IN THE SUPREME COURT OF VICTORIA AT MELBOURNE
COMMERCIAL AND EQUITY DIVISION
COMMERCIAL COURT

LIST A
No.S CI 2010 6249

B E T W E E N:

PATHWAY INVESTMENTS PTY LTD (ACN 072 420 065)

First plaintiff

DOYSTOY PTY LTD (ACN 130 593 609)

Second plaintiff

- and –

NATIONAL AUSTRALIA BANK LIMITED (ACN 004 044 937)

Defendant

AMENDED STATEMENT OF CLAIM

Date of Document:	28 August 2012
Filed on behalf of:	The plaintiffs
Prepared by:	
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A PRELIMINARY

A.1 The Plaintiffs and the Group

1. This proceeding is commenced as a group proceeding pursuant to Part 4A of the *Supreme Court 1986* (Vic) by the plaintiffs on their own behalf and behalf of other persons who or which:

   (a) at some time during the period 1 January 2008 and 24 July 2008 (**Relevant Period**) acquired an interest in ordinary fully paid shares in National Australia Bank Limited (**NAB Shares**); and

   (b) suffered loss or damage by or resulting from the conduct of the defendant pleaded below.~~; and~~

   ~~(c) have, as at the commencement of this proceeding, entered a litigation funding agreement with International Litigation Funding Partners Pte Ltd,~~

   (**Group Members**).

2. At all material times the plaintiffs were and are companies registered pursuant to the *Corporations Act 2001* (Cth)(**CA**).

3. As at the date of the commencement of this proceeding, the group, on whose behalf this proceeding is brought, comprised more than seven members.

4. Terms defined in Schedule 1 (**Dictionary of Financial Terms**) are used throughout this statement of claim and are marked in bold type on their first occurrence.

A.2 The Defendant

5. The defendant (**NAB**) was and is at all material times:

   (a) a company registered pursuant to the CA and capable of being sued;

   (b) subject to and bound by the provisions of the Listing Rules (**ASX Listing Rules**) of the Australian Securities Exchange Limited (**ASX**);

   (c) a trading corporation within the meaning of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**);

   (d) a person for the purposes of section 4 of the *Fair Trading Act 1999* (Vic) (as it was in force at the commencement of these proceedings) (**FTA**); and

   (e) operated various controlled entities within the meaning of section 259E of the CA (together with NAB, referred to as NAB **Group**).

6. At all material times, NAB Shares were traded on the ASX.

7. At all material times, NAB conducted part of its businesses under the name nabCapital, a registered business name pursuant to the laws of each State and Territory and owned by NAB (**nabCapital**).

A.3 Relevant NAB personnel

8. At all material times:

   (a) Michael Chaney was NAB Chairman;

   (b) John Stewart was NAB Group Chief Executive Officer and Managing Director of NAB;

   (c) Mark Joiner was NAB Group Chief Financial Officer; and

   (d) John Hooper was the Chief Executive Officer of nabCapital.

A.4 Conduits and Collateralised Debt Obligations

9. At all material times, NAB conducted an **ABCP** programme through **ABCP Conduits** established to issue commercial paper collateralised by assets held by those ABCP Conduits.

PARTICULARS

NAB described its ABCP Conduits as vehicles used to facilitate the direct access of corporate customers to the commercial paper market at the 9 May Presentation (page 12 of the transcript).

10. The ABCP Conduits used in NAB's ABCP programme included:

   (a) Centrestar Bonds No. 1 Limited, a company incorporated in Éire (the Republic of Ireland) (**Centrestar 1**),

   (b) Centrestar Bonds No. 2 Limited, a company incorporated in Éire (the Republic of Ireland) (**Centrestar 2**), and

(c) TSL(USA) Inc, a company incorporated in Delaware, the United States of America (**TSL**)

(together, the **NAB Conduits**).

PARTICULARS

The identities of the NAB Conduits were disclosed in correspondence from NAB's solicitors to the plaintiff's solicitors on 22 December 2008.

11. At all relevant times, Centrestar 1 and Centrestar 2 participated in an ABCP programme with various other special purpose entities (**Centrestar Programme**).

PARTICULARS

*The Centrestar Programme is described in a report issued by **S&P** entitled* New Issue: CentreStar Capital (Europe) Ltd and CentreStar Capital No. 1 LLC *dated 6 November 2006 (**S&P Centrestar Report**).*

12. At all relevant times, the NAB Conduits owned the following percentages of **notes** (**Conduit Notes**) in **Collateralised Debt Obligations** (**Conduit CDOs**):

(a) Centrestar 1 owned:

(i) 100% of the Class A-1b-3 notes of Altius III Funding (**Altius**), and

(ii) 21.43% of the Class A-1 notes of Longstreet CDO 1 (**Longstreet**);

(b) Centrestar 2 owned Conduit Notes in:

(i) 100% of the Class A-1B notes South Coast Funding IX (**South Coast**);

(c) TSL owned Conduit Notes in:

(i) 50% of the Class A-3 notes of Davis Square Funding VII (**Davis Square**),

(ii) 46.3% of the Class A-2 notes of Duke Funding High Grade V (**Duke Funding**),

(iii) 75% of the Class A-2b notes of Fort Denison Funding (**Fort Denison**),

(iv) 41.33% of the Class A-1B notes of Grand Avenue CDO II (**Grand Avenue**),

(v) 78.13% of the Class A-1-b notes of GSC ABS Funding 2006-3g (**GSC**),

(vi) 66.7% of the Class A-b notes of Hudson Mezzanine Funding 2006-1 (**Hudson Mezzanine**), and

(vii) 100% of the Class A-1LB notes of Pacific Pinnacle CDO (**Pacific Pinnacle**).

PARTICULARS

The identities of the Conduits CDOs and the Conduit Notes and their respective NAB Conduit owners were disclosed in correspondence from NAB's solicitors to the plaintiffs' solicitors on 22 December 2010.

The percentages of notes owned by the NAB Conduits were disclosed in correspondence from NAB's solicitors to the plaintiffs' solicitors on 2 February 2011.

13. The total **par value** for the Conduit Notes was approximately US$1.13 billion.

PARTICULARS

The par value for the Conduit Notes (before applying the NAB Conduits' percentages) are contained in the Offering Memoranda for each Conduit CDO, some of which have been provided to the plaintiffs' solicitors by NAB's solicitors and some of which are available in the public domain. The approximate par value for each of the Conduit Notes is set out in the table below:

Table 1: Par Value of Conduit Notes

Conduit Note	***Note Par Value (US$ millions)***	***Percentage Owned***	***Conduit Note Par Value (US$ millions)***
Altius	*250*	*100*	*250*
Davis Square	*160*	*50*	*80*
Duke Funding	*108*	*46.3*	*50*
Fort Denison	*80*	*75*	*60*
Grand Avenue	*150*	*41.33*	*62*
GSC	*192*	*78.13*	*150*
Hudson Mezzanine	*120*	*66.7*	*80*
Longstreet	*350*	*21.43*	*75*
Pacific Pinnacle	*75*	*100*	*75*
South Coast	*250*	*100*	*250*
Total	***1,735***		***1,132***

14. Within their respective Conduit CDO structures, the Conduit Notes had the following **subordination** and **thickness** when they were established:

(a) the Altius Conduit Note had approximately 12% subordination and 12% thickness;

(b) the Davis Square Conduit Note had approximately 6% subordination and 8% thickness;

(c) the Duke Funding Conduit Note had approximately 9% subordination and 7% thickness;

(d) the Fort Denison Conduit Note had approximately 27% subordination and 16% thickness;

(e) the Grand Avenue Conduit Note had approximately 15% subordination and 10% thickness;

(f) the GSC Conduit Note had approximately 18% subordination and 12% thickness;

(g) the Hudson Mezzanine Conduit Note had approximately 28% subordination and 6% thickness;

(h) the Longstreet Conduit Note had approximately 30% subordination and 70% thickness;

(i) the Pacific Pinnacle Conduit Note had approximately 12% subordination and 7% thickness; and

(j) the South Coast Conduit Note had approximately 34% subordination and 46% thickness.

PARTICULARS

The subordination and thickness ratios have been derived from the Offering Memoranda for the Conduit CDOs, supplemented by information from Intex Solutions Inc and Bloomberg L.P.

15. The Conduit Notes were held by the NAB Conduits as security against ABCP issued by the NAB Conduits or, in the case of Centrestar 1 and Centrestar 2, other entities involved in the Centrestar Programme.

PARTICULARS

Mark Joiner described the purpose of the Conduit Notes in the ABCP programme in a presentation to analysts on 9 May 2008.

16. During the Relevant Period, NAB provided liquidity facilities to the NAB Conduits (**Conduit Liquidity Facilities**).

PARTICULARS

The Conduit Liquidity Facilities were those that NAB variously described as "liquidity facilities" (in the 2008 Half Year Report, page 68), "liquidity support" (in the 25 July Conference Call) and "funding" (in the 9 May Investor Presentation). Further particulars may be provided after discovery and prior to trial.

17. Under the terms of the Conduit Liquidity Facilities, for so long as the NAB Conduits remained solvent, NAB was obliged to provide loans to the NAB Conduits (**Conduit Loans**) in the event that the NAB Conduits required finance to fund the repayment of maturing ABCP.

PARTICULARS

The S&P CentreStar Report states that 'Under the liquidity loan arrangements, supporting banks are obliged to make advances, for as long as no voluntary or involuntary insolvency of the various SPEs has occurred. The purpose of the advances is solely to pay maturing CP.'

Particulars of the terms of the Conduit Liquidity Facilities relating to the NAB Conduits will be provided after discovery.

18. In the event that a Conduit Note was downgraded below a certain **rating**, that Conduit Note became ineligible to be used as security for the issuance of ABCP.

PARTICULARS

The S&P CentreStar report says "Eligible securities must be rated at least 'AA' on acquisition and at least 'AA-' on a refinancing date".

Particulars of the eligibility criteria for the Conduit Notes of TSL will be provided after discovery.

19. By reason of the matters pleaded in paragraphs 15, 17 and 18, in the event that a Conduit Note became in ineligible to be used as security for the issuance of ABCP, NAB was required to provide a Conduit Loan to the relevant NAB Conduit to the par value of that Conduit Note.

20. In the event that a Conduit Loan was provided in the circumstances pleaded in paragraph 19, the full repayment of that Conduit Loan depended on the likelihood that the relevant Conduit Note was redeemed fully, sold at par value or improved its credit rating to the extent that it became eligible to be used as security for the issuance of ABCP.

21. At all times in the Relevant Period, liquidity facilities from NAB to ABCP conduits, including the Conduit Liquidity Facilities, were drawn to at least $5 billion.

PARTICULARS

On page 69 of the '2007 Full Year Results' given to the ASX on the 9 November 2007, NAB said that drawings of standby liquidity facilities to ABCP conduits were $5.1 billion.

On page 68 of the '2008 Half Year Results' given to the ASX on 9 May 2008, NAB said that ABCP conduits had drawn down $8.7 billion of liquidity facilities.

