

Portfolio Linked Floating Rate Notes will be assigned a BBB rating by Standard & Poor's and will be quoted on ASX.

issuer	Nexus Bonds Limited ABN 23 101 744 389
arranger	Deutsche Bank AG ABN 13 064 185 162
lead manager	Grange Securities Limited ABN 12 066 797 760
co-managers	ABN AMRO Morgans Limited ABN 49 010 669 726 Montagu Stockbrokers Pty Ltd ABN 46 009 368 432



Portfolio Linked Floating Rate Notes prospectus

Interest is payable quarterly at the **90 Day Bank Bill Rate** plus 3.25% per annum.

The principal amount repayable to Noteholders may be reduced in certain circumstances as set out in this Prospectus.

Portfolio Linked Floating Rate Notes are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

nexusbonds™

important information

Note to investors

The repayment of your principal, payment of interest and the performance of Nexus Bonds Limited ("**Nexus**"), each as described in this Prospectus, are not guaranteed by Deutsche Bank, nor any related parties or associates of Deutsche Bank. Neither Deutsche Bank nor any of its related parties or associates makes any representation or gives any guarantee or assurance as to the performance of Nexus, the payment of any interest payment on Portfolio Linked Floating Rate Notes ("**Portfolio Linked FRNs**"), the repayment of amounts invested or any particular rate of overall return. Portfolio Linked FRNs do not represent a deposit or any other type of liability of Deutsche Bank or any related parties or associates of Deutsche Bank. Portfolio Linked FRNs are subject to investment risk, including possible delays in repayment, early redemption, reduced income and loss of principal invested. Deutsche Bank has entered into certain arrangements with Nexus, which are described in this Prospectus.

None of Permanent Nominees (Aust.) Ltd (ACN 000 154 441), Computershare Investor Services Pty Limited (ABN 48 078 279 277), the Lead Manager, any of the Co-Managers, or any of their related parties or associates makes any representations or gives any guarantee or assurance as to the performance of Nexus, the payment of any interest payment on Portfolio Linked FRNs, the repayment of amounts invested or any particular rate of overall return.

Standard & Poor's Ratings

The rating assigned by Standard & Poor's to Portfolio Linked FRNs is based on current information furnished to Standard & Poor's by or on behalf of Nexus or obtained by Standard & Poor's from other sources it considers reliable. The ratings assigned by Standard & Poor's to certain of the Portfolio Companies are based on information obtained by Standard & Poor's from sources it considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. Any rating may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, such information, or based on other circumstances.

The rating assigned to Portfolio Linked FRNs is not a recommendation to buy, hold or sell Portfolio Linked FRNs in as much as it does not comment as to market price or suitability for a particular investor.

This Prospectus

This Prospectus is dated 12 November 2003 and was lodged with ASIC on 12 November 2003. ASIC takes no responsibility for the contents of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Jurisdiction

No action has been taken to register or qualify Portfolio Linked FRNs or the Offer, or otherwise permit a public offering of Portfolio Linked FRNs, in any jurisdiction outside Australia. This Prospectus does not constitute an offer to any person to whom, or in any place in which, it would be unlawful to make such an offer. The distribution of this Prospectus in any jurisdiction outside Australia may be restricted by law and therefore any person who receives this Prospectus should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

By making an Application, the applicant warrants to Nexus that it is lawful for Nexus to make this invitation to the applicant and for the applicant to subscribe for Portfolio Linked FRNs under this Prospectus.

Availability of Prospectus

This Prospectus without the Application Forms will be made available during the exposure period by being posted on Nexus' website at www.nexusbonds.com.au/prospectus.html. The exposure period commences on the date of this Prospectus and will be for 7 days although it may be extended by a further 7 days up to 14 days. Paper copies of this Prospectus including the Application Forms are available free of charge during the Offer Period only by calling the Arranger, the Lead Manager or any of the Co-Managers (see page 85 for a list of the Arranger, the Lead Manager and the Co-Managers and their contact numbers) or the information line on 1800 624 912.

Nexus is prohibited from processing applications during the exposure period. Applications received during the exposure period will not be processed until after the expiry of this period.

Defined words

Certain capitalised words used in this Prospectus have defined meanings. A Glossary of these terms appears after Section 10 on page 80. References to \$ are to Australian dollars.

Amounts

Nexus intends to raise \$56 million by the issue of Portfolio Linked FRNs, with the ability to accept over-subscriptions of up to a further \$42 million. There is no minimum issue amount.

Various defined terms used in this Prospectus are linked to the amount raised from the Offer (i.e. the Principal Amount of Portfolio Linked FRNs actually issued). These include the Maximum Portfolio Size, the Protection Amount and the Remaining Loss Amount (each as defined in the Glossary appearing after Section 10). If the amount raised from the Offer is more or less than \$56 million, each of these amounts will increase or decrease proportionately.

Risks of investing

The terms of Portfolio Linked FRNs, and a discussion of the risks associated with investing in Portfolio Linked FRNs, are described in this Prospectus. These include the risk of the Principal Amount of Portfolio Linked FRNs repayable to Noteholders being reduced or not repayable at all. Potential investors should read the whole of this Prospectus carefully. This Prospectus cannot take into account the investment objectives, financial situation and particular needs of each potential investor. It is recommended that, before making a decision to apply for Portfolio Linked FRNs, you consult your broker, financial planner, accountant or other professional adviser.

ASX quotation

Application will be made for the quotation of Portfolio Linked FRNs on ASX within 7 days from the date of this Prospectus. ASX takes no responsibility for the contents of this Prospectus.

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key offer information

Summary of key dates

Offer opens at 9.00am (Sydney time)	19 November 2003 (Opening Date)
Offer closes at 5.00pm (Sydney time)	12 December 2003 (Closing Date)
Portfolio Linked FRNs issued	16 December 2003 (Issue Date)
Anticipated date of ASX listing	22 December 2003 (Listing Date)

These dates are indicative only and may change. The Arranger has the right to close the Offer early or extend the Closing Date without notice. Potential investors who wish to apply for Portfolio Linked FRNs are encouraged to submit their Application Form as soon as possible after the Offer opens.

Application information

Application price per Portfolio Linked FRN	\$100
Minimum investment is 100 Portfolio Linked FRNs	\$10,000
Additional investments must be in multiples of 10 Portfolio Linked FRNs	\$1,000

See Section 3 and the Application Form for instructions on how to apply for Portfolio Linked FRNs. Applications will be accepted through the Lead Manager, a Co-Manager or your broker or licensed securities adviser. Nexus will not accept any application sent directly to Nexus or the Registrar.



about nexus bonds limited

Investors are becoming more sophisticated and have a wide variety of individual needs.

Nexus has been established to provide investors with investment opportunities normally only available to the professional investment community.

Through its arrangements with Deutsche Bank, Nexus is developing new investment products for investors.

These investment products are designed to:

- provide defined risk profiles, maturities and returns; and
- take advantage of financial products and investment opportunities investors may not have been previously able to access.

Nexus issued Nexus Yield Bonds in December 2002. Nexus Yield Bonds were the first investment product issued by Nexus and are quoted on ASX (Listing Code NXBHA).

Portfolio Linked Floating Rate Notes¹ are the second investment product offered by Nexus.

Portfolio Linked FRNs are designed to deliver:

- interest at a floating rate equal to the 90 Day Bank Bill Rate plus 3.25% per annum, paid quarterly in arrears;
- a 6 year term;
- an investment based on debt obligations owed to the Deutsche Bank Group;
- on issue, a BBB rating by Standard & Poor's²;
- a defined risk profile;
- no application, management or exit fees payable to Nexus; and
- the ability to trade Portfolio Linked FRNs on ASX.

