resident withholding tax to be made from the payment of interest (including amounts deemed to be interest) with a New Zealand source to a Covered Bondholder, Receiptholder or Couponholder who is not a New Zealand Bondholder. If non-resident withholding tax is required to be deducted from the payment of any interest by the Issuer in the case of Covered Bonds issued by ANZNIL, ANZNIL intends to reduce the applicable rate of non-resident withholding tax to zero per cent. as a result of receiving or having received approved issuer status, registering or having registered the Programme with the New Zealand Inland Revenue Department and paying, on its own account, an approved issuer levy (currently equal to 2 per cent. of such payments of interest). This zero per cent. rate of non-resident withholding tax is not available where the Issuer is associated with the Covered Bondholder, Receiptholder or Couponholder under the Income Tax Act 2007. The Issuer will not pay an additional amount in respect of non-resident withholding tax deducted in that case.

Where a Covered Bondholder, Receiptholder or Couponholder who is not a New Zealand Bondholder holds the Covered Bond, Receipt or Coupon jointly with a person who is a New Zealand tax resident, non-resident withholding tax must be deducted from interest paid to the non-resident at the applicable rate of resident withholding tax. Payment of the approved issuer levy does not allow a zero per cent. rate of non-resident withholding tax in this case. Relief from New Zealand tax under an applicable double taxation treaty may be available, but only on application to the New Zealand Inland Revenue Department for a refund of over-deducted tax. The Issuer will not pay an additional amount to the Covered Bondholder, Receiptholder or Couponholder in respect of non-resident withholding tax deducted in that case.

If non-resident withholding tax is required to be deducted from the payment of any interest by the Covered Bond Guarantor under the Covered Bond Guarantee, the Covered Bond Guarantor will not be obliged to pay any additional amount as a consequence, or (for the avoidance of doubt) to pay the approved issuer levy.

New Zealand Income Tax Implications

For a Covered Bondholder, Receiptholder or Couponholder who is a New Zealand tax resident, or who is not New Zealand tax resident but is party to a Covered Bond, Receipt or Coupon for the purpose of a business carried on by that Covered Bondholder, Receiptholder or Couponholder through a fixed establishment in New Zealand, the Covered Bonds, Receipts or Coupons will be subject to the "financial arrangements rules" in the

Income Tax Act 2007. These rules bring to tax on an accrual basis interest and other amounts (such as gains on disposal) deemed by the rules to be equivalent to interest.

United Kingdom Taxation

The comments below are of a general nature based on the Issuers' understanding of 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 on payments of, or in respect of, interest on the Covered Bonds issued by ANZNIL and do not deal with any other aspect of the United Kingdom taxation treatment that may be applicable to holders of such 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 relevant Issuer in accordance with Condition 11 (Meetings of Covered Bondholders, Modification, Waiver, Substitution and Legislative Exchange). References to "interest" in this section mean "interest" as understood in United Kingdom tax law, and do not take account of any different definitions of "interest" which may prevail under any other law or which may be created by the terms and conditions of the Covered Bonds or any related documentation.

The United Kingdom tax treatment of prospectus holders of Covered Bonds depends on their individual circumstances and may be subject to change. 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 issued by ANZNIL

While the Covered Bonds issued by ANZNIL are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the United Kingdom Income Tax Act 2007 (the **ITA**), payments of interest may be made by ANZNIL without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for the purposes of section 1005 of the ITA. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange.

Interest on the Covered Bonds may also be paid by ANZNIL without withholding or deduction on account of United Kingdom income tax where, at the time the payment is made, ANZNIL reasonably believes (and any person by or through whom interest on the Covered Bonds is paid reasonably believes) either:

- (a) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) that the payment is made to one of the bodies or persons set out in sections 935 to 937 of the ITA,

provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that the relevant above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on Covered Bonds may be paid by ANZNIL without withholding or deduction for or on account of United Kingdom income tax provided the maturity of the Covered Bonds is less than 365 days and those Covered Bonds do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In all other cases, an amount must generally be withheld from payments of interest on the Covered Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to such relief as may be

available following a direction to the contrary by HMRC pursuant to the provisions of any applicable double taxation treaty.

Covered Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the UK who either pays or credits interest to, or receives interest for the benefit of, a Covered Bondholder (regardless of whether tax is required to be withheld or deducted from such interest). HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Covered Bonds which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise its power to require this information in respect of amounts payable on the redemption of deeply discounted securities 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.

Payments by the Covered Bond Guarantor in respect of the Covered Bonds issued by ANZNIL

If the Covered Bond Guarantor, pursuant to the Covered Bond Guarantee, makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds other than the repayment of amounts subscribed for the Covered Bonds), such payment may be subject to United Kingdom withholding tax, subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other relief that may apply. Such payments by the Covered Bond Guarantor may not, however, be eligible from the exemptions from the obligation to withhold tax described in the paragraphs above. If 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.

Payments by the Guarantor

If the Guarantor makes any payment in respect of interest on the Covered Bonds (or any other amounts due under the Covered Bonds other than the repayment of amounts subscribed for the Covered Bonds), such payment may be subject to United Kingdom withholding tax, subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other relief that may apply. Such payments by the Guarantor may not, however, be eligible from the exemptions from the obligation to withhold tax described in the paragraphs above. If payments by the Guarantor are subject to any withholding or deduction for or on account of tax, the Guarantor will be required to pay additional amounts subject to the exceptions set out in Condition 7 (*Taxation*) of the Covered Bonds.

EU Savings Directive

Under the EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), 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 other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories, including Switzerland, have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE AND SELLING RESTRICTIONS

The Dealers have pursuant to a programme agreement (as the same may be amended and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 25 May 2011, agreed with the Issuers, the Guarantor and the Covered Bond Guarantor a basis upon which such Dealers or any of them may from time to time agree to purchase Covered Bonds. Any such agreement for any particular purchase by a Dealer will extend to those matters stated under *Form of the Covered Bonds* and *Terms and Conditions of the Covered Bonds* above. As at the date of this Prospectus, the Dealers are Australia and New Zealand Banking Group Limited and Barclays Bank PLC but the Issuers may appoint other dealers from time to time in accordance with the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis.

The Issuers may pay the Dealers commissions from time to time in connection with the sale of any Covered Bonds. In the Programme Agreement, the Issuer (failing which, the Covered Bond Guarantor) 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 purchase Covered Bonds under the Programme Agreement in certain circumstances prior to payment to the Issuer.

In order to facilitate the offering of any Tranche of the Covered Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Covered Bonds by bidding for or purchasing Covered Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker dealers participating in the offering of the Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Covered Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations stabilising activities may only be carried on by the stabilising manager named in the applicable Final Terms and must end no later than the earlier of 30 days after the Issue Date of the relevant Series or Tranche of the Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds.

Selling Restrictions

United States

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that the Covered Bonds, the Covered Bond Guarantee and the Guarantee have not been and will not be registered under the Securities Act and Covered Bonds 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 certain transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Terms used in this paragraph have the meanings given to them by Regulation S 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 a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Each Dealer has agreed that it will not offer, sell or deliver a Covered Bond in bearer form within the United States or its possessions or to U.S. persons except as permitted by the Programme Agreement. Terms used in this paragraph have the meanings given to them by the Code and U.S. Treasury regulations thereunder.

In connection with any Covered Bond represented by a Registered Global Covered Bond or any Definitive Registered Covered Bond (**Registered Covered Bond**), the Covered Bond Guarantee and the Guarantee, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any such Registered Covered Bond, the Covered Bond Guarantee and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (**Distribution Compliance Period**), and except in either case in accordance with Regulation S under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Registered Covered Bond during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of such Registered Covered Bond within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of a Tranche of Covered Bonds, an offer or sale of any Registered Covered Bond within the United States by any dealer (who is not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

In respect of Bearer Covered Bonds where TEFRA D is specified in the applicable Final Terms:

- (a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the **D Rules**), each Dealer has (i) 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 (ii) represented, warranted and agreed that it has not delivered and agrees that it will not deliver within the United States or its possessions Bearer Definitive Covered Bonds that are sold during the restricted period;
- (b) each Dealer has represented, warranted and agreed that it has and 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 Bearer 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;
- (c) each Dealer which is a United States person has represented, warranted and agreed that it is acquiring Bearer Covered Bonds for purposes of resale in connection with their original issuance and that 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);
- (d) with respect to each affiliate that acquires Bearer Covered Bonds from a Dealer for the purpose of offering or selling such Bearer Covered Bonds during the restricted period, such Dealer has repeated and confirmed the representations, warranties and agreements contained in (a), (b), (c) and (e) on such affiliate's behalf; and
- (e) each Dealer has represented, warranted and agreed that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Bearer Covered Bonds from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the relevant Issuer and each other Dealer, the representations and warranties contained in, and such distributor's agreement to comply with, the provisions of (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a Dealer hereunder.