22. At all times in the Relevant Period, an amount representing the amounts of the Conduit Notes were brought to account on NAB's balance sheet.

PARTICULARS

In a document entitled 'Investment Conference NAB Company update 05.09.07' provided to the ASX on 5 September 2007, on page 17 NAB said 'Conduit assets are moving on balance sheet (via draw down of liquidity facilities)'.

23. At all times in the Relevant Period, by reason of:

    (a) the Conduit Liquidity Facilities, and

    (b) to the extent those facilities were drawn, the Conduit Loans

    NAB was exposed to any impairment or losses affecting the Conduit Notes.

A.5 Reporting Requirements

24. At all material times, NAB was required pursuant to:

    (a) section 296 of the CA, to comply with accounting standards made by the Australian Accounting Standards Board, including but not limited to:

(i) AASB 137: Provisions, Contingent Liabilities and Contingent Assets (**Provisions Standard**); and

(ii) AASB 139: Financial Instruments: Recognition and Measurement (**Financial Instruments Standard**)

(together, the **Accounting Standards**);

(b) section 297 of the CA, to ensure that its financial statements and notes gave a true and fair view of the financial position and performance of NAB;

(c) section 674 of the CA, to notify the ASX of information about specified events or matters, in accordance with the ASX Listing Rules, as they arose for the purpose of the ASX making that information available to participants in the market for NAB Shares.

25. At all material times,:

(a) the Conduit Liquidity Facilities were either:

(i) financial instruments within the meaning of and subject to the requirements of the Financial Instruments Standard; or

(ii) loan commitments:

A. subject to the requirements of the Provisions Standard or the requirements of the Financial Instruments Standard by operation of paragraph 4 of the Financial Instruments Standard; and

B. in any event, subject to the requirements of paragraphs 15 to 42 of the Financial Instruments Standard concerning the derecognition of financial assets;

(b) the Conduit Loans made pursuant to the Conduit Liquidity Facilities were financial assets within the meaning of and subject to the requirements of the Financial Instruments Standard.

26. At all material times, the Conduit Loans made pursuant to the Conduit Liquidity Facilities involved NAB participating in a business activity which, in certain circumstances, could expose NAB to financial consequences material to a true and fair view of its financial position and/or could have a material effect on the price or value of NAB Shares.

27. By reason of the matters pleaded in paragraphs 24 to 26, at all material times, NAB was required to keep itself apprised of any circumstances and events which did or might either:

(a) make it probable that any Conduit Loans would not be repaid in full; or

(b) result in impairments to the Conduit Loans

and, without limitation, such circumstances or events would include:

(i) material changes to the state of the United States residential property and mortgage market;

(ii) material changes affecting the performance, credit ratings and value of the Conduit Notes.

B WHAT NAB SAID IN THE RELEVANT PERIOD

B.1 Statements Made to the Market

28. On 28 August 2007, NAB said:

(a) ‘Almost all markets have been touched by the knock on effects from the meltdown in the [United States] **US** subprime market’;

(b) ‘But it is important not to lose sight of the fact that our [Australia’s] banking system is sound, extremely well capitalised, and is coping with this period of stress very well’; and

(c) ‘the situation with the sub prime market will get worse before it gets better’.

PARTICULARS

These statements were made by John Stewart in address to the Australia-Israel Chamber of Commerce on 28 August 2007 and made available to the market on NAB’s website.

29. On 9 November 2007, NAB gave its 2007 Annual Report to the ASX (**2007 Annual Report**).

30. The 2007 Annual Report included a statement that the Board had received:

(a) the relevant declarations required under section 295A of the CA, and

(b) the relevant assurances required under Recommendation 7.3 of the ASX Corporate Governance Council.

PARTICULARS

This statement was made on page 39 of the 2007 Annual Report.

31. At all relevant times, Recommendation 7.3 of the ASX Corporate Governance Council was that the Board should disclose whether the declaration it has received under section 295A of the CA is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

32. On 7 February 2008, NAB held its Annual General Meeting at which it made the following statements:

(a) ‘The second half was particularly challenging as the emerging sub prime issue in the United States sparked ongoing global concerns’;

(b) ‘The strength of our balance sheet has allowed a business as usual approach during the recent financial market disruption’;

(c) ‘The events of the last few months in international financial markets have demonstrated the strength of the Australian banking system’;

(d) ‘We need to remain alert to the negative flow-on effects that may continue to ripple through financial markets around the world’;

(e) ‘World markets are very volatile and likely to remain that way for some time to come. This uncertainty, started by the sub-prime issues in the United States, is likely to be longer lasting and more widespread that we all thought last year’; and

(f) ‘Against this background, National Australia Bank is faring well although we are far from complacent. Despite these challenging times, I can reaffirm the guidance previously provided to the market’.

PARTICULARS

The statements to the Annual General Meeting referred to in sub-paragraphs 32(a) to (d) were made by Michael Chaney and those referred to in paragraphs 32(e) to (f) were made by John Stewart.

33. On 25 February 2008, NAB said:

(a) ‘You should expect provisions to go up, but not in big lumps’ in relation to NAB provisions for bad debts; and

(b) ‘We have continuous disclosure obligations. We have to tell the market, otherwise I go to jail - I don’t like the idea of that.’

PARTICULARS

These statements were made by John Stewart and reported in The Australian *on 25 February 2008 in an article entitled ‘Crack down on short selling, says NAB’ by Richard Gluyas.*

34. On 9 May 2008, NAB gave its 2008 Half Year Results to the ASX (**2008 Half Year Results**).

35. The 2008 Half Year Results included the following statements about the nabCapital business:

(a) that it benefited from the deterioration in global credit markets, including the uncertainty associated with the US sub-prime incident, but that offsetting these positive aspects, it had incurred higher bad and doubtful debt charges;

(b) that it made cash earnings of $373 million;

(c) that it had approximately US$1.1 billion ($1.2 billion) of CDOs) in NAB Conduits and that:

(i) the assets of these CDOs had been downgraded by rating agencies;

(ii) the Conduits contained exposures to US sub-prime assets of $360 million;

(iii) all assets were performing as at 31 March 2010; and

(iv) nabCapital had established a collective provision of $181 million against the liquidity facilities extended to this asset class (**First Provision**).

PARTICULARS

The 2008 Half Year Results were given by NAB to the ASX and posted on the ASX website on 9 May 2008 under the heading “2008 Half Year Results – Appendix 4D”. The representation referred to in each sub-paragraph were *made in the 2008 Half Year Results at the corresponding page numbers as set out in the following table:*

Sub-paragraph	***Page number***
35(a)	*65*
35(b)	*67*
35(c)	*68*

36. The 2008 Half Year Results included the following statements about NAB and NAB Group:

(a) that NAB Group had achieved a net profit after tax of $1,843 million in the half year to 31 March 2008;

(b) the 2008 Half Year Results were founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks;

(c) the 2008 Half Year Results complied with current Australian Accounting Standards as those standards related to interim financial reports.

PARTICULARS

The statements referred to in each sub-paragraph were made in the 2008 Half Year Results at the corresponding page numbers as set out in the following table:

Sub-paragraph	***Page number***
36(a)	*74*
36(b)	*72*
36(c)	*79*

37. Also on 9 May 2008, NAB said that:

(a) all of NAB Group's businesses were in 'great shape';

(b) NAB has conducted many 'deep dives' into its asset portfolio to assess asset quality;

(c) NAB had seen 'tiny, tiny changes' in the quality of assets in underlying portfolios;

(d) 10 assets owned by the Conduits had been downgraded by S&P at the end of January 2008 (**30 January Downgrades**);

(e) NAB's modelling suggested that a provision of $56 million was required as a result of the January 2008 Downgrades;

(f) NAB had undertaken a 'forensic deep dive' in order to understand the portfolio at the 'individual credit level down below' and that this showed that the contractual obligations of the underlying credits were being met;

(g) NAB had applied a stress test to its models with some 'fairly bleak' assumptions and decided, on that basis, to make a provision of $181 million instead of $56 million;

(h) this represented a 'strong provisioning position' that protected NAB's balance sheet 'against whatever may come out of these in a credit sense in the future'; and

(i) none of the bonds had defaulted and none has missed a payment.

PARTICULARS

*John Stewart and Mark Joiner made these representations in a presentation to analysts on 9 May 2008 (**9 May Presentation**). A transcript of this presentation was prepared Thomson Financial. The statements referred to in each sub-paragraph are at the corresponding pages of that transcript as set out in the following table:*

Sub-paragraph	***Page number***
37(a)	*2*
37(b)	*6*
37(c)	*8*
37(d)	*12*
37(e)	*12*
37(f)	*12*
37(g)	*12*
37(h)	*12*
37(i)	*20*

38. On 11 July 2008, NAB issued an ASX Announcement entitled "Update on National Australia Bank CDO Portfolio" (**11 July Announcement**).

39. In the 11 July Announcement, NAB said that:

(a) since making the First Provision at 31 March 2008, the economic environment had deteriorated further;

(b) NAB's exposure to CDOs were being actively managed to minimise the potential for loss;

(c) NAB's CDOs were currently meeting all principal and interest obligations;

(d) notwithstanding this, there continued to be a risk that further provisioning may be required; and

(e) this disclosure was made as a requirement of NAB's underwriting agreement for the Dividend Reinvestment Plan.

PARTICULARS

The 11 July Announcement was provided by NAB to the ASX and posted on the ASX website on 11 July 2008 under the heading "Update on National Australia Bank CDO Portfolio".

40. On 25 July 2008, NAB issued an ASX Announcement entitled "NAB makes provision in response to unprecedented global credit conditions" (**25 July Announcement**).

41. In the 25 July Announcement, NAB announced that:

(a) it had made an additional provision of $830 million to its portfolio of 10 CDOs (**Second Provision**).

(b) the cumulative effect of the First Provision and the Second Provision was that the Conduit CDOs were provisioned to a level of nearly 90% of their total value;

(c) the Second Provision was a response to the continued deterioration in the US housing market which had been highlighted in recent weeks with increased mortgage foreclosures and declining recovery rates;

(d) current losses on the assets underlying the Conduit CDOs averaged approximately 2% but that NAB's detailed analysis and recent default activity had indicated that further deterioration would occur;

(e) the Second Provision was based on a worst-case scenario.

PARTICULARS

NAB provided the 25 July Announcement to the ASX on 25 July 2008 and it was posted on the ASX website on the same date.

42. Also on 25 July 2008, NAB conducted a conference call for investors and analysts (**25 July Conference Call**) and provided electronic slides used in that conference call to the ASX (**25 July Conference Call Slides**). In this conference call, NAB said that the Second Provision was based on "recent developments" in the US mortgage market which included:

(a) falling house prices;

(b) increased repossessions;

(c) reduced recovery rates; and

(d) increased likelihood that CDO and/or underlying ABS **noteholders** would opt to liquidate the CDOs or underlying ABS.