¹ Portfolio Linked FRNs are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

² The rating assigned to Portfolio Linked FRNs is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by Standard & Poor's.



portfolio linked floating rate notes at a glance

Issuer	Nexus Bonds Limited.
Key characteristics	<p>Portfolio Linked FRNs are debt securities designed to pay interest at a floating rate equal to the 90 Day Bank Bill Rate plus 3.25% per annum quarterly in arrears.</p> <p>Nexus' ability to pay this enhanced return is a result of Noteholders being exposed to the creditworthiness of, on the Issue Date, over 70 international and Australian diversified investment grade rated companies via a portfolio of their senior (secured or unsecured) Debt Obligations which were originally approved under Deutsche Bank's standard credit policies and guidelines.</p> <p>If losses arising on those Debt Obligations exceed the Protection Amount, then the Principal Amount repayable to Noteholders will be reduced as set out in this Prospectus.</p> <p>Portfolio Linked FRNs are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.</p>
Rating	Portfolio Linked FRNs will be assigned a BBB investment grade credit rating by Standard & Poor's on issue.
Term	6 years. Portfolio Linked FRNs may be redeemed early or repaid late in certain circumstances as set out in this Prospectus.
Issue price	\$100 per Portfolio Linked FRN.
Minimum investment	\$10,000 (100 Portfolio Linked FRNs).
Issue size	Up to \$56 million, with the ability to accept oversubscriptions of up to \$42 million.
Fees	Investors do not pay application, management or exit fees to Nexus.
Listing	Nexus will apply to have Portfolio Linked FRNs quoted on ASX.
Read this Prospectus	You should read this Prospectus in full before deciding whether to apply for Portfolio Linked FRNs. It is recommended that you consult your broker, financial planner, accountant or other professional adviser before making a decision to apply.
How to apply?	You may apply for Portfolio Linked FRNs between 19 November 2003 and 12 December 2003. These dates are indicative only. The Arranger may close the Offer early or extend the Closing Date without notice. Information about how to apply is set out in Section 3.
Any questions?	<p>A question-and-answer summary of Portfolio Linked FRNs is set out in Section 2.</p> <p>If you have any further questions about the Offer, please call:</p> <ul style="list-style-type: none">■ the Lead Manager or one of the Co-Managers (see page 85 for a list of the Lead Manager and the Co-Managers and their contact numbers), or■ the information line on 1800 624 912 (Monday to Friday 8.30 am to 5.30 pm – Sydney time).

portfolio linked floating rate notes have been designed to deliver
a floating rate return equal to the
90 Day Bank Bill Rate plus **3.25%** per annum
over a **6 year** term,

credit linked to a Portfolio of senior Debt Obligations
owed to the Deutsche Bank Group,
an investment grade credit rating, attracting

no application, **fees** and with the ability to trade **asx**
management or exit portfolio linked floating rate notes on

Enhanced floating rate return through credit link to Portfolio

Nexus is able to pay the enhanced return on Portfolio Linked FRNs through the use of a financial instrument that exposes Noteholders to the creditworthiness of, on the Issue Date, over 70 international and Australian companies via their Debt Obligations included in the Portfolio. Each Portfolio Company must have an investment grade credit rating when any of its Debt Obligations are first included in the Portfolio.

Portfolio of senior Debt Obligations owed to the Deutsche Bank Group

All of the Debt Obligations in the Portfolio are required to be senior (secured or unsecured) debt obligations arising from Deutsche Bank's lending and credit business which were originally approved under Deutsche Bank's standard credit policies and guidelines.

An investment grade credit rating

On issue, Portfolio Linked FRNs will be assigned a BBB rating by Standard & Poor's, a leading international credit rating agency.

No application, management or exit fees

No application, management or exit fees are payable by Noteholders to Nexus.

Ability to sell on ASX

Nexus will apply to have Portfolio Linked FRNs quoted on ASX so they can be traded.

section 1

investment summary

Set out below is a summary of the Offer and the terms of Portfolio Linked FRNs. This information is a summary only. You should read this Prospectus in full.

1.1 General

Offer structure	<p>Nexus intends to issue up to 560,000 Portfolio Linked FRNs at \$100 each, to raise \$56 million, with the ability to accept over-subscriptions of up to a further \$42 million. There is no minimum issue amount.</p> <p>Applications must be for a minimum of 100 Portfolio Linked FRNs at \$100 each (\$10,000). Additional investments must be in multiples of 10 Portfolio Linked FRNs (\$1,000).</p>
Issuer	Nexus Bonds Limited.
Key characteristics	<p>Portfolio Linked FRNs are debt securities that pay interest at a floating rate equal to the 90 Day Bank Bill Rate plus 3.25% per annum quarterly in arrears until the Maturity Date, except in the case of early redemption.</p> <p>Nexus is able to pay this enhanced return on Portfolio Linked FRNs through the use of a financial instrument that exposes Noteholders to the creditworthiness of, on the Issue Date, over 70 international and Australian companies via their Debt Obligations included in the Portfolio.</p> <p>Portfolio Linked FRNs are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.</p>
Rating of Portfolio Linked FRNs	<p>On issue, Portfolio Linked FRNs will be assigned a BBB investment grade credit rating by Standard & Poor's. See Sections 2.12 to 2.14.</p> <p>Copies of Standard & Poor's rating report in respect of Portfolio Linked FRNs are expected to be available from Standard & Poor's after the Offer opens on 19 November 2003.</p> <p>The rating assigned to Portfolio Linked FRNs is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by Standard & Poor's.</p>
Use of proceeds	Proceeds raised from the issue of Portfolio Linked FRNs will be deposited with Deutsche Bank. See Section 2.6.
Listing	Nexus will apply for official quotation of Portfolio Linked FRNs on ASX.

1.2 Principal

Principal Amount

\$100.

The Principal Amount of Portfolio Linked FRNs repayable to Noteholders is dependent on the performance of the Portfolio and may be reduced, or not repayable at all, in certain circumstances as set out in this Prospectus. See Section 6.

1.3 Interest

Interest rate

A floating rate equal to the 90 Day Bank Bill Rate plus 3.25% per annum until the Maturity Date, except in the case of early redemption.

The 90 Day Bank Bill Rate is the average mid rate for 90 day bank bills of exchange, as shown on Reuters' "BBSW" page, set on the first day of the relevant quarterly interest period.

Interest payment dates

Interest is payable quarterly in arrears, commencing three months after the Issue Date and at the end of every three month period after that.

1.4 Term

Term

6 years.

See Sections 2.25, 6.5 and 6.9 for details of when Portfolio Linked FRNs may be redeemed early and when the repayment date may be extended and the amounts payable to Noteholders in such circumstances.

section 1

investment summary

1.5 Portfolio

Maximum Portfolio Size	\$1.6 billion ³ on the Issue Date.
Composition	<p>The Portfolio consists of a replenishable pool of senior (secured or unsecured) Debt Obligations of, on the Issue Date, over 70 international and Australian diversified investment grade rated companies which were originally approved under Deutsche Bank's standard credit policies and guidelines.</p> <p>The composition and characteristics of the initial Portfolio and the criteria for its Replenishment by Deutsche Bank are described in Section 5.</p>
Reporting	An internationally recognised accounting firm will be appointed by Deutsche Bank to provide regular reports in relation to certain aspects of the composition and Replenishment of the Portfolio. These reports will be provided to ASX and will be made available on the www.nexusbonds.com.au website. See Section 5.5 for more detail on the extent and contents of these reports.
Portfolio Company names	As a result of banking confidentiality or privacy conditions, the names of the Portfolio Companies cannot be disclosed to Nexus, Noteholders or ASX. Standard & Poor's do not require details of the identity of the Portfolio Companies in order to assign a rating to Portfolio Linked FRNs.