Terms used in the above paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and the U.S. Treasury regulations thereunder (the **Regulations**), including the D Rules.

In respect of Bearer Covered Bonds where TEFRA C is specified in the applicable Final Terms, each Dealer has represented that it understands that under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (the **C Rules**) 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 either the Dealer or such prospective purchaser is within the United States or its possessions or otherwise involve a U.S. office of the Dealer in the offer or sale of such Bearer Covered Bonds. Terms used in this paragraph have the meanings given to them by the Code and the Regulations, including the C Rules.

European Economic Area

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, and each further Dealer appointed under the Programme will be required to represent and agree, 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 an offering contemplated by the 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 shall 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 "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 for 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 the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) 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 or, in the case of the Issuers and the Guarantor, would not, if either were not an authorised person, apply to the Issuer or Guarantor;
- (b) 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 UK; and
- (c) in relation to any Covered Bonds which have 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 as 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 FSMA by the Issuer.

Australia

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that in connection with the distribution of the Covered Bonds, it:

- (a) will not make any offer or invitation in Australia or any offer or invitation which is received in Australia in relation to the issue, sale or purchase of any Covered Bonds unless the offeree is required to pay at least A\$500,000 for the Covered Bonds or its foreign currency equivalent (in either case disregarding amounts, if any, lent by the Issuer or other person offering the Covered Bonds or its associates (within the meaning of those expression in Part 6D.2 of the Corporations Act 2001 of Australia (the **Corporations Act**)), or it is otherwise an offer or invitation for which by virtue of section 708 of the Corporations Act no disclosure is required to be made under Part 6D.2 of the Corporations Act; and
- (b) has not circulated or issued and will not circulate or issue a disclosure document relating to the Covered Bonds in Australia or received in Australia which requires lodging under Division 5 of Part 6D.2.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China (**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 (i) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance or (ii) 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 that 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 disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

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, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Control 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 registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

The Republic of France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell directly or indirectly, Covered Bonds to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Covered Bonds, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third

parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with Articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French Code *monétaire et financier*.

New Zealand

No action has been or will be taken by any Issuer, the Guarantor, the Covered Bond Guarantor or the Dealers which would permit a public offering of any of the Covered Bonds, or possession or distribution of any offering material in relation to the Covered Bonds, in New Zealand.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Covered Bond, and it will not distribute any offering memorandum or advertisement in relation to any offer of Covered Bonds, in New Zealand, unless the minimum subscription price payable by each offeree for Covered Bonds is at least NZ\$500,000 (disregarding any amount lent by the Offeror, the relevant Issuer or any associated person of the Offeror or Relevant Issuer) and the minimum holding of Covered Bonds is at least NZ\$500,000, or that offer, sale or delivery is in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, in relation to Covered Bond issues by ANZNBL or ANZNIL, it has not offered or sold, and will not offer or sell, any Covered Bonds to persons whom it believes to be persons to whom any amounts payable on the Covered Bonds are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Dealer (in which event the Dealer shall provide details thereof to the Relevant Issuer or to a Paying Agent).

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Prospectus has not been 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, the Covered Bonds may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this 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.

Each of the following persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased the Covered Bonds, namely a person who 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,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds 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(1) and Section 275(1A) of the Securities and Futures Act, respectively and in accordance with the conditions specified in Section 275 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.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will 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 the Prospectus or any Final Terms 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 Issuers, the Guarantor, the Covered Bond Guarantor nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor, the Covered Bond Guarantor or any of the Dealers has represented 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 such sale.

With regard to each Tranche, the Relevant Dealer(s) will be required to comply with such other restrictions as the Issuer and the Relevant Dealer(s) shall agree as a term of issue and purchase as indicated in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

Each Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment, implementation and operation of the Programme and the issue and performance of Covered Bonds issued by it. The establishment of the Programme and the issue of the Covered Bonds by it thereunder were authorised (i) by resolutions of the board of directors of ANZNBL on 22 November 2010; (ii) by resolutions of the board of directors of ANZNIL on 17 December 2010; and (iii) by resolutions of the shareholder of ANZNIL on 22 November 2010. The establishment, implementation and operation of the Programme and the giving of the Covered Bond Guarantee were duly confirmed and authorised by a resolution of the Covered Bond Guarantor dated 27 January 2011.

Listing of Covered Bonds

The admission of the Programme to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange is expected to take effect on or about 25 May 2011. The price of the Covered Bonds on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Covered Bonds intended to be admitted to trading on the Regulated Market of the London Stock Exchange will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Covered Bonds. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

However, Covered Bonds may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the London Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such listing authority, stock exchange and/or quotation system as the Relevant Issuer and the Relevant Dealer(s) may agree.

Documents Available

For the life of this Prospectus or whilst any Covered Bonds are outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Principal Paying Agent and the Relevant Issuer:

- (a) the constitutive documents of the Relevant Issuer, the Guarantor and the Covered Bond Guarantor;
- (b) the Bond Trust Deed (which includes the Guarantee, the Covered Bond Guarantee and the forms of the Global Covered Bonds, the definitive Covered Bonds, the Coupons, the Receipts and the Talons);
- (c) the Principal Agency Agreement;
- (d) the Programme Agreement;
- (e) any Final Terms relating to Covered Bonds of the Relevant Issuer which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system. (In the case of any Covered Bonds which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Covered Bondholders);
- (f) a copy of this Prospectus, together with any supplement to this Prospectus or further Prospectus and any documents incorporated by reference; and
- (g) copies of the most recent publicly available annual audited consolidated and/or non-consolidated (as applicable) accounts of each of the Issuers and their subsidiaries incorporated by reference into this Prospectus, beginning with the annual audited consolidated and/or non-consolidated (as applicable) accounts of ANZNBL and ANZNIL for the financial years ended 30 September 2009 and 2010 (see "*Documents Incorporated by Reference*" above for further details).

The Prospectus and the Final Terms for Covered Bonds that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com.

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The Common Code and the International Securities Identification Number (**ISIN**) 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. The address of any alternative clearing system will be specified in the applicable Final Terms.

Significant or Material Change

Since 31 March 2011, there has been no significant change in the financial or trading position of ANZNBL and its subsidiaries taken as a whole. Since 30 September 2010, there has been no material adverse change in the prospects of ANZNBL and its subsidiaries taken as a whole.

Since 31 March 2011, there has been no significant change in the financial or trading position of ANZNIL. Since 30 September 2010, there has been no material adverse change in the prospects of ANZNIL.

Since 13 December 2010, there has been no significant change in the financial or trading position of the Covered Bond Guarantor. Since 13 December 2010, there has been no material adverse change in the prospects of the Covered Bond Guarantor.

Litigation

None of the Issuers or the Guarantor is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which it is aware) during the 12 months 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 it or, in respect of ANZNBL only, it and its subsidiaries taken as a whole.

Independent Auditors

The financial statements of ANZNBL and of ANZNBL and its subsidiaries have been audited for the financial years ended 30 September 2009 and 2010 by KPMG of 10 Customhouse Quay, P.O. Box 996, Wellington, New Zealand, independent auditors of ANZNBL and of ANZNBL and its subsidiaries for that period, and unqualified opinions have been reported thereon. KPMG has no material interest in ANZNBL.

The financial statements of ANZNIL have been audited for the financial years ended 30 September 2009 and 2010 by KPMG of 10 Customhouse Quay, P.O. Box 996, Wellington, New Zealand, independent auditors of ANZNIL for that period, and unqualified opinions have been reported thereon. KPMG has no material interest in ANZNIL.

KPMG partners are members or affiliate members of the New Zealand Institute of Chartered Accountants.

Reports

The Bond Trust Deed provides that the Bond Trustee may rely on reports or other information from professional advisers or other experts in accordance with the provisions of the Bond Trust Deed, whether or not any such report or 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.

Post-issuance information

The Issuers do not intend to provide any post-issuance information in relation to any issue of Covered Bonds other than the monthly investor reports which are available online from the Issuer's website, detailing, *inter alia*,

compliance with the Asset Coverage Test. In addition, the Issuers may prepare one or more supplements to this Prospectus to reflect, among other things, developments in their business or affairs.

Legends

The following legend must appear on every form of Covered Bond, Receipt, Coupon or Talon.