PARTICULARS

The statements in subparagraphs (a) to (c) were made by John Stewart and all the statements were made in the same or similar terms by John Hooper and on page 5 of the 25 July Conference Call Slides.

43. On 17 November 2008, gave its 2008 Annual Financial Report to the ASX (**2008 Annual Report**). In the 2008 Full Year Results, NAB said that of the $1,011 million comprising the First Provision and Second Provision, $880 million had been written off.

PARTICULARS

NAB provided the 2008 Annual Report to the ASX on 17 November 2008 and it was posted on the ASX website on the same date. This statement was on page 69 of the report.

B.2 The Representations

44. Between 1 January 2008 and 24 July 2008, NAB represented that:

(a) it maintained a sound and effective system of risk management and internal control in relation to financial reporting risks;

(b) its 2008 Half-Year Results would and did comply with all applicable accounting standards;

(c) it had complied with its obligations under ASX Listing Rule 3.1 (**Continuous Disclosure Obligations**)

(**Transparency Representations**).

PARTICULARS

The Transparency Representations were partly express and partly implied. Insofar as they were express representations they were made in the statements referred to in paragraphs 30, 33(b), 36(b), 36(c). Insofar as they were implied representations they were implied by NAB's conduct including:

a. listing on the ASX whose rules required adherence to ASX Listing Rule 3.1,

b. the publication by NAB of financial reports prepared under Chapter 2M of the CA;

c. the obligation imposed on NAB by section 296 of the CA.

45. Between 1 January 2008 and 24 July 2008, NAB represented:

(a) it was not expecting substantial increases in provisions for bad debts or losses as a result of the US Subprime Mortgage Crisis (defined below at paragraph 54);

(b) from 1 January 2008 to 8 May 2008, that it was not exposed to any specific risk of loss as a result of the US Subprime Mortgage Crisis;

(c) from 9 May 2008 to 24 July 2008, that it was not affected by any losses as a result of the US Subprime Mortgage Crisis in excess of the amount of the First Provision; and

(d) from 9 May 2008 to 24 July 2008, that the Conduit only contained exposures to US sub-prime assets of only $360 million

(**US Subprime Mortgage Crisis Representations**).

PARTICULARS

The US Subprime Mortgage Crisis Representations were partly express and partly implied. Insofar as they were express representations they were made in the statements referred to in paragraphs 28, 32, 33(a), 35(a) and 35(c)(ii).

Insofar as they were implied representations they were implied because NAB no statements contrary to sub-paragraphs 45(a) and (b) between 1 January 2008 and 8 May 2008 or 45(a),(c) and (d) between 9 May 2008 and 24 July 2008.

46. On 9 May 2008, NAB represented that:

(a) the First Provision was a sufficient provision for the impairment, likely impairment and risk of impairment of the Conduit Loans;

(b) the First Provision was a conservative provision in the circumstances;

(c) that NAB's modelling indicated that a provision of only $56 million was required at that time;

(d) the quality of the Conduit Notes had only slightly deteriorated;

(e) in determining the amount of the First Provision, NAB had conducted extensive investigations of the Conduit CDOs' **underlying assets** and all contractual obligations at that level were being met

(**First Provision Representations**).

PARTICULARS

The First Provision Representations were express representations made in the statements referred to in paragraphs 37(b) and 37(e) to (h).

47. The First Provision Representations were continuing representations:

(a) in the period 9 May 2008 to 10 July 2008 inclusive, insofar as they include the representation pleaded in paragraph 46(a);

(b) in the period 9 May 2008 to 24 July 2008, insofar as they include the representations pleaded in paragraphs 46(b) to (e).

PARTICULARS

The First Provision Representations were continuing implied representations by reason that between 9 May 2008 and 10 July 2008 NAB said nothing to contradict the First Provision Representations and between 11 July 2008 and 24 July 2008 inclusive said nothing to contradict the representations pleaded in paragraphs 46(b) to (e). In the 11 July Announcement NAB did indicate that there was a risk of further provisioning, which implied that the First Provision was no longer a sufficient provision.

48. On 9 May 2008, NAB represented that the only negative ratings actions by rating agencies against the Conduit Notes were the 30 January Downgrades (**Rating Downgrades Representation**).

PARTICULARS

The Rating Downgrades Representation was an implied representation by reason that only the 30 January Downgrades were mentioned in the 9 May Presentation.

49. The Ratings Downgrades Representation was a continuing representation in the period from 9 May 2008 to 24 July 2008 inclusive.

PARTICULARS

The Ratings Downgrades Representation was a continuing implied representation by reason that between 9 May 2008 *and 24 July 2008 inclusive NAB said nothing to contradict the representation.*

50. On 9 May 2008, NAB represented that:

(a) none of the Conduit Notes had defaulted; and

(b) the quality of the assets underlying the Conduit CDOs had not materially deteriorated.

(**Conduit CDO Performance Representations**)

PARTICULARS

The Conduit CDO Performance Representations were express representations made in the statements referred to in paragraphs 35(c)(iii), 37(b), (c), (f), (i) and 39(c).

51. The Conduit CDO Performance Representations were continuing representations in the period from 9 May 2008 to 24 July 2008 inclusive.

PARTICULARS

The Conduit CDO Performance Representations were continuing implied representations by reason that between 9 May 2008 and 24 July 2008 inclusive NAB said nothing to contradict the representations.

52. On 9 May 2008, NAB represented that:

(a) nabCapital had achieved $373 million in cash earnings in the half year to 31 March 2008;

(b) NAB Group had achieved a net profit after tax of $1,843 million in the half year to 31 March 2008.

(**2008 Half Year Performance Representations**)

PARTICULARS

The 2008 Half Year Performance Representations were express representations made in the statements referred to in sub-paragraphs 35(b) and 36(a).

53. The 2008 Half Year Performance Representations were continuing representations in the period from 9 May 2008 to 24 July 2008 inclusive.

PARTICULARS

The 2008 Half Year Performance Representations were continuing implied representations by reason that between 9 May 2008 and 24 July 2008 inclusive NAB said nothing to contradict the representations.

C WHAT NAB KNEW OR OUGHT TO HAVE KNOWN

C.1 The US Subprime Mortgage Crisis

54. Commencing in late 2006 events occurred in the **US**, including:

(a) the diminution in the value of residential property;

(b) increased rates of delinquency, default and foreclosure on residential mortgages, especially among **subprime mortgages**; and

(c) reduced rates of recovery by mortgagees upon foreclosure

(**US Subprime Mortgage Crisis**).

PARTICULARS

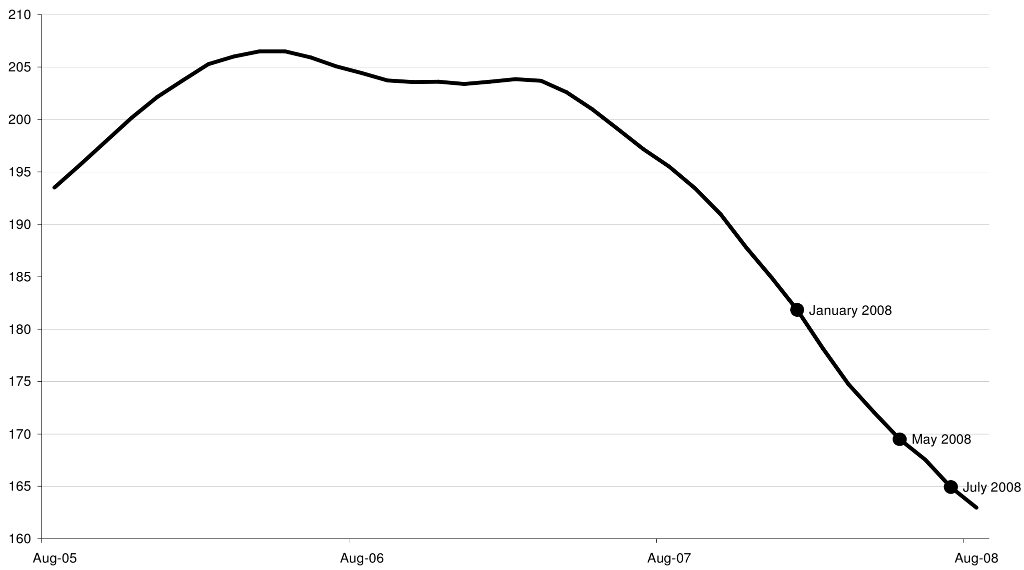
The US Subprime Mortgage Crisis was referred to as 'meltdown in the US subprime market' and described as a symptom of a wider US downturn involving a period of slow or no growth and an overstocked housing market resulting in falling house prices by John Stewart on 28 August 2007, in an address to the Australia-Israel Chamber of Commerce.

55. By January 2008, US residential property prices had fallen materially since a peak reached in April 2006 and had fallen every month since January 2007.

PARTICULARS

S&P Case-Shiller Composite 20-city Index (Seasonally Adjusted), available on the S&P website, records US single-family home price values at a peak of 206.5 on the index at April 2006 and 181.8 at January 2008, 169.5 at May 2008 and 164.9 at July 2008. The following graph charts the index from August 2005 to August 2008 with January, May and July 2008 all marked:

Figure 1: S&P Case-Shiller Composite 20-City Index, August 2005 to August 2008



56. By 1 January 2008, the number of **delinquent** single-family residential mortgages in the US had risen materially and had been rising continuously since the first quarter of 2005.

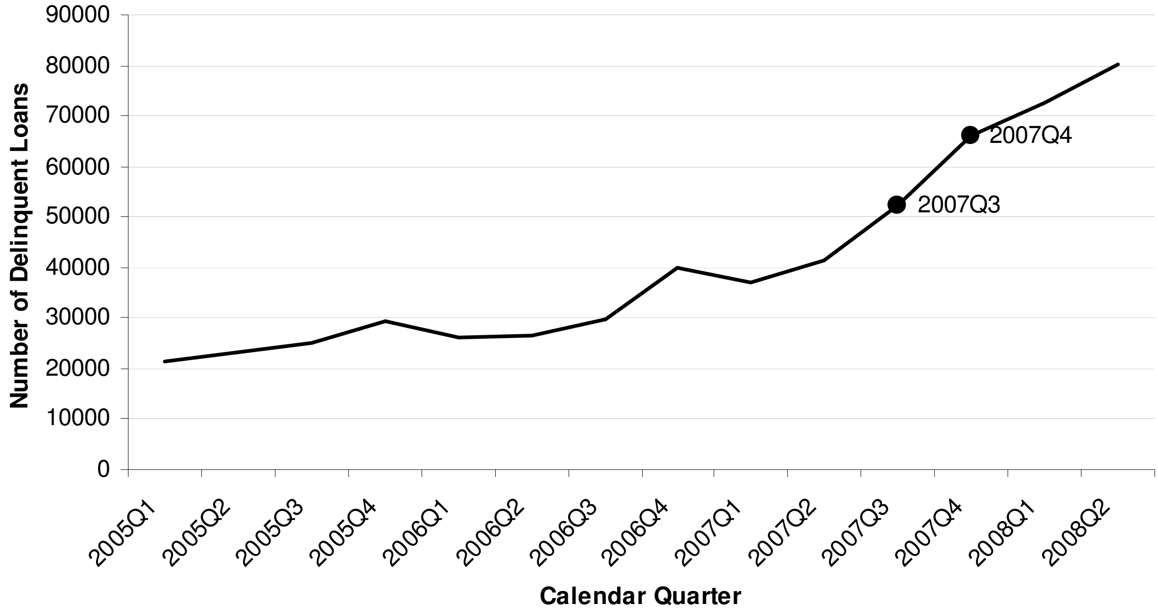
PARTICULARS

Data available from the US Federal Reserve website from the quarterly Federal Financial Institutions Examination Council Consolidated Reports of Condition and Income records that by the fourth quarter of 2007, delinquencies on single-family residential mortgages had reached 65,940 compared to an average over the five years 2000-2004 (inclusive) of approximately 21,350.