1.6 Portfolio link to Noteholders

Nature	<p>The Portfolio Agreement transfers credit exposure to the Portfolio Companies through the inclusion of their Debt Obligations in the Portfolio from Deutsche Bank to Nexus and Noteholders.</p> <p>Noteholders are not however directly or indirectly investing in any of the Portfolio Companies or their Debt Obligations in the Portfolio, and Noteholders' returns are not directly affected by:</p> <ul style="list-style-type: none">■ a fall in the share price of a Portfolio Company;■ non-payment of a dividend by a Portfolio Company;■ movements in foreign exchange rates; or■ changes in the credit rating of a Portfolio Company.
Investment return	Repayment of your investment amount will be made in full, unless a number of Portfolio Companies suffer "Company Events" during the Portfolio Term and losses exceed the Protection Amount (see Sections 2.10 to 2.18 and 6). Noteholders will continue to receive interest on the original Principal Amount until the Maturity Date, except in the case of early redemption.

³ If the amount raised from the Offer is less than or greater than \$56 million, the Maximum Portfolio Size will decrease or increase proportionately.

Company Events

A Company Event occurs when the financial position of a Portfolio Company weakens to the extent that it becomes bankrupt or insolvent or fails to make certain payments in respect of borrowed money (see Sections 2.10 and 6.2).

If a Company Event occurs, a work out or sale process is undertaken to determine the actual loss (if any) in relation to the Debt Obligations in the Portfolio of the affected Portfolio Company.

Protection Amount

If there are losses on the Portfolio arising from Company Events, these will be borne sequentially as follows:

- Noteholders will not be exposed to the first \$53.6 million⁴ of any losses, which will be absorbed by the Protection Amount.
- Should losses exceed the \$53.6 million⁴ Protection Amount, Portfolio Linked FRNs will be allocated the next \$56 million⁴ (up to the full amount of their Principal Amount).

See Sections 2.17 and 6 for more detail on the impact of any Portfolio losses on Portfolio Linked FRNs.

1.7 Rating of Portfolio Companies

Rating of Portfolio Companies

Deutsche Bank has assigned an internal credit rating to each of the Portfolio Companies. This rating is Deutsche Bank's assessment of the expected credit performance of that company and is similar to an issuer credit rating by Standard & Poor's.

Standard & Poor's has mapped Deutsche Bank's internal credit rating scale against its own and accepts Deutsche Bank's internal credit ratings in their analysis of the Portfolio for any Portfolio Company not rated by them. See Section 2.11.

Both Deutsche Bank's and Standard & Poor's credit ratings are current assessments of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts) as they fall due. They do not apply to any specific financial obligation.

All Portfolio Companies must be rated investment grade by Deutsche Bank when their Debt Obligations are first included in the Portfolio. If rated by Standard & Poor's, they must also carry an investment grade credit rating from Standard & Poor's at that time. The term "**investment grade**" is commonly used to describe a credit rating equivalent to a Standard & Poor's credit rating of BBB- or higher. See Section 2.11 for further details.

⁴ If the amount raised from the Offer is less than or greater than \$56 million, these amounts will decrease or increase proportionately.

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investment summary

1.8 Distribution of Portfolio Companies in the initial Portfolio

Initial Portfolio

The Portfolio is required to comply with the criteria for its composition described in Section 5.1 on the Issue Date. However, an initial Portfolio has been constructed as of the date of this Prospectus and the descriptions of the initial composition of the Portfolio in this Prospectus are based on that initial Portfolio.

The Portfolio is not expected to change materially between the date of this Prospectus and the Issue Date, except in the following circumstances:

- if the amount raised in the Offer is more or less than \$56 million and the Maximum Portfolio Size increases or decreases; or
- if foreign exchange movements result in the size of the Portfolio on the Issue Date falling below the Maximum Portfolio Size.

In these circumstances, Deutsche Bank may add or remove Debt Obligations from, or increase or decrease the principal amount of Debt Obligations included in, the Portfolio provided that it complies with the criteria described in Section 5.1.

Portfolio Linked FRNs will not be impacted by any Company Events which occur before the Issue Date. Noteholders' exposure is to the Portfolio from the Issue Date and not from the date of this Prospectus.

As the Portfolio is a replenishable portfolio of Debt Obligations, the composition of the Portfolio will change over time and the distribution of the Portfolio Companies will differ during the Term from that illustrated in the diagrams on the following pages. However, any Replenishment of the Portfolio during the Term must take place in accordance with the criteria described in Section 5.1.

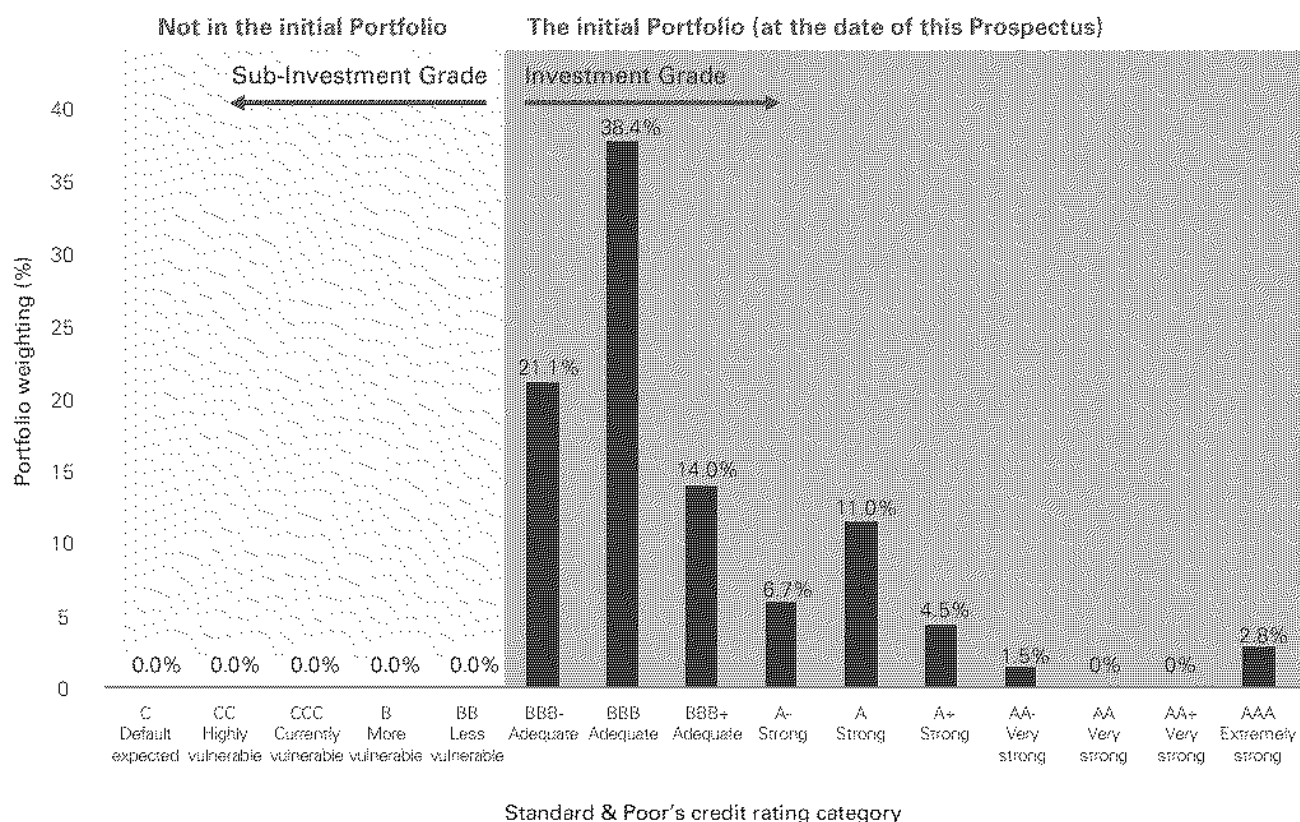
The description of the composition of the Portfolio and the distribution of the Portfolio Companies will be updated quarterly as part of the reports provided to Nexus (see Section 5.5).