"IF THE HOLDER OF ANY PART HEREOF IS A RESIDENT OF NEW ZEALAND FOR TAX PURPOSES, IS A PERSON WHO IS ENGAGED IN BUSINESS IN NEW ZEALAND THROUGH A FIXED ESTABLISHMENT IN NEW ZEALAND OR OTHERWISE IS A PERSON THE PAYMENT OF INTEREST (AS DEFINED FOR NEW ZEALAND INCOME TAX PURPOSES) TO WHOM WILL BE SUBJECT TO NEW ZEALAND RESIDENT WITHHOLDING TAX, THEN A DEDUCTION FOR NEW ZEALAND RESIDENT WITHHOLDING TAX MAY BE MADE FROM ANY AMOUNT PAYABLE UNDER THIS [TEMPORARY/ PERMANENT/ GLOBAL/ DEFINITIVE/ REGISTERED/ COVERED BOND/ COUPON/ TALON/ RECEIPT] WHICH IS SUBJECT TO NEW ZEALAND RESIDENT WITHHOLDING TAX UNLESS ANY SUCH HOLDER CERTIFIES THAT IT HOLDS A VALID CERTIFICATE OF EXEMPTION FOR NEW ZEALAND RESIDENT WITHHOLDING TAX PURPOSES AND PROVIDES THE HOLDER'S NEW ZEALAND TAX FILE NUMBER.

ON PRESENTATION OF THIS [TEMPORARY/PERMANENT/GLOBAL/DEFINITIVE/REGISTERED COVERED BOND/ COUPON/TALON/RECEIPT] FOR PAYMENT OR, IF APPLICABLE, UPON THE RECEIPT OF SUCH PAYMENT, THE HOLDER OF ANY PART HEREOF HEREBY CERTIFIES THAT IF IT IS A RESIDENT OF NEW ZEALAND FOR TAX PURPOSES, OR IS A PERSON WHO IS ENGAGED IN BUSINESS IN NEW ZEALAND THROUGH A FIXED ESTABLISHMENT IN NEW ZEALAND OR OTHERWISE IS A PERSON THE PAYMENT OF INTEREST TO WHOM WILL BE SUBJECT TO NEW ZEALAND RESIDENT WITHHOLDING TAX, THAT IT HOLDS A VALID CERTIFICATE OF EXEMPTION FOR NEW ZEALAND RESIDENT WITHHOLDING TAX PURPOSES."

Disclosure for US tax purposes

Any Person (and each employee, representative, or other agent of such Person) may disclose to any and all Persons, without limitation of any kind, the United States federal income tax treatment and the United States federal income tax structure of the Covered Bond, Coupon or Talon and all materials of any kind (including opinions or other tax analyses) that are provided to such holder relating to such tax treatment and tax structure.

GLOSSARY

A&I Form means any client authority and instruction form for an e-dealing that conforms with the Land Transfer Act 1952 and is approved by the New Zealand Law Society and the Registrar General of Land of New Zealand.

Account Bank means ANZNBL in its capacity as Account Bank pursuant to the Account Bank Agreement or such other account bank appointed pursuant to the Account Bank Agreement from time to time.

Account Bank Agreement means the account bank agreement entered into on the Programme Date between the Covered Bond Guarantor, the All Moneys Mortgage Trustee, the All Moneys Mortgage Beneficiaries, the Trust Manager, the Account Bank, the Calculation Manager and the Security Trustee.

Accrued Interest means in respect of a Housing Loan and a Cut-Off Date, the aggregate of all interest accrued but not yet due and payable on the Housing Loan from (but excluding) the Housing Loan Scheduled Payment Date immediately preceding the Cut-Off Date to (and including) the Cut-Off Date .

Acquisition Cut-Off Date means, in respect of a Housing Loan to be acquired by the Covered Bond Guarantor, the date specified in the relevant notice as the date on which the Housing Loan is selected for acquisition with the actual transfer occurring on the Transfer Date.

Additional Business Centre means, in relation to a Series of Covered Bonds, the Additional Business Centre as specified in the applicable Final Terms.

Adjusted Aggregate Housing Loan Amount has the meaning given to it on page 159.

Adjusted Required Redemption Amount has the meaning given to it on page 152.

Agents means the Principal Paying Agent, each Paying Agent and the Registrar, and each an Agent.

All Moneys Mortgage means a Mortgage that secures or purports to secure the repayment of Associated Debt as well as a Housing Loan.

All Moneys Mortgage Beneficiaries means in relation to the All Moneys Mortgage Trust the Covered Bond Guarantor and the Seller as beneficiaries of the All Moneys Mortgage Trust and **All Moneys Mortgage Beneficiary** means any one of them.

All Moneys Mortgage Trust means, in respect of an All Moneys Mortgage, the trust established or, as the case may be, to be established pursuant to the Mortgage Sale Agreement on the date that such All Moneys Mortgage is sold by the Seller to the Covered Bond Guarantor.

All Moneys Mortgage Trust Account means the account in the name of the Covered Bond Guarantor held at the Account Bank for the Covered Bond Guarantor and maintained pursuant to the terms of the Account Bank Agreement and such additional or replacement bank account of the Covered Bond Guarantor designated as such, as may, from time to time, be in place pursuant to the terms of the Account Bank Agreement and the Mortgage Sale Agreement.

All Moneys Mortgage Trust Property means, in relation to an All Moneys Mortgage, the Covered Bond Guarantor's whole right, title, benefit and interest in and to such All Moneys Mortgage and the other Related Security and the proceeds of enforcement of such All Moneys Mortgage and other Related Security.

All Moneys Mortgage Trustee means the Covered Bond Guarantor in its capacity as trustee of the All Moneys Mortgage Trust.

Amortisation Test has the meaning given to it on page 162.

Amortisation Test Aggregate Housing Loan Amount has the meaning given to it on page 162.

Amortisation Test Current Principal Balance has the meaning given to it on page 162.

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.

ANZCCL means ANZ Capel Court Limited (ABN 30 004 768 807).

ANZ Group means Australia and New Zealand Banking Group Limited and its subsidiaries.

ANZ National Group means ANZNBL together with its consolidated subsidiaries (including, among others, ANZNIL).

ANZNBL means ANZ National Bank Limited.

ANZNIL means ANZ National (Int'l) Limited.

Arranger means each of ANZ National Bank Limited and Barclays Bank PLC.

Arrears of Interest means, in respect of a Housing Loan and a Cut-Off Date, interest (other than interest that has been capitalised or interest that is Accrued Interest) on that Housing Loan which is currently due and payable and unpaid on that date.

Asset Coverage Test has the meaning given to it on page 158.

Asset Coverage Test Breach Notice means the notice required to be served by the Bond Trustee if the Asset Coverage Test is not satisfied on two consecutive Determination Dates.

Asset Monitor means Deloitte whose head office is at Deloitte Centre, 80 Queen Street, Auckland, New Zealand or such replacement asset monitor appointed pursuant to the Asset Monitor Agreement from time to time.

Asset Monitor Agreement means the asset monitor agreement entered into on the Programme Date, between the Asset Monitor, the Covered Bond Guarantor, the Trust Manager, the Calculation Manager, the Issuers, the Guarantor, the Bond Trustee and the Security Trustee.

Asset Monitor Report means the results of the tests conducted by the Asset Monitor in accordance with the Asset Monitor Agreement to be delivered to the Calculation Manager, the Covered Bond Guarantor, the Trust Manager, the Issuers, the Guarantor, the Bond Trustee and the Security Trustee in accordance with the Asset Monitor Agreement.

Asset Percentage has the meaning given to it on page 161.

Asset Percentage Adjusted Housing Loan Balance Amount has the meaning given to it on page 160.

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 Housing Loan Portfolio and the Related Securities 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 and which (i) is not a Housing Loan in the Housing Loan Portfolio or (ii) is not transferable to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement.

Authorised Institution means a registered bank as defined in the RBNZ Act.

Authorised Investments means NZ 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 Institution) are rated at least "P-1" by Moody's and "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 Determination Date, an amount equal to the aggregate of (without double counting):

- (a) the amount of Housing Loan Principal Receipts collected by the Servicer during the immediately preceding Collection Period and credited, or to be credited on the immediately following Trust Payment Date to the Principal Ledger on the GIC Account;
- (b) the proceeds from any sale of Housing Loans pursuant to the terms of the Establishment Deed or the Mortgage Sale Agreement that are to be credited on the immediately following Trust Payment Date to the Principal Ledger on the GIC Account but excluding any amount of principal received or to be received on that date under the Swap Agreements;
- (c) any other amount standing to the credit of the Principal Ledger including (i) the proceeds of any Demand Loan Advance (where such proceeds have not been applied to acquire New Housing Loan Portfolios or to invest in Substitution Assets or Authorised Investments, (ii) the proceeds from any sale of Housing Loans pursuant to the terms of the Establishment Deed or the Mortgage Sale Agreement but excluding any amount of principal received under the Swap Agreements, (iii) any Excess Proceeds and (iv) any amount credited to the GIC Account under the paragraph (h) of the Pre-Acceleration Principal Priority of Payments;
- (d) the amount of any termination payment received from a Swap Provider which is not applied to acquire a replacement Swap for the relevant terminated Swap and the amount of any premium received from a replacement Swap Provider which is not applied to make a termination payment; and
- (e) 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 in accordance with clause 9.11 of the Establishment Deed),

but excluding

- (f) Swap Collateral Excluded Amounts which shall be applied in accordance with the terms of the relevant Swap Agreements.