At 1 January 2008, the most recent data available to the public was for the third quarter of 2007, published on or around 30 November 2007. At that time, 52,350 single-family residential mortgages were recorded as delinquent.

The following graph charts the number of delinquent single-family residential mortgages from 2000 to the second quarter of 2008. According to the US Federal Reserve website, these data become available to the public approximately 60 days after the end of the relevant calendar quarter. The third and fourth quarters of 2007 are marked on the graph.

Figure 2: Delinquent Single-Family Residential Mortgages, 2005Q1 to 2008Q2

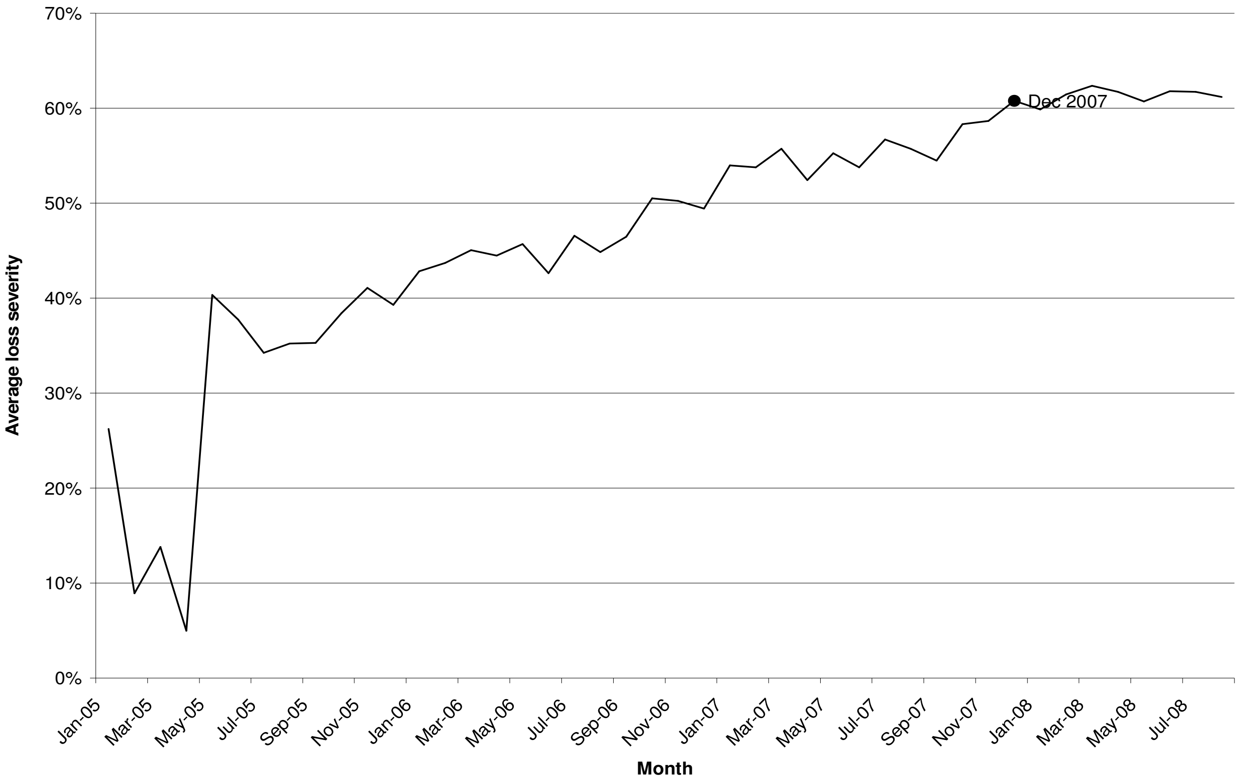


57. By 1 January 2008, the average **loss severity** on foreclosed US subprime mortgages had risen to approximately 61%.

PARTICULARS

The graph below charts the average loss severity on US subprime mortgages by month from January 2005 to July 2008, with December 2007 marked. The data in this chart has been sourced from Black Box Logic LLC.

Figure 3: Average Loss Severity on US Subprime Mortgage Foreclosures, by Month, January 2005 to July 2008



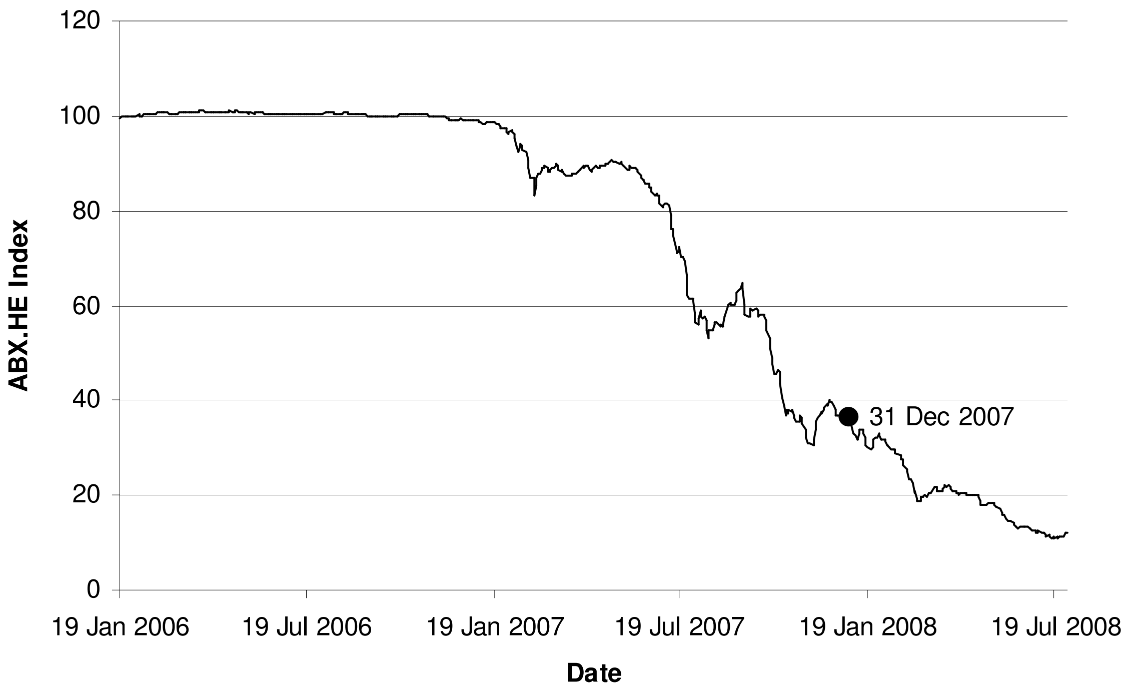
58. By 1 January 2008, the market value of US **subprime ABS** had fallen materially.

PARTICULARS

The market value of US subprime ABS issued between 1 July 2005 and 30 June 2007 is indicated by the performance of the ABX.HE Index complied by Markit Group Limited. The ABX.HE Index tracked credit default swap transactions on a sample of 20 reference US subprime ABS issued in each six-month period within that period.

The following graph charts an unweighted average of the ABX.HE Indices for A, AA, BBB and BBB- rated subprime ABS for the period 19 January 2006 to 31 July 2008, with 1 December 2007 marked. By this measure, the value of the average subprime ABS rated below AAA had fallen by approximately 63% over the course of 2007.

Figure 4: Value of Average Subprime ABS Rated Below AAA, January 2006 to July 2008



59. At all times in the relevant period, NAB ought to have known that the Conduit Notes contained exposures to US sub-prime assets materially in excess of $360 million.

PARTICULARS

At or around 1 January 2008 the Conduit CDOs collectively included more than US$6.7 billion in underlying US sub-prime ABS. Applying the proportion of each Conduit CDO secured by subprime ABS to the Conduit Notes, the proportion of subprime ABS attributable to the Conduit Notes collectively was approximately US$566 million ($642 million).

The table below sets out the approximate percentage of each Conduit CDO attributable to subprime ABS (A), the balance owed to the Conduit Notes at 1 January 2008 (B) and the value of the underlying subprime ABS attributed to the Conduit Notes (C) (which is A x B):

Table 2: Proportions of Subprime ABS Securing Conduit CDOs, applied to Conduit Notes as at 1 January 2008

Conduit Note	*A*	*B (US$ millions)*	*C (US$ millions)*
Altius	*16%*	*249.5*	*39.3*
Davis Square	*53%*	*79.8*	*42.4*
Duke Funding	*41%*	*50.0*	*20.7*
Fort Denison	*52%*	*59.5*	*31.0*
Grand Avenue	*40%*	*62.0*	*24.9*
GSC	*46%*	*149.6*	*68.9*
Hudson Mezzanine	*93%*	*80.0*	*74.7*
Longstreet	*80%*	*75.0*	*60.0*
Pacific Pinnacle	*45%*	*74.3*	*33.1*
South Coast	*68%*	*250.0*	*170.7*
Total		***1,129.8***	***565.9***

The amount of $642 million underestimates the Conduit Notes exposure to US subprime assets because it does not take account of the priority of payments in the CDO structure. In all cases, the proportion of each Conduit CDO secured by subprime ABS exceeded the subordination of the Conduit Notes pleaded in paragraph 14. Accordingly, the Conduit Notes true exposure to subprime ABS is calculated as that amount of the balance owed in proportion to the amount of subprime ABS exposure of each Conduit CDO that is above the Conduit Notes' subordination. The following table sets out estimates of that exposure as at 1 January 2008. By this method the collective exposure was approximately US$866.1 million ($982.4 million).

Table 3: Estimates of Subprime Exposure as at 1 January 2008

Conduit Note	***Subprime Exposure (US$ millions)***
Altius	*70.1*
Davis Square	*79.8*
Duke Funding	*50.0*
Fort Denison	*59.5*
Grand Avenue	*62.0*
GSC	*149.6*
Hudson Mezzanine	*80.0*
Longstreet	*53.6*
Pacific Pinnacle	*74.3*
South Coast	*187.1*
Total	***866.1***

60. As at 1 January 2008, NAB ought to have known that, for some of the vintages of mortgages underlying the Conduit CDOs, more than 30% were delinquent and around 11% had foreclosed.