1.8 Distribution of Portfolio Companies in the initial Portfolio (continued)

Credit rating distribution

The diagram below shows the credit rating distribution of the Portfolio Companies⁵ in the initial Portfolio as of the date of this Prospectus within Standard & Poor's credit rating categories (see Section 2.11 for Standard & Poor's rating definitions).

If a Portfolio Company is rated by Standard & Poor's, then the Standard & Poor's credit rating is used, otherwise the Deutsche Bank internal credit rating is used (see Section 2.11).



⁵ Weighted by the principal amount of their Debt Obligations included in the Portfolio.

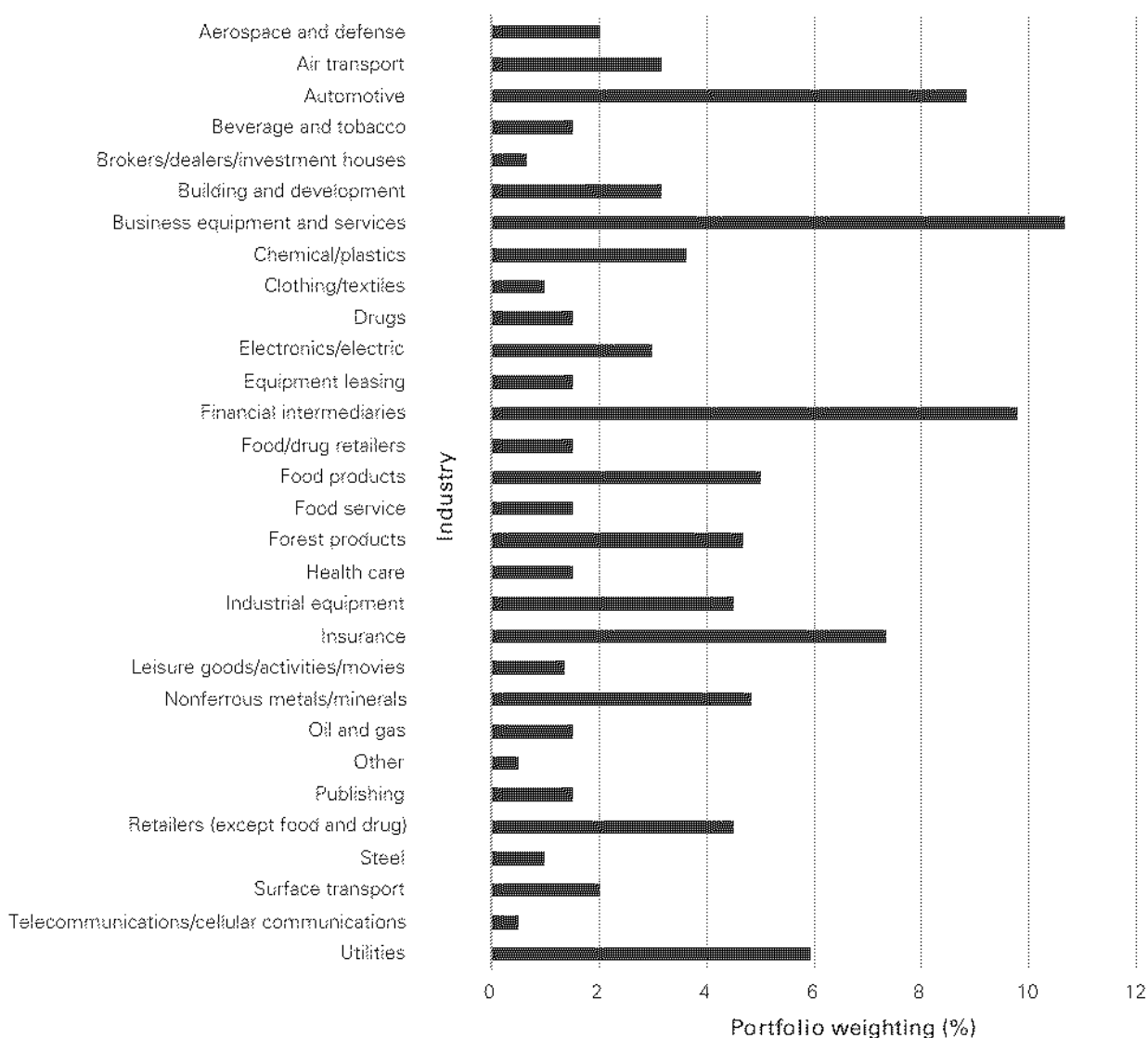
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investment summary

1.8 Distribution of Portfolio Companies in the initial Portfolio (continued)

Industry distribution

The diagram below shows the industry distribution of the Portfolio Companies⁶ in the initial Portfolio as of the date of this Prospectus within Standard & Poor's industry classifications.



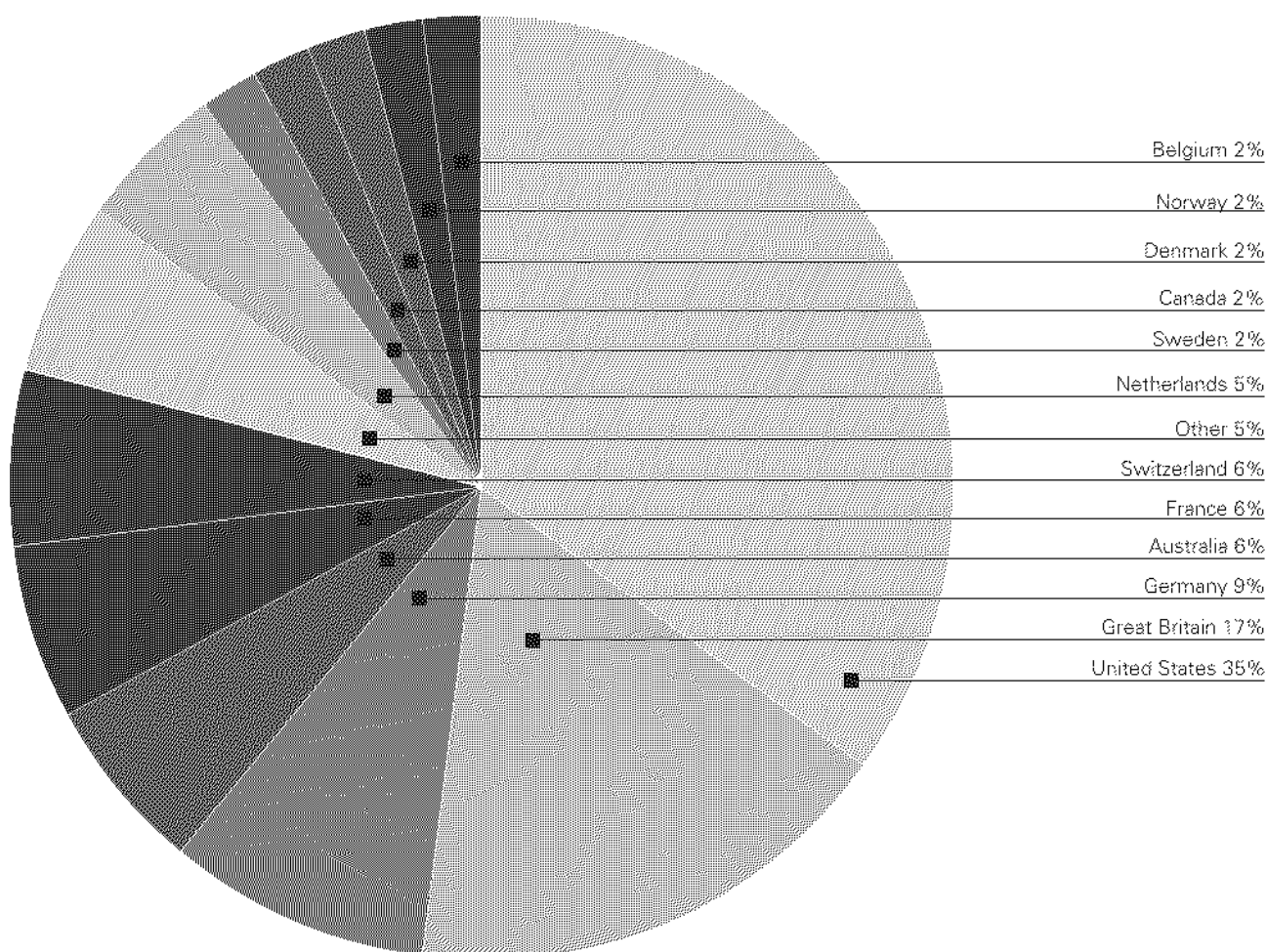
The Portfolio Companies in the initial Portfolio as of the date of this Prospectus cover 30 of the 40 categories in Standard & Poor's industry classifications.