Available Revenue Receipts means on a Determination Date, an amount equal to the aggregate of:

- (a) the amount of Housing Loan Revenue Receipts collected by the Servicer during the immediately preceding Collection Period and credited, or to be credited on the immediately following Trust Payment Date, to the Revenue Ledger on the GIC Account;
- (b) the proceeds from any sale of Housing Loans (including, but not limited to, Selected Housing Loans) pursuant to the terms of the Establishment Deed or the Mortgage Sale Agreement to the extent that such proceeds comprise Accrued Interest or Arrears of Interest (if any) that have been, or are to be, on the immediately following Trust Payment Date, credited to the Revenue Ledger on the GIC Account;
- (c) other net income of the Covered Bond Guarantor received during the immediately preceding Collection 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 under clause 5.4 of the Servicing Agreement but excluding amounts received by the Covered Bond Guarantor under the Swap Agreements;

- (d) 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 as at the Determination Date in excess of the Reserve Fund Required Amount;
- (e) 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 as at the Determination Date; and
- (f) any other revenue receipts not referred to in paragraphs (a) to (e) (inclusive) above received during previous Collection Periods and standing to the credit of the Revenue Ledger on the GIC Account,

but excluding

- (g) Third Party Amounts, which shall be paid on receipt in cleared funds to the Seller; and
- (h) Swap Collateral Excluded Amounts which shall 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 10:45am on the first day of that period on the Reuters Monitor Screen page BKBM FRA (or its successor page) for 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 Account Bank.

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.

Beneficiaries means the Residual Capital Beneficiary and Residual Income Beneficiary, and Beneficiary means either of them.

Bond Trust Deed means the trust deed entered into on the Programme Date, between the Issuers, the Guarantor, the Covered Bond Guarantor and the Bond Trustee.

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 Housing Loan, the individual or individuals specified as such in the relevant Mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such Housing Loan or any part of it.

Business Day means:

- (a) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in London, Auckland and Wellington; and
- (b) in the case of:

- (i) a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre for such Specified Currency; or
 - (ii) in the case of euro, a TARGET2 Business Day; and
- (c) in the case of one or more Additional Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the Additional Business Centres or, if no currency is indicated, generally in each of the Additional Business Centres,
- unless otherwise specified in the relevant applicable Final Terms.

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 Issuers, the Guarantor and the Covered Bond Guarantor pursuant to the Principal 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 Management Services means the calculation management services to be provided by the Calculation Manager pursuant to the Management Agreement.

Calculation Manager means ANZNBL, in its capacity as calculation manager under the Management Agreement.

Calculation Manager Termination Event means:

- (a) default is made by the Calculation Manager in the performance or observance of any of its covenants and obligations under the Management Agreement, which the Security Trustee considers (acting on the directions of (if there are Covered Bonds outstanding) the Bond Trustee or (if there are no Covered Bonds outstanding) the Majority Secured Creditors) is materially prejudicial to the interests of the Covered Bondholders and such default continues unremedied for a period of 20 Local Business Days after the earlier of the Calculation Manager becoming aware of such default and receipt by the Calculation Manager of written notice from the Security Trustee requiring the same to be remedied; or
- (b) an Insolvency Event occurs in respect of the Calculation Manager.

Cash Management Services means the cash management services to be provided by the Trust Manager pursuant to the Management Agreement.

Cash Redraw means, in respect of a Housing Loan in the Housing Loan Portfolio, a re-advance by the Seller of some or all of the Overpayments that the Borrower has made under the Housing Loan.

Charged Other Property has the meaning given to it on page 173.

Charged Personal Property has the meaning given to it on page 173.

Charged Property means the Charged Other Property and Charged Personal Property.

Collection Period means each calendar month. However, the first Collection Period commences on (but excludes) the first Acquisition Cut-Off Date and ends on the last day of the calendar month in which the related Transfer Date occurs.

Conditions means the terms and conditions of the Covered Bonds.

Couponholders has the meaning given to it in the Conditions.

Coupons has the meaning given to it in the Conditions.

Covered Bond Guarantee means the unconditional and irrevocable guarantee by the Covered Bond Guarantor in the Bond Trust Deed for the payment of an amount equal to the Guaranteed Amounts in respect of the Covered Bonds when the same shall become Due for Payment.

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 Issuers, the Guarantor and the Covered Bond Guarantor, that each Covered Bond of each Series is, and each Covered Bond of each Series shall as against the Issuers and the Guarantor (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 shall become enforceable.

Covered Bond Guarantor means ANZNZ Covered Bond Trust Limited, solely in its capacity as trustee of the Trust.

Covered Bond Guarantor Event of Default has the meaning given to it in Condition 9(b) (*Covered Bond Guarantor Events of Default*).

Covered Bondholders has the meaning given to it in the Conditions.

Covered Bond Swap means each currency swap and/or interest rate swap transaction entered into between the Covered Bond Guarantor, the Trust Manager, the Security Trustee and a Covered Bond Swap Provider with respect to each Series of Covered Bonds.

Covered Bond Swap Agreement means a Swap Agreement governing a Covered Bond Swap.

Covered Bond Swap Provider means the covered bond swap provider appointed from time to time under the Covered Bond Swaps together with any transferee or successor thereto.

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 the Bond Trust Deed, 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 12 (*Replacement of Covered Bonds, Receipts, Coupons and Talons and Exchange of Talons*), and each a **Covered Bond**.

Current Principal Balance means in relation to any Housing Loan in the Housing Loan Portfolio as at any given date, the principal balance of that Housing Loan to which the Seller applies the relevant interest rate to and at which interest on that Housing Loan accrues interest, and is the aggregate (but avoiding double counting) of:

- (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 Housing Loan secured or intended to be secured by the Related Security; and
- (b) the amount of any Cash Redraws and Further Advances secured or purported to be secured by the Related Security; and
- (c) any arrears or expenses that have been capitalised,

less any repayment or payment of any of the foregoing made on or before the end of the Local Business Day immediately preceding that given date.

Cut-Off Date means, in relation to a Housing Loan, either the Acquisition Cut-Off Date or the Repurchase Cut-Off Date, as the case may be.

Dealer and **Dealers** have the meanings given to them in 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 the terms substantially set out in the form set out in schedule 1 of the Security Deed.

Defaulted Housing Loan means any Housing Loan in the Housing Loan Portfolio which is more than three months in arrears.

Deferred Consideration means the consideration payable to the Seller in accordance with the Mortgage Sale Agreement in respect of the Housing Loans and Related Security from time to time, which is payable after making payments of a higher order of priority as set out in the applicable Priority of Payments.

Definitions Schedule means the ANZNZ covered bond trust definitions schedule entered into on the Programme Date between the Transaction Parties.

Definitive Covered Bond means a Bearer Definitive Covered Bond and/or, as the context may require, a Registered Definitive Covered Bond.

Delegation Agreement means the delegation agreement entered into on the Programme Date between the Trust Manager and ANZNBL.

Demand Loan means the aggregate principal amount of each Demand Loan Advance, as reduced by repayment under the Demand Loan Agreement.

Demand Loan Advances means advances made or to be made by the Demand Loan Provider to the Covered Bond Guarantor under the Demand Loan Facility, and each a "Demand Loan Advance".

Demand Loan Agreement means the demand loan agreement entered into on the Programme Date between the Covered Bond Guarantor, the Trust Manager, the Demand Loan Provider, the Seller, the Calculation Manager and the Security Trustee.

Demand Loan Facility has the meaning given to it in clause 2.1 of the Demand Loan Agreement.

Demand Loan Provider means ANZNBL.

Determination Date means 15 February 2011 and the 15th day of each month thereafter or, if such day is not a Business Day, the following Business Day.

Distribution Compliance Period has the meaning given to it in Condition 2(f) (*Definitions*).

Dual Currency Interest Covered Bond means a Covered Bond whose interest basis is specified as "dual currency interest" in the applicable Final Terms.

Dual Currency Redemption Covered Bond means a Covered Bond whose redemption basis is specified as "dual currency redemption" in the applicable Final Terms.

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:

- (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 Issuers, the Guarantor and the Covered Bond Guarantor, on the later of:
 - (i) 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 (i) 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 (ii) 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 (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(b)(i) (*Covered Bond Guarantor Events of Default*)) under the terms of the Covered Bond Guarantee or (b) 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 5(f) (*Early Redemption Amounts*).

Early Repayment Charges means any charge or fee which a Borrower is required to pay in accordance with the Housing Loan Conditions applicable to a Housing Loan in the event that the Borrower repays all or part of the relevant Housing Loan before a specified date.

Establishment Deed means the trust deed entered into on the Programme Date, between the Covered Bond Guarantor, the Trust Manager, the Bond Trustee, the Security Trustee, the Seller, the Servicer and the Calculation Manager.