PARTICULARS

In the 25 July Conference Call, John Hooper said "In some vintages of mortgages that we hold, delinquencies have risen by nearly 10% this year to 40% of the portfolio. Foreclosures have risen by 4% over this year to nearly 15%.

61. By 1 January 2008 NAB knew or ought to have known the matters referred to in paragraphs 54 to 60.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27.

62. By reason of paragraph 61, by 1 January 2008, NAB knew or ought to have known that there was a material risk that the Conduit Notes were or would become impaired.

C.2 Liquidation Risk

63. In circumstances in which a default had affected the Conduit CDOs, neither NAB nor the NAB Conduits had sufficient control to prevent the liquidation of the Conduit CDOs if holders of senior notes in the Conduit CDOs, or other owners of percentages of the Conduit Notes, opted to liquidate.

PARTICULARS

The Conduit CDOs were subject to various default 'triggers' in which events of default affecting the Conduit CDOs entitled senior noteholders to elect to liquidate the Conduit CDOs.

The Longstreet Conduit Note, of which Centrestar 1 owned 21.43 percent, was the most senior note in the Longstreet Conduit CDO. For all other Conduit CDOs, the Conduits Notes were not the most senior notes.

Mark Joiner told the 25 July Conference Call that holders of CDO notes were currently more likely to liquidate their position if a default occurred rather than hold on and work it out.

64. At all relevant times, NAB knew or ought to have known that **monoline insurers** insured some of the assets underlying the Conduit CDOs.

PARTICULARS

In the 9 May Presentation, on page 12 of the transcript, Mark Joiner said that the assets underlying the Conduit CDOs had 'various protection mechanisms' including 'insurance wrappers', a term commonly used to describe bond insurance provided by monoline insurers.

65. At all relevant times, NAB knew or ought to have known that weakness of monoline bond issuers increased the likelihood that other noteholders in the Conduit CDOs would opt to liquidate the Conduit CDOs.

PARTICULARS

On 25 July 2008 in a presentation to analysts, the slides of which where provided to the ASX and posted on the ASX website on 25 July 2008, NAB said that weakness of monoline insurers increased the likelihood that CDO noteholders would change their behaviour and opt to liquidate.

66. On 18 January 2008, Ambac Financial Group Inc (**Ambac**), the second largest monoline insurer, was downgraded by **Fitch** from a rating of AAA to AA as a result, inter alia, of Fitch's concern about Ambac's exposure to claims for losses on US Subprime ABS it insured.

67. On 30 January 2008, FGIC Inc (**FGIC**), the fourth largest monoline insurer, was downgraded by Fitch from a rating of AAA to AA as a result, inter alia, of Fitch's concern about FGIC's exposure to claims for losses on US Subprime ABS it insured.

68. On 4 April 2008, MBIA Inc (**MBIA**), the largest monoline insurer, was downgraded by Fitch from a rating of AAA to AA as a result, inter alia, of Fitch's concern about its exposure to claims for losses on US Subprime ABS it insured.

69. By reason of the matters referred to in paragraphs 64 to 68, by 18 January 2008 or, in the alternative, by 4 April 2008, NAB ought to have known that there was a material risk that:

    (a) monoline insurers were or would become weak;

    (b) any insurance on the Conduit CDOs would be withdrawn or become inadequate; and

    (c) the credit ratings of the Conduit Notes would be reduced;

(d) that there was a material risk that the Conduit CDOs and/or their underlying assets would be liquidated before they were mature.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27.

C.3 Ratings Downgrades

70. Between 26 October 2007 and 7 November 2007, **Moody's** placed the Davis Square, Fort Denison, Grand Avenue, GSC, Hudson Mezzanine, Longstreet and South Coast Funding Conduit Notes on 'review for possible downgrade.'

PARICULARS

Moody's announced the following rating actions:

(i) *on 26 October 2007 in relation to the Longstreet Conduit Note,*

(ii) *on 1 November 2007 in relation to the Davis Square, Grand Avenue, GSC and Hudson Mezzanine Conduit Notes,*

(iii) *on 5 November 2007 in relation to the South Coast Funding Conduit Note, and*

(iv) *on 7 November 2007 in relation to the Fort Denison Conduit Note.*

71. On 18 December 2007, S&P placed the Fort Denison Conduit Note on to "CreditWatch Negative".

PARTICULARS

On 20 December 2007 S&P announced credit rating changes to various CDO notes in a document entitled "U.S. Cash Flow, Hybrid, And Synthetic CDO Tranche Ratings Lowered Or On Credit Watch Negative Due to Residential Mortgage Exposure". This document listed the Fort Dension Conduit Note as having been rated "AAA/Watch Neg" on 18 December 2007.

S&P described CreditWatch in the following terms: "Ratings for an issuer or issue appear on CreditWatch when, based on Standard & Poor's analysis, an event or deviation from an expected trend has occurred, or may occur, that is likely to cause a ratings change in the near term, usually within 90 days" and Negative "indicates that a rating may be lowered".

72. On 27 December 2007, Moody's downgraded the Fort Denison Conduit Note from AAA to Ba3 and kept it on 'review for a possible downgrade'.

PARTICULARS

This rating downgrade was announced by Moody's on 27 December 2007 in a statement entitled 'Moody's downgrades ratings of Notes issued by Fort Denison, Ltd.' Among the reasons for the downgrade, Moody's said "The *rating actions taken today and since the Closing Date reflect severe deterioration in the credit quality of the underlying portfolio, as well as the occurrence, as reported by the Trustee on December 11, 2007, of an event of default caused by a failure of the Class A Overcollateralization Ratio to equal or exceed 100%."*

73. On 3 January 2008, S&P downgraded the South Coast Funding Conduit Note from AAA to AA.

74. On 30 January 2008, S&P placed the Altius, Davis Square, Duke Funding, Grand Avenue, GSC, Hudson Mezzanine, Longstreet, Pacific Pinnacle, South Coast Conduit Notes on "CreditWatch Negative".

PARTICULARS

On 30 January 2008 S&P announced credit ratings downgrades for 1,953 CDOs in a document entitled "CDO Ratings Affected By Jan. 30, 2008, Rating Actions".

75. By 8 May 2008, Moody's had downgraded or further downgraded the ratings of the Davis Square, Duke Funding, Fort Denison, Grand Avenue, GSC, Hudson Mezzanine, Longstreet, Pacific Pinnacle and South Coast Conduit Notes.

PARTICULARS

Particulars of Moody's changed credit ratings between 30 January 2008 and 8 May 2008 are set out in the table below:

Table 4: Moody's Rating Downgrades by 8 May 2008

Conduit Note	***Date***	***Rating***	
		To	***From***
Pacific Pinnacle	*27/2/2008*	*Caa3*	*Aaa*
GSC	*5/3/2008*	*Baa1*	*Aaa*
Davis Square	*26/3/2008*	*A3*	*Aaa*
Longstreet	*26/3/2008*	*Baa1*	*Aaa*
South Coast	*26/3/2008*	*Ba1*	*Aaa*
Grand Avenue	*27/3/2008*	*Baa2*	*Aaa*
Hudson Mezzanine	*8/4/2008*	*Baa2*	*Aaa*
GSC	*11/4/2008*	*Caa1*	*Baa1*
Duke Funding	*23/4/2008*	*Ba2*	*Aaa*
Hudson Mezzanine	*24/4/2008*	*B3*	*Baa2*
Fort Denison	*25/4/2008*	*C*	*Ba3*

76. By 8 May 2008, S&P had downgraded or further downgraded the ratings of all of the Conduit Notes.

PARTICULARS

Particulars of S&P's changed credit ratings between 30 January 2008 and 8 May 2008 are set out in the table below:

Table 5: S&P Rating Downgrades by 8 May 2008

Conduit Note	*Date*	*Rating*	
		To	*From*
Fort Denison	*11/1/2008*	*A+*	*AAA*
Longstreet	*8/2/2008*	*BB-*	*AAA*
Fort Denison	*19/2/2008*	*CCC*	*A+*
South Coast	*19/2/2008*	*B-*	*AA*
Hudson Mezzanine	*22/2/2008*	*BB-*	*AAA*
GSC	*28/2/2008*	*CCC*	*AAA*
Altius	*25/3/2008*	*BBB-*	*AAA*
Davis Square	*25/3/2008*	*CCC-*	*AAA*
Duke Funding	*25/3/2008*	*BB+*	*AAA*
Grand Avenue	*25/3/2008*	*BB-*	*AAA*
Pacific Pinnacle	*25/3/2008*	*CCC+*	*AAA*

77. By 24 July 2008, Moody's had downgraded or further downgraded the ratings of the Altius, Davis Square, Duke Funding, Grand Avenue, GSC, Longstreet and South Coast Conduit Notes.

PARTICULARS

Particulars of Moody's changed credit ratings between 9 May 2008 and 24 July 2008 are set out in the table below:

Table 6: Moody's Rating Downgrades by 24 July 2008

Conduit Note	*Date*	*Rating*	
		To	*From*
South Coast	*18/5/2008*	*Ca*	*Ba1*
Davis Square	*29/5/2008*	*Ca*	*A3*
Grand Avenue	*2/6/2008*	*Ca*	*Baa2*
Longstreet	*3/6/2008*	*Caa2*	*Baa1*
Altius	*9/6/2008*	*Ba1*	*Aaa*
GSC	*17/7/2008*	*C*	*Caa1*
Duke Funding	*21/7/2008*	*Caa3*	*Ba2*

78. By 24 July 2008, S&P had further downgraded the ratings of the Davis Square, Duke Funding, Grand Avenue, Fort Denison, Longstreet, Pacific Pinnacle and South Coast Conduit Notes.

PARTICULARS

Particulars of S&P's changed credit ratings between 9 May 2008 and 24 July 2008 are set out in the table below:

Table 7: S&P Rating Downgrades by 24 July 2008

Conduit Note	***Date***	***Rating***	
		To	***From***
Duke Funding	*22/05/2008*	*BB-*	*BB+*
Longstreet	*22/05/2008*	*CCC+*	*BB-*
Davis Square	*29/05/2008*	*CC*	*CCC-*
South Coast	*29/05/2008*	*CCC-*	*B-*
Grand Avenue	*12/06/2008*	*B*	*BB-*
Duke Funding	*1/07/2008*	*CCC-*	*BB-*
Fort Denison	*17/07/2008*	*CC*	*CCC*
Pacific Pinnacle	*24/07/2008*	*CCC-*	*CCC+*

79. All of the ratings actions referred to in paragraphs 70 to 78 were published on the websites of Moody's or S&P on the days they were announced and available to any subscribers of Moody's and S&P ratings services.

80. By 1 January 2008, NAB knew or ought to have known the matters referred to in paragraphs 70 to 72.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27 and 79.