⁶ Weighted by the principal amount of their Debt Obligations included in the Portfolio.

1.8 Distribution of Portfolio Companies in the initial Portfolio *(continued)*

Geographic distribution

The diagram below shows the geographic distribution⁷ of the Portfolio Companies⁸ in the initial Portfolio as of the date of this Prospectus.



The Portfolio Companies in the initial Portfolio as of the date of this Prospectus are geographically diversified with 40% located in the Americas, 53% in Europe and 8% in Australia and New Zealand⁷.

⁷ Percentages have been rounded and do not add up to 100%.

⁸ Weighted by the principal amount of their Debt Obligations included in the Portfolio.

section 1

investment summary

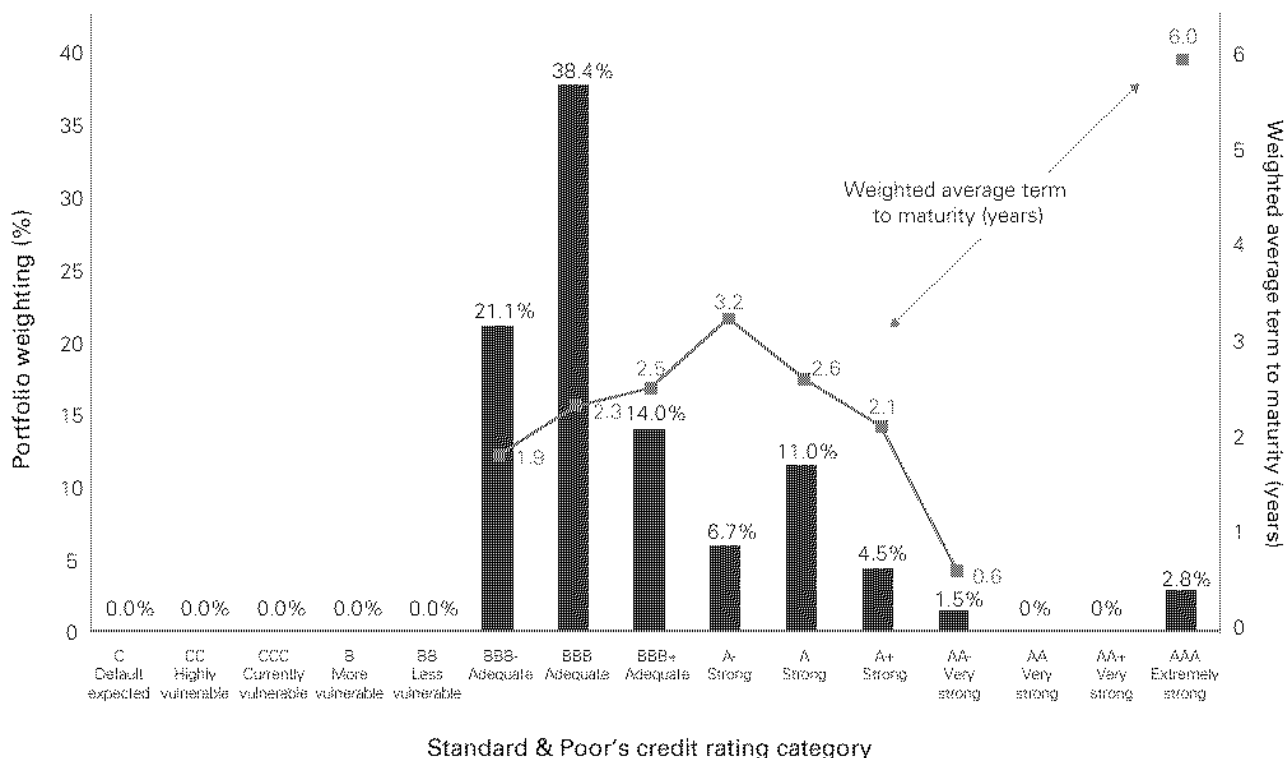
1.8 Distribution of Portfolio Companies in the initial Portfolio (continued)

Term to maturity

The diagram below shows the distribution of the weighted average term to maturity of the Debt Obligations in the initial Portfolio as of the date of this Prospectus within Standard & Poor's credit rating categories⁹. It also shows the credit rating distribution relating to the Debt Obligations in that initial Portfolio.

The light blue line running across each of the credit rating category columns shows the weighted average term to maturity of the Debt Obligations in the initial Portfolio as of the date of this Prospectus in each of the credit rating categories for the Portfolio Companies.

So, for example, the weighted average term to maturity of Debt Obligations owed by Portfolio Companies rated BBB- in the initial Portfolio as of the date of this Prospectus (representing 21.1% of that initial Portfolio by principal amount) is 1.9 years whereas the weighted average term to maturity of Debt Obligations owed by Portfolio Companies rated AAA in that Portfolio (representing 2.8% by principal amount) is 6.0 years.



The overall weighted average term to maturity of the Debt Obligations in the initial Portfolio as of the date of this Prospectus (across all credit rating categories) is 2.4 years⁹.

1.8 Distribution of Portfolio Companies in the initial Portfolio (continued)

Key Debt Obligation and Portfolio criteria

The table below shows details of compliance of the initial Portfolio as of the date of the Prospectus with the key criteria for Debt Obligations and the Portfolio. See Section 5.1 for further information on the criteria.