Excess Proceeds means moneys received (following the occurrence of an Issuer Event of Default and delivery of an Issuer Acceleration Notice and service of a Notice to Pay) by the Bond Trustee from the Relevant Issuer or the Guarantor or any administrator, receiver, receiver and manager, liquidator, statutory manager or other similar official appointed in relation to the Issuer or the Guarantor.

Exchange Date means on or after the date which is 40 days after a Temporary Bearer Global Covered Bond is issued.

Excluded Swap Termination Amount means in relation to a Swap Agreement, an amount equal to the amount of any termination payment due and payable (a) to the relevant Swap Provider as a result of a Swap Provider Default with respect to such Swap Provider or (b) to the relevant Swap Provider following a Swap Provider Downgrade Event with respect to such Swap Provider.

Existing Covered Bonds has the meaning given to it on page 114.

Extended Due for Payment Date has the meaning given to it in Condition 5(a) (*Final redemption*).

Extension Determination Date has the meaning given to it in Condition 5(a) (*Final redemption*).

Extraordinary Resolution means a resolution of the Covered Bondholders passed as such under the terms 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 in accordance with Condition 4 (*Interest and other Calculations*).

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 issued under the Programme (substantially in the form set out in the Prospectus) and giving details of that Series or Tranche and, in relation to any particular Series or Tranche of Covered Bonds and which will constitute final terms for the purposes of Article 5.4 of the Prospectus Directive, **applicable Final Terms** means the Final Terms applicable to that Tranche.

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 Programme Date and ending on the Annual Accounting Date falling on 30 September 2011.

Fitch means Fitch Australia Pty Ltd. and includes any successor to its ratings business.

Floating Rate Payer Spread has the meaning given to it in the applicable Covered Bond Swap Agreement.

FSMA means the United Kingdom Financial Services and Markets Act 2000.

Further Advances means in relation to a Housing Loan in the Housing Loan Portfolio, any advances of further money to the relevant Borrower following the making of the initial advance of monies in respect of such Housing 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**.

General Insurance Policies mean any insurance policies in force issued in respect of Property the subject of any Mortgage or any other property the subject of any Related Security in respect of a Housing Loan.

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.

Global Covered Bond has the meaning given to it in the Conditions.

GST means goods and services tax chargeable under the Goods and Services Tax Act 1985 (New Zealand).

Guarantee means the unconditional and irrevocable guarantee by the Guarantor in clause 7 of the Bond Trust Deed.

Guarantee Priority of Payments has the meaning given to it on page 183.

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.

Guarantor means ANZNBL as guarantor in respect of Covered Bonds issued by ANZNIL pursuant to the Guarantee.

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.

Housing Loan means, unless otherwise specified, a housing loan originated by the Seller referenced by its mortgage loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including, without limitation, all Cash Redraws and Further Advances) due or owing with respect to that housing loan under the relevant Housing Loan 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.

Housing Loan Conditions means all the terms and conditions applicable to a Housing Loan at any time.

Housing Loan Files means the file or files relating to each Housing Loan in the Housing 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 Housing Loan.

Housing Loan Portfolio means on any particular date, each New Housing Loan Portfolio sold to the Covered Bond Guarantor pursuant to the terms of the Mortgage Sale Agreement up to (and including) such date, after taking account of, among other things, amortisation of the Housing Loans and the addition and/or removal of Housing Loans and the Related Security to or from the Housing Loan Portfolio since the Programme Date.

Housing Loan Principal Receipts means any payment in respect of principal received from time to time in respect of any Housing Loan in the Housing Loan Portfolio (including, without limitation whether as all or part of a Housing Loan Scheduled Payment by a Borrower on the relevant Housing Loan, on redemption (in whole or in part), on enforcement or on disposal of such Housing Loan or otherwise (including pursuant to any Insurance Policy)).

Housing Loan Repurchase Notice means the notice served upon the Seller (copied to the Trust Manager and the Security Trustee) by the Covered Bond Guarantor requiring the repurchase by the Seller of specified Housing Loans and the Related Security, as set out in schedule 3 to the Mortgage Sale Agreement.

Housing Loan Revenue Receipts means any payment received from time to time in respect of any Housing Loan which is not a Housing Loan Principal Receipt (whether as all or part of a Housing Loan Scheduled Payment by a Borrower on the relevant Housing Loan, on redemption (in whole or in part), on enforcement or on disposal of such Housing Loan or otherwise (including pursuant to any Insurance Contract)).

Housing Loan Scheduled Payment means in respect of a Housing Loan, the amount which the applicable Housing Loan Conditions require a Borrower to pay on a Housing Loan Scheduled Payment Date in respect of such Housing Loan.

Housing Loan Scheduled Payment Date means, in relation to any Housing Loan, the day on which a Borrower is required to make a payment of interest and, if applicable, principal in accordance with the Housing Loan Conditions applicable to such Housing Loan.

Index Linked Redemption Covered Bond means a Covered Bond whose redemption basis is specified as "index linked" in the applicable Final Terms.

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 Corporations (Investigation and Management) Act 1989 (New Zealand) or the RBNZ 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:
 - (aa) the liquidation or dissolution of the Relevant Entity; or
 - (bb) 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 Local Business Days;
 - (v) an administrator is appointed to the Relevant Entity or any steps are taken for the appointment of 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 Local 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 Local Business Days;
 - (iv) an administrator is appointed to the relevant body corporate or any steps are taken for the appointment of 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); or
 - (vii) anything analogous or having a substantially similar effect to any of the events specified above happens under the laws of any applicable jurisdiction.

Instalment Covered Bond means a Covered Bond whose redemption basis is specified as "instalment" in the applicable Final Terms.

Insurance Contracts means any insurance contract or policy arranged by the Seller from time to time and in which the Seller has an interest relating to the Housing Loans in the Housing Loan Portfolio, and "Insurance Contract" means any one of them.

Insurance Policies means:

- (a) the General Insurance Policies; and
- (b) the Mortgage Insurance Policies,

and each an **Insurance Policy**.

Intercompany Loan Agreement means the intercompany loan agreement dated the Programme Date, between the Intercompany Loan Provider, the Covered Bond Guarantor, the Trust Manager, the Seller, the Calculation Manager and the Security Trustee.

Intercompany Loan Drawdown Date means, in relation to a Term Advance, the date specified in the Intercompany Loan Drawdown Request for the making of the Term Advance, which must be a Local Business Day.

Intercompany Loan Drawdown Request means a request substantially in the form of schedule 3 to the Intercompany Loan Agreement.

Intercompany Loan Interest Payment Date means, in relation to a Term Advance, the date specified in the Term Advance Notice.

Intercompany Loan Provider means ANZNBL.

Interest Commencement Date in relation to a Series of Covered Bonds has the meaning given to it in the applicable Final Terms.

Interest Period has the meaning given to it in Condition 4(m).

Interest Rate Shortfall has the meaning given to it in clause 4.3 of the Servicing Agreement.

Interest Rate Shortfall Test has the meaning given to it on page 154.

Interest Rate Swap means the interest rate swap transaction entered into between the Covered Bond Guarantor, the Trust Manager, the Security Trustee and the Interest Rate Swap Provider.

Interest Rate Swap Agreement means the Swap Agreement entered into on the Programme Date governing the Interest Rate Swap.

Interest Rate Swap Provider means ANZNBL in its capacity as interest rate swap provider under the Interest Rate Swap together with any successor thereto.

ISDA means the International Swaps and Derivatives Association, Inc.

ISDA Master Agreement means the 2002 ISDA master agreement, as published by ISDA.

Issue Date means, in relation to any Series or Tranche, the date on which such Series or Tranche has been issued or, if not yet issued, the date agreed between the Relevant Issuer and the relevant Dealer or the Lead Manager, as the case may be, for the issue of such Series or Tranche.

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 ANZNIL (in respect of Covered bonds issued by ANZNIL) or ANZNBL (in respect of Covered Bonds issued by ANZNBL), and "Issuers" means both of them and references to the **Relevant Issuer** shall in relation to any Series or Tranche of Covered Bonds be references to the Issuer which is, or is intended to be, the Issuer of such Covered Bonds as indicated in the applicable Final Terms.

Issuer Acceleration Notice has the meaning given to it in Condition 9(a) (*Issuer Events of Default*).

Issuer Event of Default has the meaning given to it in Condition 9(a) (*Issuer Events of Default*).

Land means

- (a) any estate or interest whether at law or in equity in freehold or leasehold land situated in New Zealand, including all improvements on that land; and
- (b) any unit and any lot, common property and land comprising a unit within the meaning of the Unit Titles Act 1972 (NZ).

Latest Valuation means, in relation to a Property, the value given to the Property by the most recent Valuation Report held by the Seller or the purchase price of the Property (if there is no Valuation Report).