81. By 9 May 2008, NAB knew or ought to have known the matters referred to in paragraphs 70 to 76.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27 and 79.

82. By 24 July 2008, NAB knew or ought to have known the matters referred in paragraphs 70 to 78.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27 and 79.

C.4 Conduit CDO Performance

83. At all relevant times, NAB had or had access to data concerning the performance of the Conduit CDOs and Conduit Notes, including data about:

    (a) repayments of interest and principal to the Conduit Notes and to other notes in the Conduit CDOs;

    (b) events of default in relation the Conduit CDOs;

    (c) whether over-collateralisation or default triggers had been met in relation to the Conduit CDOs;

    (d) rates of delinquency, default and foreclosure among the loans underlying the Conduit CDOs;

    (e) the composition of the Conduit CDOs' underlying assets.

PARTICULARS

According to standard industry practice, the CDO Performance Data would have been provided to the relevant Conduits by the trustees of the Conduit CDOs and made available by the Conduits to NAB. In addition, NAB could have obtained the CDO Performance Data from Intex Solutions, Inc, a United States company which specialises in modelling and tracking the performance of structured finance products. All of the Conduit CDOs were modelled and tracked by Intex Solutions in the Relevant Period.

84. By 1 January 2008, the underlying assets of the Conduit CDOs had been subject to a material number of ratings downgrades.

PARTICULARS

The table below sets out the proportion of the Conduit CDO's underlying assets subject to at least one rating downgrade from either Moody's, S&P or Fitch in the period from the origination of the security to the end of October 2007 and in the months of November and December 2007. For these purposes, an asset is taken to have been downgraded if its worst rating across all three rating agencies was worse at the end of the period than at the beginning. For each month, column A is the number of underlying assets downgraded and column B is the total number of assets held by each Conduit CDO and reported by Intex Solutions. The Altius Conduit CDO has not been included due to incomplete data.

Table 8: Ratings Downgrades of Underlying Assets before 1 January 2008

Conduit Note	***Up to 30 Sep 2007***		***Oct 2007***		***Nov 2007***		***Dec 2007***	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Davis	*42*	*306*	*0*	*304*	*0*	*303*	*58*	*309*
Duke Funding	*24*	*228*	*27*	*226*	*0*	*226*	*20*	*229*
Fort Denison	*29*	*99*	*38*	*92*	*0*	*89*	*10*	*94*
Grand Avenue	*41*	*283*	*55*	*283*	*43*	*261*	*8*	*277*
GSC	*37*	*255*	*49*	*280*	*18*	*282*	*17*	*281*
Hudson Mezzanine	*26*	*140*	*7*	*140*	*52*	*140*	*6*	*138*
Longstreet	*45*	*162*	*48*	*168*	*0*	*168*	*33*	*165*
Pacific Pinnacle	*8*	*124*	*1*	*116*	*0*	*116*	*12*	*120*
South Coast	*65*	*169*	*63*	*169*	*40*	*169*	*11*	*167*
Totals	***317***	***1766***	***288***	***1778***	***153***	***1754***	***175***	***1780***
Percentage		***18%***		***16%***		***9%***		***10%***

85. By 9 May 2008, the underlying assets of the Conduit CDOs had been subject to a material number of ratings downgrades.

PARTICULARS

The table below sets out the proportion of the Conduit CDOs underlying assets subject to at least one rating *downgrades in the months January 2008 to April 2008 in the same terms as the table subjoined to paragraph 84.*

Table 9: Ratings Downgrades of Underlying Assets by 9 May 2008

Conduit Note	**Jan 2008**		**Feb 2008**		**Mar 2008**		**Apr 2008**	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Davis	*58*	*317*	*38*	*312*	*0*	*316*	*108*	*315*
Duke Funding	*4*	*227*	*18*	*229*	*11*	*229*	*51*	*231*
Fort Denison	*6*	*94*	*17*	*100*	*0*	*97*	*7*	*101*
Grand Avenue	*1*	*265*	*18*	*281*	*55*	*284*	*113*	*281*
GSC	*0*	*282*	*39*	*278*	*24*	*273*	*68*	*271*
Hudson Mezzanine	*6*	*138*	*9*	*140*	*11*	*140*	*12*	*109*
Longstreet	*2*	*165*	*21*	*164*	*0*	*164*	*116*	*168*
Pacific Pinnacle	*4*	*121*	*1*	*122*	*35*	*123*	*38*	*121*
South Coast	*5*	*170*	*14*	*169*	*23*	*168*	*83*	*163*
Totals	***86***	***1779***	***175***	***1795***	***159***	***1794***	***596***	***1760***
Percentage		***5%***		***10%***		***9%***		***34%***

86. By 24 July 2008, the underlying assets of the Conduit CDOs had been subject to a material number of ratings downgrades.

PARTICULARS

The table below sets out the proportion of the Conduit CDOs underlying assets subject to at least one rating downgrades in the months May 2008 and June 2008 in the same terms as the table subjoined to paragraph 84.

Table 10: Ratings Downgrades of Underlying Assets by 24 July 2008

Conduit Note	**May 2008**		**Jun 2008**	
	A	*B*	*A*	*B*
Davis	*19*	*315*	*4*	*318*
Duke Funding	*15*	*231*	*36*	*230*
Fort Denison	*39*	*99*	*8*	*100*
Grand Avenue	*11*	*284*	*10*	*281*
GSC	*9*	*261*	*11*	*272*
Hudson Mezzanine	*57*	*101*	*6*	*85*
Longstreet	*11*	*167*	*0*	*167*
Pacific Pinnacle	*0*	*121*	*14*	*118*
South Coast	*7*	*167*	*1*	*167*
Totals	***168***	***1746***	***90***	***1738***
Percentage		***10%***		***5%***

87. As at 31 December 2007 it was likely that the NAB Conduits would ultimately be required to write-down material proportions of the Conduit Notes' remaining principal.

PARTICULARS

The table below sets out the reasonable forecasts as at 31 December 2007 of the proportion of each Conduit Notes' remaining principal that would ultimately be written down.

Table 11: Forecast of Ultimate Principal Write-downs as at 31 December 2007

Conduit Note	*Forecast Principal Write-down*
Altius	*22.98%*
Davis	*97.54%*
Duke Funding	*100%*
Fort Denison	*85.76%*
Grand Avenue	*100%*
GSC	*90.38%*
Hudson Mezzanine	*100%*
Longstreet	*77.43%*
Pacific Pinnacle	*100%*
South Coast	*100%*

88. As at 8 May 2008 it was likely that the NAB Conduits would ultimately be required to further write-down material proportions of the Conduit Notes' remaining principal.

PARTICULARS

The table below sets out the reasonable forecasts as at 8 May 2008 of the proportion of each Conduit Notes' remaining principal that would ultimately be written down.

Table 12: Forecast of Ultimate Principal Write-downs as at 8 May 2008

Conduit Note	*Forecast Principal Writedown*
Altius	*45.51%*
Davis	*100%*
Duke Funding	*100%*
Fort Denison	*100%*
Grand Avenue	*100%*
GSC	*100%*
Hudson Mezzanine	*100%*
Longstreet	*89.16%*
Pacific Pinnacle	*100%*
South Coast	*100%*

89. At at 1 January 2008, at least one of the Conduit CDOs had been subject to an event of default.

PARTICULARS

The Fort Denison CDO had been subject to an event of default on 11 December 2007. The plaintiffs refer to and repeat the particulars subjoined to paragraph 72.

90. As at 31 December 2007 the value of the Conduit Notes was materially below their par value.

PARTICULARS

A reasonable estimate of the total value of the Conduit Notes as at 31 December 2007 was approximately US$370 million. The table below sets out the reasonable estimate of the value of each Conduit Note at that time (all figures are approximate):

Table 13: Estimated Value of Conduit Notes at 31 December 2007

Conduit Note	***% of par value***	***US$ value (in millions)***
Altius	*54.1*	*135*
Davis Square	*32.3*	*26*
Duke Funding	*17.5*	*9*
Fort Denison	*39.5*	*24*
Grand Avenue	*26.4*	*16*
GSC	*34.8*	*52*
Hudson Mezzanine	*8.1*	*6*
Longstreet	*33.6*	*25*
Pacific Pinnacle	*32.9*	*25*
South Coast	*20.8*	*52*
Total		***370***

91. As at 8 May 2008 the value of the Conduits Notes was materially below their par value and materially below the value implied by the 2008 Half Year Results:

PARTICULARS

The 2008 Half Year Results implied that that the total value of Conduit Notes was no less than $1.02 billion (US$934 million), being the US$1.1 billion ($1.2 billion) price of the Conduit Notes minus $181 million amount of the First Provision, as alleged in paragraph 35(c) above.

A reasonable estimate of the total value of the Conduit Notes as at 8 May 2008 was approximately US$228 million. The table below sets out the reasonable estimate of the value of each Conduit Note at that time (all figures are approximate):

Table 14: Estimated Value of Conduit Notes as at 8 May 2008

Conduit Note	***% of par value***	***US$ value (in millions)***
Altius	*41.7*	*104*
Davis Square	*22.4*	*18*
Duke Funding	*6.2*	*3*
Fort Denison	*19.5*	*12*
Grand Avenue	*19.3*	*12*
GSC	*21.2*	*32*
Hudson Mezzanine	*3.6*	*3*
Longstreet	*18.4*	*14*
Pacific Pinnacle	*21.5*	*16*
South Coast	*5.8*	*14*
Total		***228***

92. By 1 January 2008, NAB knew or ought to have known the matters referred to in paragraphs 84, 87, 89 and 90.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27 and the particulars subjoined to paragraph 83.

93. By 9 May 2008, NAB knew or ought to have known the matters referred to in paragraphs 85, 88 and 91.

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 27 and the particulars subjoined to paragraph 83.

C.5 CDO Exposure and Loss Information

94. At all times in the Relevant Period, NAB knew or ought to have known that it was exposed to any impairments or losses affecting the Conduit Notes (**CDO Exposure Information**).

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraph 23.

95. By 1 January 2008, NAB knew or ought to have known that the Conduit Notes had been affected (and/or there was a material risk that the Conduit Notes would be affected) by material impairments or losses (**1 January CDO Information**).

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraphs 27 and 92.

96. By 8 May 2008, NAB knew or ought to have known that the Conduit Notes had been affected (and/or there was a material risk that the Conduit Notes would be affected) by further material impairments or losses (**9 May CDO Information**).

PARTICULARS

The plaintiffs refer to the matters pleaded in paragraphs 27 and 93.

C.6 Provisioning Information

97. Pursuant to the Provisions Standard, NAB was required to recognise a provision in relation to the Conduit Liquidity Facilities when:

    (a) the Conduits had drawn, or became entitled to draw, Conduit Loans against the Conduit Liquidity Facilities;

    (b) it became probable that the Conduit Loans would not be repaid to NAB in full; and

    (c) a reasonable estimate could be made of the shortfall between the amount of the Conduit Loans and the amount likely to be repaid.