	Required	Portfolio – as at Prospectus Date
Maximum Portfolio Size	\$1.6 billion ¹⁰	\$1.6 billion
Minimum number of Portfolio Company groups	70	90
Maximum weighted average term to maturity of Debt Obligations in the Portfolio	3 years	2.4 years
Maximum amount of Debt Obligations of Portfolio Companies incorporated in countries having a Standard & Poor's sovereign long term foreign currency rating below AA- ¹¹	3% per country 6% in aggregate	0%
Exposure to Standard & Poor's industry classifications ¹¹	Maximum 12% to largest Maximum 12% to second largest Maximum 10% to third largest Maximum 8% to all other groups	10.7% Business equipment and services 9.8% Financial intermediaries 8.8% Automotive 73% Insurance
Exposure to geographic regions ¹¹	Maximum 45% Americas Maximum 65% Europe Maximum 20% Australia and New Zealand Maximum 6% Asia	39.8% 52.8% 76% 0%
Minimum percentage of Portfolio Companies publicly assigned an Issuer credit rating by Standard & Poor's ¹¹	40%	54.0%
Individual Portfolio Company group concentration limits:		
■ S&P equivalent rating AAA to BBB	Maximum 1.65%	1.50%
■ S&P equivalent rating BBB-	Maximum 1.50%	1.50%

All of the above percentages are percentages of the Maximum Portfolio Size as of the Issue Date and are not adjusted if the Maximum Portfolio Size reduces at any time.

¹⁰ If the amount raised from the Offer is less than or greater than \$56 million, this amount will decrease or increase proportionately.

¹¹ Weighted by principal amount of Debt Obligations in the Portfolio.

section 2

answers to key questions

2.1 What are Portfolio Linked FRNs?

Portfolio Linked FRNs are debt securities that are designed to:

- pay Noteholders interest at a floating rate equal to the 90 Day Bank Bill Rate plus 3.25% per annum quarterly in arrears during the Portfolio Term;
- deliver an investment based on Debt Obligations owed to the Deutsche Bank Group; and
- carry a BBB investment grade credit rating by Standard & Poor's on issue.

In certain circumstances as set out Section 6 of this Prospectus, the Principal Amount of Portfolio Linked FRNs may be reduced, or not repayable at all. Portfolio Linked FRNs may also be subject to early redemption or late repayment.

Portfolio Linked FRNs are classified as unsecured notes for the purposes of section 283BH of the Corporations Act.

2.2 Who is Deutsche Bank?

Deutsche Bank is one of the world's largest lending institutions.

As at 31 December 2002, the Deutsche Bank group had provided over \$317 billion in loans and other financial products to over 84,000 corporate, institutional and governmental customers. The Deutsche Bank group has detailed approval processes which involve the application of credit policies and guidelines to determine credit risk levels acceptable to Deutsche Bank. Deutsche Bank's credit policies and guidelines have been developed over many years.

All of the Debt Obligations in the Portfolio are required to have been approved by Deutsche Bank under these credit policies and guidelines at the time the Debt Obligations were originated or acquired by the Deutsche Bank Group. See Section 5.2.

A key part of the credit assessment process is determining and assigning a credit rating to each corporate, institutional or governmental customer. All Portfolio Companies must be rated investment grade by Deutsche Bank when their Debt Obligations are first included in the Portfolio. If rated by Standard & Poor's, they must also carry an investment grade credit rating from Standard & Poor's at that time. On the Issue Date, at least 40% by value of the Maximum Portfolio Size must be Debt Obligations of Portfolio Companies which are publicly rated by Standard & Poor's.

Deutsche Bank's credit ratings scale has been mapped with that of Standard & Poor's (see Section 2.11). A consequence of this harmonisation is that Standard & Poor's uses the Deutsche Bank credit rating in their analysis of the Portfolio for any Portfolio Companies that are not rated by them.

2.3 Why is Deutsche Bank providing access to its lending and credit business?

Deutsche Bank is providing access to its lending and credit business as part of its capital and loan exposure management activities. The credit protection Deutsche Bank receives under the Portfolio Agreement allows it to manage the amount of capital required to be held by it to support the Debt Obligations included in the Portfolio.

2.4 Who is the issuer?

Nexus is an Australian limited liability company incorporated under the Corporations Act.

Nexus is not a member of the Deutsche Bank Group.

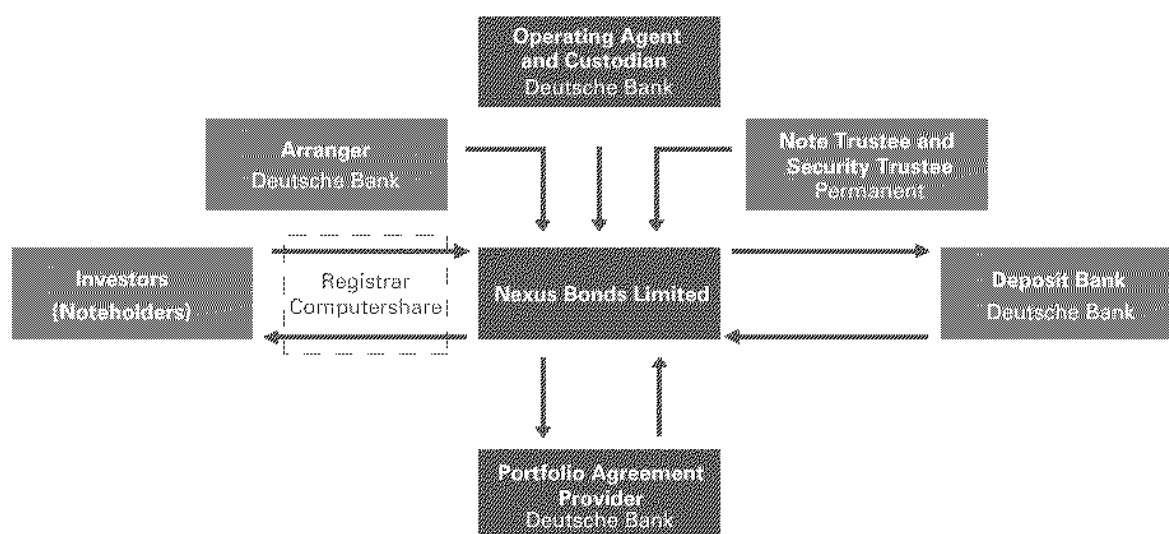
Nexus issued Nexus Yield Bonds in December 2002. Nexus Yield Bonds were the first investment product issued by Nexus and are quoted on ASX (Listing Code NXBHA).

Portfolio Linked FRNs are the second investment product to be offered by Nexus. As of the date of this Prospectus, Nexus has no business other than in connection with Nexus Yield Bonds and Portfolio Linked FRNs.

The assets relating to each issue of securities by Nexus will be segregated from the assets relating to other issues of securities by Nexus.

2.5 Who provides services to Nexus?

Nexus' key service providers in connection with Portfolio Linked FRNs include Deutsche Bank, Permanent and Computershare. Nexus has entered into arrangements with each of them for the purpose of the ongoing administration of Portfolio Linked FRNs (see Section 4.4 for more information). The diagram below shows the relationships between Nexus and its key service providers.



Deutsche Bank's services described above are provided to Nexus and it provides no service to, and undertakes to perform no obligations in favour of, Noteholders.

section 2

answers to key questions

2.6 Where does my money go?

The amount raised from the issue of Portfolio Linked FRNs will be placed in a Deposit Account with Deutsche Bank.

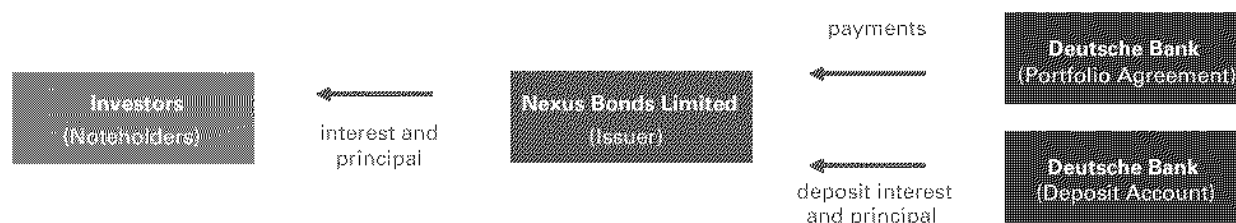
Nexus has also entered into the Portfolio Agreement with Deutsche Bank under which Nexus will receive payments from Deutsche Bank in exchange for taking credit risk on the Portfolio.