Lead Manager has the meaning given to it in the Programme Agreement.

Ledgers has the meaning given to it in clause 19.1 of the Establishment Deed.

Liabilities means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including property incurred legal fees and penalties incurred by that person, and Liability shall be construed accordingly.

Liability Payment has the meaning given to it in clause 5.4 of the Mortgage Sale Agreement.

LINZ means Land Information New Zealand.

Local Business Day means any day (other than a Saturday, Sunday or public holiday) on which banks are open for business in Auckland, Wellington, Melbourne and Sydney.

Losses means the realised losses on the Housing Loans which are in the Housing Loan Portfolio.

LVR Adjusted Housing Loan Balance Amount has the meaning given to it on page 159.

Majority Secured Creditors means Secured Creditors whose Secured Obligations amount in aggregate to more than 66 per cent. of the total Secured Obligations.

Management Agreement means the management agreement entered into on the Programme Date, between the Seller, the Servicer, the Account Bank, the Calculation Manager, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.

Minimum Redemption Amount means in respect of a Series or Tranche of Covered Bonds, the amount (if any) specified in the applicable Final Terms.

Moody's means Moody's Investors Service Pty Limited and includes any successor to its rating business.

Mortgage means a registered mortgage over Land situated in New Zealand, which creates, or is intended to create a Security Interest, which is originally granted to the Seller and which secures the repayment of the principal amount of a Housing Loan and all other moneys payable under the Housing Loan, notwithstanding that by its terms the mortgage may also secure other liabilities owing to the Seller.

Mortgage Account means as the context requires (i) all Housing Loans secured on the same Property and thereby forming a single mortgage account or (ii) an account maintained by the Servicer in respect of a particular Housing Loan to record all amounts due in respect of that Housing Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof.

Mortgage Insurance Policies means all primary insurance policies issued by a Mortgage Insurer which covers all losses realised in a default to not less than 40 per cent. of the value of the Housing Loan.

Mortgage Insurer means any mortgage insurer approved by the Trust Manager and acceptable to each Rating Agency and notified to the Covered Bond Guarantor.

Mortgage Sale Agreement means the mortgage sale agreement entered into on the Programme Date, between the Seller, the Issuers, the Covered Bond Guarantor, the Trust Manager and the Security Trustee.

Negative Carry Factor has the meaning given to it on page 161.

Net Annual Income means the net income of the Trust under the provisions of the Income Tax Act 2007 for a Fiscal Period reduced to the extent of any available tax loss the Trust is able to subtract from that net income, provided that Net Annual Income for a Fiscal Period shall not be less than zero.

New Housing Loans means Housing Loans which the Seller may transfer to the Covered Bond Guarantor pursuant to the Mortgage Sale Agreement.

New Housing Loan Portfolio means a portfolio of New Housing Loans and the Related Security (other than any New Housing 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 Housing 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 (f) (inclusive) below:

- (a) all sums of principal and interest (including, for the avoidance of doubt, all Arrears of Interest that are currently due and payable as at the Acquisition Cut-Off Date, and all interest and expenses that have been capitalised) and any other sum due or to become due under or in respect of such New Housing Loans and the Related Security after the Acquisition Cut-Off Date (but excluding, for the avoidance of doubt, all Accrued Interest as at the Acquisition Cut-Off Date) in respect of such New Housing Loans and including, without limitation, 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 Housing Loan Conditions;
- (b) the benefit of all other securities for such principal, interest and other sums payable (including without limitation any interest of the Seller in any life policy), any guarantee in respect of such New Housing Loans and any other collateral security for the repayment of the relevant Housing 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 Housing Loan 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 Housing Loans and the Related Security, or any part thereof affecting the decision of the Seller to make or offer to make such Housing Loans or part thereof; and
- (f) the benefit of certain Insurance Contracts, in each case so far as they relate to such New Housing Loans comprised in that portfolio of New Housing 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.

New Housing Loan Portfolio Notice means a notice in the form set out in schedule 2 to the Mortgage Sale Agreement served in accordance with the terms of the Mortgage Sale Agreement.

New Product Type means a new type of housing loan originated or acquired by the Seller, which the Seller intends to transfer to the Covered Bond Guarantor, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Housing Loans in the Housing Loan Portfolio. For the avoidance of doubt, a Housing Loan will not constitute a New Product Type if it differs from the Housing Loans in the Housing Loan Portfolio due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate, capped rate, tracker rate or any other interest rate or the benefit of any discounts, cash-backs and/or rate guarantees.

NGCB means a Temporary Bearer Global Covered Bond or a Permanent Bearer Global Covered Bond, in either case in respect of which the applicable Final Terms specify that it is a new global covered bond.

Notice to Pay means the notice to pay served by the Bond Trustee on the Covered Bond Guarantor pursuant to the Covered Bond Guarantee which requires the Covered Bond Guarantor to make payments of Guaranteed Amounts when they shall become Due for Payment in accordance with the terms of the Covered Bond Guarantee.

NZ Companies Act means the Companies Act 1993 (New Zealand).

NZ Dollar Equivalent means in relation to an amount which is denominated in (a) a currency other than NZ Dollars, the NZ Dollar equivalent of such amount ascertained using the relevant Swap Rate and (b) NZ Dollars, the applicable amount in NZ Dollars.

Original Due for Payment Date means the date on which the Scheduled Payment Date in respect of such Guaranteed Amount 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 specified that an Extended Due for Payment Date is applicable to the relevant Series of Covered Bonds, the Interest Payment Date falling on the Final Maturity Date 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 Trust Presents 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 monies (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 Principal Agency Agreement (and where appropriate notice to that effect has been given to the relative Covered Bondholders in accordance with Condition 14 (*Notices*) 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 5(i) (*Redemption and Purchase – Purchases*) and 5(j) (*Redemption and Purchase – Cancellation*) 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 (*Prescription*) 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 12 (*Replacement of Covered Bonds, Receipts, Coupons and Talons and Exchange of Talons*) 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 12 (*Replacement of Covered Bonds, Receipts, Coupons and Talons and Exchange of Talons*); and
- (g) any Global Covered Bond to the extent that it shall have been exchanged for definitive Covered Bonds or another Global Covered Bond pursuant to its provisions, the provisions of the Trust Presents 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 (Provisions of Meetings for Covered Bondholders) 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 of Clause 10 (Proceedings, Action And Indemnification) of the Bond Trust Deed, Conditions 9 (*Events of Default and Enforcement*) and 11 (*Meetings of Covered Bondholders, Modification, Waiver, Substitution and Legislative Exchange*) of the Conditions and paragraphs 2, 5, 6, and 9 of schedule 4 (Provisions of Meetings for Covered Bondholders) to the Bond Trust Deed;
- (iii) any discretion, power or authority (whether contained in the Trust Presents 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, the Guarantor 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 shall (unless and until ceasing to be so held) be deemed not to remain outstanding except in the case of the Issuer, the Guarantor 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 Housing Loan in the Housing Loan Portfolio, any additional amounts of Housing Loan Principal Receipts received above the regular Housing Loan Scheduled Payments due in respect of such Housing Loan, paid by the relevant Borrower which (a) is permitted by the terms of such Housing Loan or by agreement with the Borrower and (b) reduces the Current Principal Balance of such Housing Loan.

Partial Portfolio means part of any portfolio of Selected Housing Loans.

Partly Paid Covered Bond means a Covered Bond which is issued on a partly-paid basis as specified in the applicable Final Terms.

Paying Agent has the meaning given to it in the Conditions.

Permanent Bearer Global Covered Bond means a global bearer covered bond in the form or substantially in the form set out in Part 2 (Form of Permanent Bearer Global Covered Bond) of schedule 2 (Forms of Global and Definitive Covered Bonds, Receipts, Coupons and Talons) 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 Principal Agency Agreement and the Trust Presents 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) Housing 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.

PLA means the Property Law Act 2007 (New Zealand).

Post-Enforcement Priority of Payments has the meaning given to it on page 187.

PPSA means the Personal Property Securities Act 1999 (New Zealand).

PPSR means the Personal Property Securities Register established under section 139 of the PPSA.

Pre-Acceleration Priority of Payments means the Pre-Acceleration Principal Priority of Payments or the Pre-Acceleration Revenue Priority of Payments, as the context requires.

Pre-Acceleration Principal Priority of Payments has the meaning given to it on page 182.

Pre-Acceleration Revenue Priority of Payments has the meaning given to it on page 179.

Pre-Maturity Demand Loan Advance means a Demand Loan Advance requested by the Covered Bond Guarantor under the Demand Loan Facility in an amount (determined by the Calculation Manager) necessary to rectify a breach of the Pre-Maturity Test.