PARTICULARS

Paragraph 14 of the Provisions Standard describes the circumstances in which a provision must be recognised.

98. Further or in the alternative, pursuant to the Financial Instruments Standard, NAB was required to recognise the impairment of any Conduit Loans at each reporting date -

    (a) if:

        (i) there was objective evidence of impairment as a result of one or more events (**loss events**) occurring after the Conduit Loans were made; and

        (ii) the loss events had an impact on the estimated future cash flows from the Conduit Loans; and

    (b) at an amount equal to either:

        (i) the difference between the value of the Conduit Loans NAB had previously recognised and the value of the estimated future cash flows from the Conduit Loans after the loss events had occurred; or

        (ii) the difference between the value of the Conduit Loans NAB had previously recognised and the fair value of the Conduit Loans at the reporting date.

PARTICULARS

Paragraphs 58 to 66 of the Financial Instruments Standard describes the circumstances in which the impairment of financial assets must be recognised and the methods for measuring such impairment. "Fair value" is a term defined in paragraph 9 of the Financial Instruments Standard.

99. By reason of:

    (a) the matters pleaded in paragraphs 20, 22, 23 or any of those matters; and

    (b) the matters pleased in to paragraphs 59, 60, 62, 80 and 92, or any of those matters, by 1 January 2008 NAB ought to have known that it was likely, or alternatively, that there was a material risk that:

(i) the Conduit Liquidity Facilities would be drawn by the Conduits and any Conduit Loans would not be repaid to NAB in full; and

(ii) a reasonable estimate could be made of the shortfall between the amount of the Conduit Loans and the amount likely to be repaid

(**1 January Loss Information**).

100. By reason of:

(a) the matters pleaded in paragraphs 20, 22, 23 or any of those matters; and

(b) the matters referred to paragraphs 69, 81, 93, or any of those matters,

by 9 May 2008 NAB ought to have known that it was likely, or alternatively, that there was a material risk that:

(i) the Conduit Liquidity Facilities would be drawn by the Conduits and any Conduit Loans would not be repaid to NAB in full;

(ii) a reasonable estimate could be made of the shortfall between the amount of the Conduit Loans and the amount likely to be repaid; and

(iii) that reasonable estimate would materially exceed the amount of the First Provision

(**9 May Loss Information).**

101. By reason of:

(a) the matters pleaded in paragraphs 20, 22, 23 or any of those matters; and

(b) the matters referred to paragraphs 82 and 86, or any of those matters,

before 24 July 2008 NAB ought to have known that it was likely, or alternatively, that there was a material risk that:

(i) the Conduit Liquidity Facilities would be drawn by the Conduits and any Conduit Loans would not be repaid to NAB in full;

(ii) a reasonable estimate could be made of the shortfall between the amount of the Conduit Loans and the amount likely to be repaid; and

(iii) that reasonable estimate would materially exceed the amount of the First Provision

(**24 July Loss Information).**

102. By 1 January 2008, NAB ought to have known that it was likely, or alternatively, that there was a material risk, that it would be required—

(a) by the Provisions Standard to recognise a provision or, alternatively,

(b) by the Financial Instruments Standard to recognise an impairment in its 2008 Annual Report,

in relation to the 1 January Loss Information (**1 January Provisioning Information).**

103. By 9 May 2008, NAB ought to have known that that it was likely, or alternatively, that there was a material risk, that it would be required—

(a) by the Provisions Standard to recognise a provision or, alternatively,

(b) by the Financial Instruments Standard to recognise an impairment in its 2008 Annual Report,

of an amount materially in excess of the First Provision in relation to the 1 January Loss Information and the 9 May Loss Information (**9 May Provisioning Information).**

104. Before 24 July 2008, NAB ought to have known that that it was likely, or alternatively, that there was a material risk, that it would be required—

(a) by the Provisions Standard to recognise a provision or, alternatively,

(b) by the Financial Instruments Standard to recognise an impairment in its 2008 Annual Report,

of an amount in materially excess of the First Provision in relation to the 1 January Loss Information, the 9 May Loss Information and the 24 July Loss Information (**24 July Provisioning Information).**

D MATERIAL INFORMATION NOT DISCLOSED

105. Each of:

(a) the CDO Exposure Information;

(b) the 1 January CDO Information;

(c) the 9 May CDO Information;

(d) the 1 January Loss Information;

(e) the 1 January Provisioning Information;

(f) the 9 May Loss Information;

(g) the 9 May Provisioning Information;

(h) the 24 July Loss Information; and

(i) the 24 July Provisioning Information

was information concerning NAB that a reasonable person would expect to have a material effect on the price or value of NAB Shares within the meaning of ASX Listing Rule 3.1 (**Material Information**).

106. The Material Information was information:

(a) that NAB had within the meaning of section 674(2)(b) of the CA;

(b) of which NAB was aware within the meaning of ASX Listing Rule 3.1;

(c) that was not generally available within the meaning of section 674(2)(c) of the CA; and

(d) that a reasonable person would expect to have a material effect on the price or value of NAB Shares within the meaning section 674(2)(c) of the CA .

107. NAB became obliged pursuant to ASX Listing Rule 3.1 to tell the ASX:

(a) the CDO Exposure Information, 1 January CDO Information, the 1 January Loss Information and the 1 January Provisioning Information by and from 1 January 2008;

(b) the 9 May CDO Information, the 9 May Loss Information and the 9 May Provisioning Information by and from 9 May 2008; and

(c) the 24 July Loss Information and the 24 July Provisioning Information before 24 July 2008.

108. NAB did not tell the ASX any of the Material Information between 1 January 2008 and 24 July 2008 inclusive.

109. By its failure to tell the ASX any of the Material Information between 1 January 2008 and 24 July 2008 inclusive, NAB contravened section 674(2) of the CA (**Continuous Disclosure Contraventions**).

E MISLEADING AND DECEPTIVE CONDUCT

110. The making of each of:

(a) the Transparency Representations;

(b) the US Subprime Mortgage Representations;

(c) the Rating Downgrade Representation;

(d) the First Provision Representations;

(e) the Conduit CDO Performance Representations; and

(f) the 2008 Half Year Performance Representations

(g) was conduct engaged in by NAB:

(i) in relation to a financial product or a financial service within the meaning of section 1041H(1) of the CA; and/or

(ii) in trade or commerce, in relation to financial services within the meaning of section 12DA(1) of the ASIC Act; and/or

(iii) in trade or commerce within the meaning of section 9 of the FTA.

111. By reason of NAB's failure to disclose the Material Information, NAB did not maintain a sound and effective system of risk management and internal control in relation to the reporting of financial risks.

112. By reason of the 1 January Provisioning Information, the 9 May Provisioning Information and the Continuous Disclosure Contraventions,

(a) the 2008 Half-Year Results did not comply with all applicable accounting standards; and

(b) NAB had not complied with its Continuous Disclosure Obligations.

113. By reason of the Material Information:

(a) NAB ought reasonably to have expected material increases in provisions for bad debts or losses as a result of the US Subprime Mortgage Crisis;

(b) from 1 January 2008 to 8 May 2008, NAB was exposed to specific risks of loss as a result of the US Subprime Mortgage Crisis; and

(c) from 8 May 2008, NAB was affected by losses resulting from the US Subprime Mortgage Crisis which exceeded the amount of the First Provision.

114. The NAB Conduits contained exposures to US sub-prime assets in excess of $360 million.

PARTICULARS

The plaintiffs repeat the particulars subjoined to paragraph 59.

115. By reason of the 9 May CDO Information and the 9 May Provisioning Information:

(a) the First Provision was not a sufficient provision for the impairment, likely impairment and risk of impairment of the Conduit Loans,

(b) the First Provision was not a conservative position;

(c) NAB's modelling could not reasonably have indicated that a provision of only $56 million was required;

(d) the quality of the Conduit Notes had materially deteriorated; and

(e) NAB could not have reasonably conducted extensive investigations of the Conduit CDO's underlying assets.

116. By reason of the matters pleaded in 81, as at 9 May 2008 the 30 January Downgrades were not the only negative ratings by rating agencies against the Conduit Notes.

117. By reason of the matters pleaded in paragraphs 91 and 93, as at 9 May 2008 the quality of the assets underlying the Conduit CDOs had materially deteriorated.

118. By reason of the 9 May Provisioning Information and the 24 July Provisioning Information:

(a) nabCapital ought not have recognised $373 million in cash earnings in the half year to 31 March 2008; and

(b) NAB Group ought not have recognised a net profit after tax of $1,843 million in the half year to 31 March 2008.

119. By reason of the matters pleaded in 110, 111 and 112, the Transparency Representations were at the times they were made misleading and deceptive or were likely to mislead or deceive in contravention of:

(a) section 1041H of the CA;

(b) section 12DA(1) of the ASIC Act; and/or

(c) section 9 of the FTA.

120. By reason of the matters pleaded in 110, 113 and 114, the US Subprime Mortgage Crisis Representations were at the times they were made misleading and deceptive or were likely to mislead or deceive in contravention of:

(a) section 1041H of the CA;

(b) section 12DA(1) of the ASIC Act; and/or

(c) section 9 of the FTA.

121. By reason of the matters pleaded in 110 and 115 the First Provision Representations were at the time they were made misleading and deceptive or were likely to mislead or deceive in contravention of:

(a) section 1041H of the CA;

(b) section 12DA(1) of the ASIC Act; and/or

(c) section 9 of the FTA.

122. By reason of the matters pleaded in 110 and 116, the Rating Downgrades Representation was at the time it was made misleading and deceptive or was likely to mislead or deceive in contravention of:

(a) section 1041H of the CA;

(b) section 12DA(1) of the ASIC Act; and/or

(c) section 9 of the FTA.

123. By reason of the matters pleaded in 110 and 117, the Conduit CDO Performance Representations were at the time they were made misleading and deceptive or were likely to mislead or deceive in contravention of:

(a) section 1041H of the CA;

(b) section 12DA(1) of the ASIC Act; and/or

(c) section 9 of the FTA.

124. By reason of the matters pleaded in 110 and 118, the 2008 Half Year Performance Representations were at the time they were made misleading and deceptive or were likely to mislead or deceive in contravention of:

(a) section 1041H of the CA;

(b) section 12DA(1) of the ASIC Act; and/or

(c) section 9 of the FTA.

F CONTRAVENING CONDUCT CAUSED GROUP MEMBERS LOSS

125. During the Relevant Period, the plaintiffs and Group Members acquired interests in NAB Shares

PARTICULARS

Particulars of the plaintiffs' acquisitions are set out below. Particulars of acquisitions by Group Members will be provided after the trial of the plaintiffs' claim.