Nexus is not directly or indirectly investing in any of the Portfolio Companies or the Debt Obligations in the Portfolio. However, Nexus has credit exposure to the Portfolio as set out in Section 6.



2.7 How is Nexus able to generate my return?

Nexus will receive interest payments from the Deposit Account. Nexus will also receive amounts under the Portfolio Agreement from Deutsche Bank in return for taking credit risk on the Portfolio.



A combination of these amounts will enable Nexus to pay the interest due on Portfolio Linked FRNs.

Nexus will receive repayment of the deposit from Deutsche Bank in amounts equal to the Principal Amount due to be repaid on Portfolio Linked FRNs and repay such amounts to Noteholders.

Nexus has no obligation to pay amounts due on Portfolio Linked FRNs unless it has received the amounts described in this Section from Deutsche Bank.

2.8 What is the Portfolio Agreement?

It is a contract between Nexus and Deutsche Bank relating to the Portfolio.

The Portfolio Agreement transfers credit exposure to the Portfolio Companies through the inclusion of their Debt Obligations in the Portfolio from Deutsche Bank to Nexus and Noteholders in return for payments from Deutsche Bank to Nexus which provide a portion of the amount required to enable Nexus to pay interest due on Portfolio Linked FRNs.

2.9 What is the key risk in investing in Portfolio Linked FRNs?

The key risk is that a number of Portfolio Companies experience a weakening in their financial position to the extent that they suffer a Company Event which results in aggregate losses on their Debt Obligations in the Portfolio exceeding the Protection Amount. The nature of this risk is explained further in Sections 2.10 to 2.17 and Section 6.

2.10 What is a Company Event?

A Company Event occurs only where a Portfolio Company:

- becomes insolvent or bankrupt; or
- fails to pay when due certain amounts in respect of borrowed money within any applicable grace period ("borrowed money" includes borrowed money which is guaranteed or insured by the Portfolio Company).

A Company Event is not:

- a restructuring of any borrowed money of a Portfolio Company;
- a fall in the share price of a Portfolio Company;
- non-payment of a dividend by a Portfolio Company; or
- a change in the credit rating of a Portfolio Company.

2.11 How can I assess the likelihood of a Company Event occurring?

While there is no way to measure with certainty the likelihood of a Portfolio Company experiencing a Company Event, one of the most widely used ways to assess the creditworthiness of companies is to refer to credit ratings issued by credit rating agencies and others.

A credit rating is a current assessment of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts). This assessment focuses on the company's capacity to meet its financial commitments as they become due. It does not apply to any specific financial obligation.

All Portfolio Companies must be rated investment grade by Deutsche Bank when their Debt Obligations are first included in the Portfolio. If rated by Standard & Poor's, they must also carry an investment grade credit rating from Standard & Poor's at that time. On the Issue Date, at least 40% by value of the Maximum Portfolio Size must be Debt Obligations of Portfolio Companies which are publicly rated by Standard & Poor's.

section 2

answers to key questions

Deutsche Bank's credit ratings are based on substantially equivalent assessments to those of Standard & Poor's and have been accepted as such by Standard & Poor's in rating Portfolio Linked FRNs. The table below shows the Standard & Poor's major rating categories and associated definitions, the equivalent Deutsche Bank rating category and the weightings of the initial Portfolio as of the date of this Prospectus based on the Standard & Poor's rating of the Portfolio Companies and, where applicable, the equivalent Deutsche Bank rating.

Standard & Poor's Major Rating Category	Standard & Poor's Definition	Deutsche Bank Rating Category ¹²	Portfolio Weighting ¹³ at Prospectus Date
AAA	Obligations rated 'AAA' have the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on these obligations is EXTREMELY STRONG .	—	2.8%
AA (AA+, AA and AA-)	Obligations rated 'AA' differ from the highest rated obligations only in a small degree. The obligor's capacity to meet its financial commitment on these obligations is VERY STRONG .	IAAA/IAA (IAAA, IAA+, IAA)	1.5%
A (A+, A and A-)	Obligations rated 'A' are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on these obligations is still STRONG .	IAA/IA (IAA+, IAA, IA, IA-)	22.2%
BBB (BBB+, BBB and BBB-)	Obligations rated 'BBB' exhibit ADEQUATE protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on these obligations.	IBBB (BBB+, BBB, BBB-)	73.5%

↑ investment grade ↑

↓ speculative grade ↓

BB, B, CCC, CC & C	Obligations rated 'BB' to 'C' are regarded as having significant SPECULATIVE CHARACTERISTICS . 'BB' indicates the least degree of speculation and 'C' the highest. Whilst such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposure to adverse conditions.	IBB, IB, ICC, ICC & IC	0.0%
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The Portfolio will change over time and the weightings of the Portfolio Companies will differ from those illustrated above (see Section 5.4.).

A credit rating is not a recommendation to buy, sell, or hold a financial obligation issued by an obligor (a company), as it does not comment on market price or suitability for a particular investor.

12 It should be noted that the mappings of Deutsche Bank credit ratings as shown in this table are valid as at the date of this Prospectus and for this transaction only. If, as a result of changes in Deutsche Bank's internal rating system or otherwise, Standard & Poor's changes the mappings of Deutsche Bank's credit ratings to its own after the date of this Prospectus, then the mapped Deutsche Bank credit ratings in this column will be adjusted accordingly. Standard & Poor's mapping of Deutsche Bank's credit ratings to its own is not an endorsement by Standard & Poor's of Deutsche Bank's internal rating methodology.

13 Weighted by the principal amount of Debt Obligations in the Portfolio.

2.12 Who is Standard & Poor's?

Standard & Poor's is a leading international rating agency which specialises in the assessment of the credit quality of investments. Further information on Standard & Poor's is available on Standard & Poor's website "www.standardandpoors.com".

Portfolio Linked FRNs will be assigned a BBB investment grade credit rating by Standard & Poor's on issue.

2.13 Why are Portfolio Linked FRNs to be rated by Standard & Poor's?

A public rating from Standard & Poor's is being obtained to assist prospective Noteholders determine the risk of investing in Portfolio Linked FRNs relative to other investments they may make.

2.14 What is a Standard & Poor's rating?

For portfolio transactions such as Portfolio Linked FRNs, a Standard & Poor's rating addresses the likelihood of full and timely payment of interest and repayment of principal by no later than the Maturity Date. Specifically, a Standard & Poor's rating addresses the likelihood of the first-dollar-of-loss (based on the stated interest and maturity terms) rather than the likelihood of losing the total amount of the investment.

The rating to be assigned to Portfolio Linked FRNs reflects Standard & Poor's assessment of risk, given the characteristics and features, credit enhancement (in this case, the Protection Amount) and legal structure of Portfolio Linked FRNs. A credit rating is not a recommendation to buy, sell, or hold a financial obligation issued by an obligor (a company), as it does not comment on market price or suitability for a particular investor.

Copies of Standard & Poor's rating report in respect of Portfolio Linked FRNs are expected to be available from Standard & Poor's after the Offer opens on 19 November 2003.