Pre-Maturity Ledger means the ledger 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, in respect of a Series of Hard Bullet Covered Bonds, will be breached on any Pre-Maturity Test Date, if ANZNBL's short-term credit rating from Moody's falls to P-2 (or lower) or from Fitch falls to F1 (or lower) 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.

Pre-Maturity Test Date means each Local Business Day during the Pre-Maturity Test Period.

Pre-Maturity Test Period means, in relation to a Series of Hard Bullet Covered Bonds, in respect of ANZNBL'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.

Principal Agency Agreement means the principal agency agreement dated the Programme Date (such agency agreement as amended and/or supplemented and/or restated from time to time) and made between the Issuers, the Guarantor, the Covered Bond Guarantor, the Bond Trustee, the Principal Paying Agent and the Registrar.

Principal Amount Outstanding has the meaning given to it in Condition 4(m) (*Definitions*).

Principal Ledger means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement to record the credits and debits of Housing 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 has the meaning given to it in the Conditions.

Priorities of Payments means the orders of priority for the allocation and distribution of amounts standing to the credit of the Trust Accounts in different circumstances, and each a **Priority of Payments**.

Product Switch means a variation, from time to time, in the Housing Loan Conditions applicable to a Borrower's Housing Loan which means that the Housing Loan would no longer be a Qualifying Housing Loan and/or moving a Borrower to an alternative mortgage product, including a change in Product Type.

Product Type means a type of housing loan originated by the Seller.

Programme means the covered bond programme established by ANZNBL and ANZNIL.

Programme Agreement means the agreement dated 25 May 2011, entered into by the Issuers, the Guarantor, the Covered Bond Guarantor, the Seller, the Arrangers and the Dealers to agree a basis upon which the Dealer(s) or any of them may from time to time agree to purchase Covered Bonds.

Programme Date means 11 February 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 Housing Loan Portfolio) pursuant to the Mortgage Sale Agreement);
- (b) Servicing Agreement;
- (c) Asset Monitor Agreement;
- (d) Intercompany Loan Agreement;

- (e) Demand Loan 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 without limitation each Deed of Accession);
- (l) Delegation Agreement;
- (m) Bond Trust Deed;
- (n) Programme Agreement;
- (o) Principal Agency Agreement;
- (p) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);
- (q) Seller's Power of Attorney; and
- (r) this Definitions Schedule,

and each document, agreement or deed ancillary or supplemental to any of such documents or any document, agreement or deed specified by the Issuers, the Guarantor, the Covered Bond Guarantor and the Security Trustee as a Programme Document and each a **Programme Document**.

Programme Resolution has the meaning given to it in Condition 11(a) (*Meetings of Covered Bondholders, Modification, Waiver, Substitution and Legislative Exchange*).

Property means Land which is subject to a Mortgage.

Prudent Mortgage Lender means a reasonably prudent residential mortgage lender lending to borrowers in New Zealand who generally satisfy the lending criteria of traditional sources of residential mortgage capital.

Purchase Price means:

- (a) in relation to a Housing Loan and the Related Security being sold, an amount equal to the sum of the Current Principal Balance and all Arrears of Interest (if any) on the Acquisition Cut-Off Date of the Housing Loan;
- (b) in relation to a Housing Loan Portfolio, an amount equal to the sum of the aggregate of the Current Principal Balances and all Arrears of Interest (if any) on the Acquisition Cut-Off Date of the Housing Loans in the Housing Loan Portfolio; and
- (c) in relation to a Further Advance, an amount equal to the principal amount of the Further Advance on the date on which the Further Advance is made.

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

Qualified Institution means an Authorised Institution (i) which pays any relevant interest in the ordinary course of its business and (ii) whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's, and F1 by Fitch and (iii) whose long term, unsecured, unsubordinated and unguaranteed

debt obligations are rated at least A by Fitch or, in the case of (ii) and (iii), such other lower rating as Fitch and/or Moody's may require in order to maintain the then current ratings of the Covered Bonds.

Qualifying Borrower means a Borrower which:

- (a) is not a Borrower in respect of a Defaulted Housing Loan; and
- (b) is not dead, bankrupt, insane or the subject of an Insolvency Event,

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 Housing Loan means a Housing Loan which satisfies the qualifying housing loan eligibility criteria set out on page 144.

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 Trust Manager to the Covered Bond Guarantor (and copied to the Seller and each Rating Agency) confirming that it has notified the Rating Agencies of the event or circumstances and that the Trust Manager 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 and if a Rating Agency confirmation is required for the purposes of the Programme Documents and the Rating Agency does not consider such confirmation necessary the Trust Manager shall 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.

RBNZ means the Reserve Bank of New Zealand.

RBNZ Act means the Reserve Bank of New Zealand Act 1989 (New Zealand).

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, receiver, manager, or receiver and manager of the property charged or secured under the Security Deed.

Reference Banks means ANZNBL, Bank of New Zealand and Westpac Banking Corporation.

Register means the register of holders of the Registered Covered Bonds maintained by the Registrar.

Registered Covered Bonds means 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 the Conditions.

Registrar means Deutsche Bank Luxembourg S.A.

Regulation S means Regulation S under the Securities Act.

Reimbursement Demand Loan Advance means a Demand Loan Advance requested by the Covered Bond Guarantor under the Demand Loan Facility in an amount (determined by the Trust Manager) necessary to pay to the Seller the Purchase Price of a Further Advance or to reimburse the Seller for funding a Cash Redraw that the Covered Bond Guarantor has agreed may remain in the Housing Loan Portfolio.

Related Company has the meaning given to it in section 2(3) of the NZ Companies Act, but as if the expression "company" includes a "body corporate".

Related Security means in relation to a Housing Loan, the security for the repayment of that Housing 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 Housing Loan, including for the avoidance of doubt, guarantees, security over life policies, and any replacement security for a Housing 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 All Moneys Mortgage Trust declared in respect of that Mortgage.

Relevant Dealer has the meaning given to it in the Programme Agreement.

Relevant Spread means (A) in the case of a Series of floating rate Covered Bonds the Specified Currency of which is NZ Dollars, the Margin for the Series specified in the applicable Final Terms; and (B) in any other case the Floating Rate Payer Spread specified in the applicable Covered Bond Swap.

Reporting Statement means the statement (which may be in electronic form) prepared by the Trust Manager on each Determination Date in a form agreed by the Trust Manager, the Servicer and the Covered Bond Guarantor.

Representations and Warranties means the representations and warranties summarised on pages 146-148.

Repurchase Cut-Off Date means, in respect of a Housing Loan to be repurchased by the Seller, the date specified in the relevant notice as the date on which the Housing Loan is selected for acquisition with the actual transfer occurring on the Repurchase Date.

Repurchase Date means the date of completion of a repurchase of a Housing Loan by the Seller from the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement.

Repurchase Price means, in relation to a Housing Loan and the Related Security being repurchased, an amount equal to the sum of the Current Principal Balance and all Accrued Interest and Arrears of Interest (if any) on the Repurchase Cut-Off Date of the Housing Loan.

Required Current Principal Balance Amount has the meaning given to it on page 164.

Required Redemption Amount means, in respect of a Series of Covered Bonds, the amount calculated in accordance with the following formula:

$$A \times \left(1 + \left(B \times \frac{C}{365} \right) \right)$$

where,

A = the Principal Amount Outstanding of the relevant Series of Covered Bonds;

B = the Negative Carry Factor; and

C = days to maturity of the relevant Series of Covered Bonds.

Reserve Fund means the reserve fund established by the Covered Bond Guarantor (or the Trust Manager on its behalf) in the GIC Account which will be credited with the proceeds of Available Revenue Receipts or a Term Advance up to an amount equal to the Reserve Fund Required Amount in accordance with the applicable Priority of Payments.

Reserve Fund Required Amount means if ANZNBL's short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and F1+ by Fitch, nil or such other amount as ANZNBL shall advise the Covered Bond Guarantor from time to time and otherwise, an amount equal to the NZ Dollar Equivalent of three month's interest due on each Series of Covered Bonds together with an amount equal to one-quarter of the anticipated aggregate annual amount payable in respect of the items specified in paragraphs (a) to (c) of the Pre-Acceleration Revenue Priority of Payments.

Reserve Ledger means the ledger of such name maintained by the Trust Manager pursuant to the Management Agreement, to record the crediting of amounts to the Reserve Fund and the debiting of such Reserve Fund in accordance with the terms of the Establishment Deed.

Residual Capital Beneficiary means The ANZ National Bank Staff Foundation.

Residual Income Beneficiary means The ANZ National Bank Staff Foundation.

Residual Income Beneficiary 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 Housing Loan Revenue Receipts and the other amounts described in paragraphs (b) and (c) of the definition of Available Revenue Receipts in accordance with the terms of the Establishment Deed.

Sale Proceeds means the cash proceeds realised from the sale of Selected Housing Loans and the Related Security.