126. The first plaintiff acquired NAB Shares in the relevant period.

PARTICULARS

The first plaintiff made the acquisitions set out in the table below:

Date	***NAB Shares Acquired***	***Price Paid***
14 Jan 2008	*150*	*$5,280.00*
13 Feb 2008	*100*	*$3,170.00*

29 Feb 2008	*150*	*$4,305.00*
14 April 2008	*100*	*$2,836.00*
9 May 2008	*250*	*$7,900.00*

127. The second plaintiff acquired NAB Shares in the relevant period.

PARTICULARS

Doystoy Pty Ltd acquired 1,800 NAB Shares for $49,824.00 on 12 June 2008.

128. The plaintiffs and Group Members acquired their interests in NAB Shares in a market:

(a) regulated by, inter alia, the ASX Listing Rules and section 674(2) of the CA; and

(b) where the price or value of NAB Shares would reasonably be expected to have been informed or affected by information disclosed in accordance with the ASX Listing Rules and section 674(2) of the CA;

(c) in a market being a market to which misleading or deceptive statements had been made that a reasonable person would expect to have a material effect on the price or value of NAB Shares.

129. Between 1 January 2008 and 24 July 2008, the Continuous Disclosure Contraventions (and each of them) caused the market price of NAB Shares to be substantially greater than:

(a) their true value; and/or

(b) the market price that would have prevailed but for the contraventions.

130. Between 1 January 2008 and 24 July 2008, the contraventions alleged in paragraphs 119 to 124 (**Misleading and Deceptive Conduct Contraventions**) caused the market price of NAB Shares to be substantially greater than:

(a) their true value; and/or

(b) the market price that would have prevailed but for the contraventions.

131. On 24 July 2008, NAB Shares opened at $30.00 per share and closed at $30.70, on 25 July 2008 NAB Shares opened at $27.02 and closed at $26.56, on 28 July 2008 NAB Shares opened at $25.70 and closed at $25.80 and on 29 July 2008 NAB Shares opened at $25.30 and closed at $24.78.

132. The fall in the price of NAB Shares between 24 July 2008 and 29 July 2008 were:

(a) caused by the market's reaction to the information released to the ASX in the 25 July Announcement; and

(b) the result of the Continuous Disclosure Contraventions and the Misleading and Deceptive Conduct Contraventions.

133. The plaintiffs acquired their NAB Shares relying on some or all of:

(a) the Transparency Representations;

(b) US Subprime Mortgage Representations;

(c) the First Provision Representations;

(d) the Rating Downgrades Representation

(e) the Conduit CDO Performance Representations; and

(f) the 2008 Half Year Performance Representations.

PARTICULARS

The first plaintiff relied on the Transparency Representations, the US Subprime Mortgage Representations, the First Provision Representations, the Rating Downgrades Representation, the Conduit CDO Performance Representations and the 2008 Half Year Performanc Representation.

The second plaintiff relied on the Transparency Representations, the US Subprime Mortgage Representations, the First Provision Representations and the CDO Performance Representations.

134. Further or alternatively, if NAB had told the ASX the Material Information at any time between 1 January 2008 and 24 July 2008 then the price of NAB Shares would have fallen substantially.

135. The plaintiffs and Group Members suffered loss and damage resulting from the above contraventions.

PARTICULARS

The loss suffered by the plaintiffs and Group Members is:

(i) the difference between the price at which they acquired their interest in the shares and the true value of that interest.

(ii) alternatively, the difference between the price at which they acquired their interest in the shares and whatever is "left in hand", or has been realised upon a sale.

Particulars of the acquisition prices and whatever is "left in hand" or realised upon sale for Group Members will be provided after the trial of the plaintiffs' claim.

(iii) alternatively, the difference between the price at which they acquired their interest in the shares and whatever is "left in hand", or has been realised upon a sale modified to take into account any part of the movement in the market price of the shares which did not "result from" the contravening conduct.

Particulars of the movement in the market price of the shares which did not "result from" the contravening conduct will be provided after filing of the plaintiffs' evidence (including expert evidence); or

(iv) *alternatively, for each of the following days on which a particular NAB Share was held by a plaintiff or Group Member, the quantum of price movement on 25, 28 and 29 July 2008 "resulting from" the contravening conduct.*

Particulars of the movement in the market price of the shares which "resulted from" the contravening conduct will be provided after filing of the plaintiffs' evidence (including expert evidence); or

(v) *in addition to the loss in (i), (ii), (iii) or (iv) the loss of the opportunity to achieve a reasonable rate of return on the monies used to purchase the interest in the shares. Particulars in relation to Group Members will be provided after the trial of the plaintiffs' claim.*

AND THE PLAINTIFFS CLAIM:

1. Statutory compensation pursuant to section 1317HA of the CA;

2. Damages pursuant to section 1041 of the CA, section12GF of the ASIC Act and section159 of the FTA;

3. Interest;

4. Costs

Dated: ~~15 March 2011~~ 28 August 2012

Prepared by Jacob Varghese, solicitor, and settled by M. B. J. Lee of counsel.

Maurice Blackburn

Maurice Blackburn Pty Limited

Schedule 1

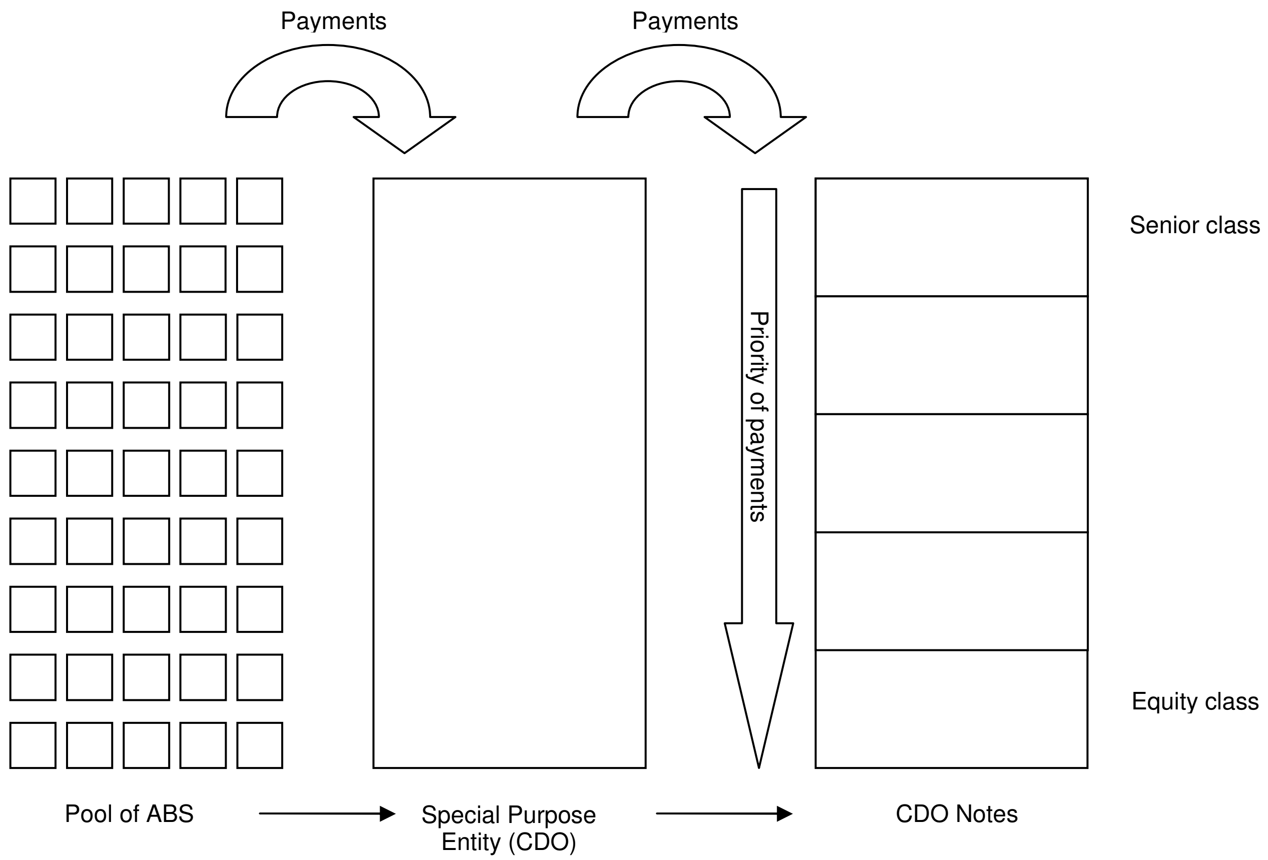
Dictionary of Financial Terms

Asset-Backed Commercial Paper (ABCP) means a promissory note, secured by assets, with a fixed tenor of short term.

ABCP Conduit means a financial structure created to issue ABCP, comprising a number of **SPE**s including asset-owning, securities-owning, funding and issuing vehicles.

Asset-Backed Security (ABS) means a bond issued by an SPE and secured by a pool of cash flow generating assets (such as loans) owned by the SPE.

Collateralised Debt Obligation (CDO) means an SPE that issues bonds (or **notes**) secured by a pool of ABS. CDO notes are issued in classes reflecting their position in a hierarchy of priority for payments from the pool of ABS. The following diagram illustrates a typical CDO structure:



Credit Default Swap (CDS) means a contract entered by two parties in which one party ('the buyer') agrees to make periodic payments to another party ('the seller') in return for a guarantee from the seller that it will pay the buyer the par value of a particular bond ('the reference entity') in the event that the reference entity defaults.

Delinquent means, in respect of a loan, a loan with a repayment more than thirty days late.

FICO Score means a credit score between 300 and 850 derived using a system developed by the Fair Isaac Corporation of the United States and intended to rate the likelihood that a borrower will meet his or her debts.

Fitch means the credit rating agency known as Fitch Ratings.

Loss severity means the aggregate loss to a lender in the event of liquidation as a percentage of the outstanding balance of a loan.

Monoline insurer means an insurer of bonds.

Moody's means the credit rating agency known as Moody's Investors Service.

Note means an ABS or a bond issued by a CDO.

Noteholder means a person who owns an ABS or a CDO note.

Par value means the principal value of a bond.

Rating means a rating reflecting the creditworthiness of an entity as assessed by one of the rating agencies using one of the following scales :

Moody's	**S&P**	**Fitch**	
Aaa	AAA	AAA	Highest rating
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	
Caa2	CCC		
Caa3	CCC-		
Ca	CC		
	C		
C	D	DDD	Lowest rating (entity in default)
/		DD	
/		D	

S&P means the credit ratings agency known as Standard and Poor's.

Subordination means, in relation to a CDO note, the ratio of the balance owed to notes below that CDO note in the priority of payments to the total balance owed to all the notes in the CDO.

Subprime ABS means either:

a) an ABS secured by a pool of residential mortgages whose mortgagors have an average FICO score of less than 620;
b) an ABS otherwise identified by its issuer as subprime.

Subprime mortgage means a mortgage to a mortgagor with a relatively low FICO score.

Special purpose entity (SPE) means a company established only for a specific purpose.

Thickness means, in relation to a CDO note, the ratio of the balance owed to the CDO note to the total balance owed to all the notes in the CDO.

Underlying assets means the assets securing a CDO.