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 (*Interest and other Calculations*) (but excluding any additional amounts relating to premiums, default interest or interest upon interest ("Excluded Scheduled Interest Amounts") payable by the Issuer following an Issuer Event of Default 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 an Issuer Event of Default 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.

Secured Creditors means the Security Trustee (in its own capacity and on behalf of the other Secured Creditors), the Bond Trustee (in its own capacity and on behalf of the Covered Bondholders), the Covered Bondholders, the Receiptholders, the Couponholders, the Issuers, the Guarantor, the Seller, the Servicer, the Intercompany Loan Provider, the Demand Loan Provider, the Account Bank, the Calculation Manager, the Swap Providers, the Trust Manager, 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 shall exclude 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:
 - (aa) the assignment or transfer took place before or after the delivery of the Security Deed; or
 - (bb) the Covered Bond Guarantor consented to or was aware of the assignment or transfer; or
 - (cc) 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 the Programme Date and made between, among others, the Covered Bond Guarantor, the Trust Manager, the Bond Trustee 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 New Zealand Permanent Trustees Limited, 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 Housing Loan Offer Notice means a notice substantially in the form of schedule 6 of the Mortgage Sale Agreement from the Covered Bond Guarantor served on the Seller offering to sell Selected Housing Loans and the Related Security to the Seller.

Selected Housing Loans means Housing Loans and the Related Security to be sold by the Covered Bond Guarantor pursuant to the terms of the Establishment Deed having in aggregate the Required Current Principal Balance Amount.

Seller means ANZNBL in its capacity as seller pursuant to the Mortgage Sale Agreement.

Seller Housing Loan Repurchase Notice means the notice served on the Covered Bond Guarantor by the Seller offering to purchase certain Housing Loans and the Related Security specified in the notice, as set out in schedule 5 to the Mortgage Sale Agreement.

Seller's Power of Attorney means the Seller Power of Attorney in favour of the Covered Bond Guarantor in substantially the form set out at schedule 4 to the Mortgage Sale Agreement.

Series means a Tranche of Covered Bonds together with any further Tranche or Tranches of Covered Bonds which are (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 11.

Servicer means ANZNBL in its capacity as Servicer under the Servicing Agreement or such other servicer appointed pursuant to the Servicing Agreement from time to time.

Servicer Termination Event has the meaning given to it on page 155.

Services has the meaning given to it in clause 2.1 of the Servicing Agreement.

Servicing Agreement means the servicing agreement entered into on the Programme Date, between the Covered Bond Guarantor, the Trust Manager, the Servicer and the Security Trustee.

Servicing Procedures means the originating, lending and underwriting, administration, arrears and enforcement policies and procedures which are applied from time to time by the Seller to housing loans and the related security for their repayment which are beneficially owned solely by the Seller and which may be amended by the Seller from time to time.

Settlement Amount means \$2,000.

Specified Currency means subject to any applicable legal or regulatory restrictions, NZ Dollars, euro, Sterling, U.S. Dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the Guarantor, the Relevant Dealer(s), the Principal Paying Agent and the Bond Trustee and specified in the applicable Final Terms.

Stock Exchange means the London 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 shall, 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 section 5 of the NZ Companies Act.

Substitute Servicer means a substitute servicer appointed in accordance with the Servicing Agreement.

Substitution Assets means each of:

- (a) NZ Dollar demand or time deposits, certificates of deposit, long term debt obligations and short term debt obligations (including commercial paper) provided that in all cases such investments have a remaining period to maturity of one year or less and the short term unsecured, unguaranteed and unsubordinated debt obligations or, as applicable, the long 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 Institution) are rated P-1/ Aaa by Moody's and F1+/AAA by Fitch or their equivalents by two other internationally recognised rating agencies; and

- (b) NZ Dollar denominated government and public securities provided that such investments have a remaining period to maturity of one year or less and which are rated at least P-1 by Moody's and F1+ by Fitch or their equivalents by two other internationally recognised rating agencies,

provided that such substitution asset satisfies the requirements for eligible assets that may collateralise covered bonds in accordance with RBNZ requirements (if any) and, for the avoidance of doubt, that amounts standing to the credit of the GIC Account, or any other of the Trust Accounts, do not constitute Substitution Assets.

Swap Agreements 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 Master Agreement, the schedule and any relevant Swap Agreement Credit Support Document and related confirmations, 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 (Transfer - English law) to the ISDA Master Agreement.

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 interest or other income 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 Available Amounts means, at any time, the amount of Swap Collateral which under the terms of the relevant Swap Agreement may be applied at that time in satisfaction of the relevant Swap Provider's obligations to the Covered Bond Guarantor following termination of the Swap to the extent that such obligations relate to payments to be made in connection with the Pre-Acceleration Priority of Payments or the Guarantee Priority of Payments.

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 or paid 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 Provider Default means, in relation to a Swap Agreement, the occurrence of an Event of Default (as defined in such Swap Agreement) where the relevant Swap Provider is the Defaulting Party (as defined in such Swap Agreement).

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 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**.

Swap Rate means in relation to a Covered Bond or Series of Covered Bonds, the exchange rate specified in the Covered Bond Swap Agreement relating to such Covered Bond or Series of Covered Bonds or, if the Covered Bond Swap Agreement has terminated, the applicable spot rate.

Swaps means the Interest Rate Swaps and the Covered Bond Swaps.

Talons means, if indicated in the applicable Final Terms, talons for further Coupons on interest-bearing Bearer Definitive Covered Bonds.

Tax Act means the Income Tax Act 2007 (New Zealand).

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 Inland Revenue Department of New Zealand.

Tax Resident in New Zealand means resident in New Zealand for the purposes of the Tax Act.

Taxes mean all present and future taxes, levies, imposts, duties, fees, deductions, withholdings or charges of any nature whatsoever and wheresoever imposed, including, without limitation, income tax, corporation tax, GST or other tax in respect of added value 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" shall be construed accordingly.

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 (Form of Temporary Bearer Global Covered Bond) of Schedule 2 (Forms of Global and Definitive Covered Bonds, Receipts, Coupons and Talons) 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 Principal Agency Agreement and the Trust Presents.

Term Advance Notice means a term advance notice substantially in the form of schedule 2 to the Intercompany Loan Agreement.

Term Advances means advances made or to be made by the Intercompany Loan Provider to the Covered Bond Guarantor under the Intercompany Loan Agreement, and each a **Term Advance**.

Third Party Amounts means each of:

- (a) payments by a Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller (but not, except to the extent included in paragraph (c) below, including interest payable on the Housing Loans);
- (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, and
- (c) in relation to the acquisition of a Housing Loan, the Accrued Interest for the Housing Loan as at the related Acquisition Cut-Off Date,

which amounts, if received by the Covered Bond Guarantor, may be paid daily from monies on deposit in the GIC Account.

Title Perfection Event has the meaning given to it on page 145.

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

Transaction Accounts means the GIC Account and such other accounts as may for the time being be in place with the prior consent of the Security Trustee and designated as such and **Transaction Account** shall 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 Certificate has the meaning given to it in Condition 2(e).

Transfer Date means the date on which the Seller, subject to the fulfilment of certain conditions, sells a New Housing Loan Portfolio to the Covered Bond Guarantor in accordance with the Mortgage Sale Agreement.

Trust means the trust known as the "ANZ NZ Covered Bond Trust" formed under the Establishment Deed.

Trust Accounts means the Transaction Accounts, the GIC Account, the All Moneys Mortgage Trust Account, the Swap Collateral Cash Account or any other applicable currency transaction account in the name of the Covered Bond Guarantor held with the Account Bank.

Trust Manager means ANZCCL, or any other person from time to time appointed to perform the role of trust manager under the Establishment Deed.

Trust Manager Termination Event means:

- (i) the Trust Manager fails to make any payment it is required to make (including on behalf of the Covered Bond Guarantor) under this deed or any of the other Programme Documents and such failure is not remedied within a period of five Local Business Days after the date on which the Trust Manager is notified, or otherwise becomes aware, of the failure;
- (ii) the Trust Manager fails to comply with any of its other obligations under this deed 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 Local Business Days after the Trust Manager is notified, or otherwise becomes aware, of the failure; or
- (iii) an Insolvency Event occurs in relation to the Trust Manager.

Trust Payment Date means each day which is 2 Local Business Days after a Determination Date.

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.

Trust Presents means the Bond Trust Deed and the schedules thereto and any supplemental bond trust deed and schedules (if any), thereto, all as from time to time modified in accordance with the provisions therein contained.

Valuation Report means the valuation report or reports for mortgage purposes from Quotable Value or from an independent firm of professional valuers appointed by the Seller or from such other source allowed by the Servicing Procedures.

Vesting Date means, in relation to the Trust, the earliest of:

- (a) the day preceding the 80th anniversary of the Programme Date;
- (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 Test has the meaning given to it on page 154.

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.

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