The analysis by Standard & Poor's of Portfolio Linked FRNs, as in all structured finance ratings, focuses on how much credit enhancement is needed to achieve a given rating. Based on the initial Portfolio as of the date of this Prospectus, Standard & Poor's requires credit enhancement of at least \$43.0 million¹⁴ to assign a BBB rating to Portfolio Linked FRNs. The actual credit enhancement provided to Portfolio Linked FRNs by the Protection Amount as of the date of this Prospectus is \$53.6 million¹⁴. As of the date of this Prospectus, the excess credit enhancement provided to Portfolio Linked FRNs by the Protection Amount is \$10.6 million¹⁴ (which represents 24.7% of the level of credit enhancement required by Standard & Poor's).

However, it should be noted that:

- Replenishment of the Portfolio from time to time, even when in compliance with all criteria for Replenishment, as described in Section 5.1, may nevertheless diminish or eliminate the excess credit enhancement provided by the Protection Amount over that required by Standard & Poor's for a BBB rating; and
- although the credit rating by Standard & Poor's following any Replenishment must be either BBB or better (or, if lower than BBB, not lower than it was immediately before the Replenishment), there is no guarantee that changes in the creditworthiness of Portfolio Companies may not cause the rating of Portfolio Linked FRNs to fall below BBB.

¹⁴ If the amount raised from the Offer is less than or greater than \$56 million, this amount will decrease or increase proportionately.

section 2

answers to key questions

2.15 What happens if a Company Event occurs in respect of a Portfolio Company?

If a Company Event occurs, a work out or sale process is undertaken to determine the actual loss (if any) in relation to the Debt Obligations in the Portfolio of the affected Portfolio Company.

If there is no loss, then there is no loss allocated to Portfolio Linked FRNs.

If there is a loss, there may be an allocation of that loss to Portfolio Linked FRNs (see Sections 2.16 and 2.17).

The occurrence of Company Events may also lead to the rating of Portfolio Linked FRNs being downgraded by Standard & Poor's.

2.16 If a Company Event occurs, how are loss amounts determined?

If a Company Event occurs, a member of the Deutsche Bank Group, or a third party agent bank or financial institution, will assume responsibility for the ensuing work out or sale process in respect of the Debt Obligations of the Portfolio Company affected by the Company Event which are included in the Portfolio. If a third party agent assumes responsibility, such as under certain syndicated transactions, a member of the Deutsche Bank Group will nevertheless monitor their performance.

After the work out or sale process is complete, a recovery amount will be determined for each relevant Debt Obligation. If the full amount of principal (ie 100%) is recovered then there will be no loss amount. However, if the recovery amount is less than 100%, then the loss amount will be calculated based on the extent of non-recovery.

Loss amounts may include a proportionate share of recovery costs.

The work out or sale process must be conducted in accordance with:

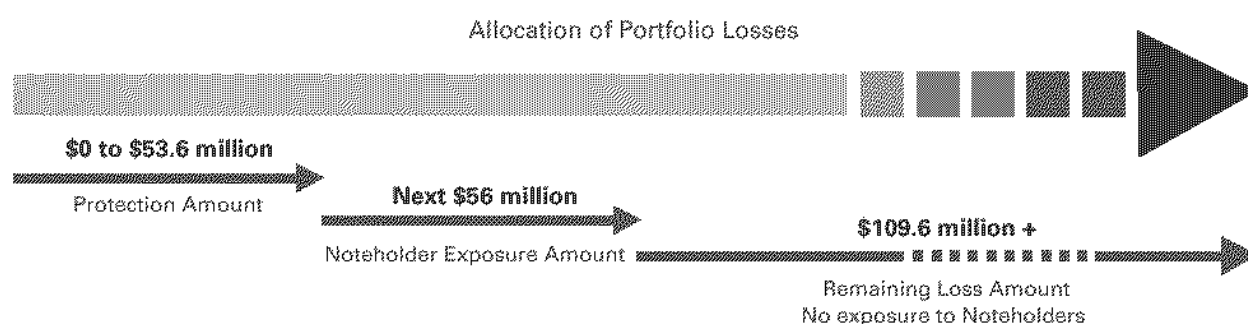
- Deutsche Bank's established procedures applicable to similar obligations (however, see Section 7.2 in relation to Debt Obligations in the Portfolio arising under syndicated transactions);
- the relevant transaction documents; and
- servicing principles that require that the relevant DB Servicer acts as a reasonable creditor would in the protection of its own interests acting reasonably and in accordance with applicable laws, regulations and regulatory requirements.

An internationally recognised accounting firm will confirm that any loss amounts determined by Deutsche Bank were correctly calculated. See Section 5.5 for more information on reporting in relation to the Portfolio.

Section 6 describes the Company Event and work out or sale process in more detail.

2.17 If there are loss amounts, how will they impact on Portfolio Linked FRNs?

The allocation of Portfolio losses is shown diagrammatically below.



If a Company Event occurs in respect of a Portfolio Company and a loss is subsequently determined in respect of the Debt Obligations in the Portfolio of that Portfolio Company, the loss will be allocated under the Portfolio Agreement as follows:

(1) First loss amount:

Noteholders are not exposed to the first \$53.6 million of losses on the Portfolio. This is referred to as the Protection Amount.

(2) Second loss amount:

If there are Portfolio losses in excess of the \$53.6 million Protection Amount then these excess losses will be allocated to Noteholders. In this event, the Principal Amount of Portfolio Linked FRNs repayable to Noteholders will be reduced by the amount of the excess losses.

If the Principal Amount of Portfolio Linked FRNs is reduced to zero, then the Portfolio Linked FRNs will be redeemed on the next interest payment date and Nexus will not be obliged to pay or repay any further amounts in such circumstances (other than any accrued interest).

Losses are borne proportionately by all Noteholders.

(3) Remaining loss amount:

Noteholders have no exposure to losses in excess of \$109.6 million (being the aggregate of the Protection Amount and the original Principal Amount of Portfolio Linked FRNs). This excess is called the Remaining Loss Amount.

If the amount raised from the Offer is less than or greater than \$56 million, all of the numbers referred to in this Section 2.17 will vary proportionately.

section 2

answers to key questions

2.18 Will I still receive interest on my Portfolio Linked FRNs if a Company Event arises?

Yes.

Noteholders will continue to receive interest based on the original Principal Amount of Portfolio Linked FRNs over the Portfolio Term as long as Portfolio losses do not exceed \$109.6 million¹⁵, being the aggregate of the Protection Amount and the original Principal Amount of Portfolio Linked FRNs.

See Section 6.5 for a description of the interest payable after the Maturity Date or any Early Redemption Date.

2.19 What is the composition of the Portfolio?

The Portfolio consists of a replenishable pool of senior (secured or unsecured) Debt Obligations of, on the Issue Date, over 70 diversified international and Australian investment grade rated companies which were originally approved under Deutsche Bank's standard credit policies and guidelines.

All Portfolio Companies must be rated investment grade by Deutsche Bank when their Debt Obligations are first included in the Portfolio. If rated by Standard & Poor's, they must also carry an investment grade credit rating from Standard & Poor's at that time.

All Debt Obligations included in the Portfolio must also comply with the specific criteria described in Section 5.1 at the time of first inclusion in the Portfolio or at the time of any increase in their principal amount included in the Portfolio.

The distribution of the initial Portfolio by credit rating category, industry classification, geography and term to maturity as of the date of this Prospectus is described in Section 1.8.

The Maximum Portfolio Size is \$1.6 billion¹⁵, but this may be reduced over time by the amount of any losses on the Portfolio.

As the actual size of the Portfolio is reduced as a result of Debt Obligations in the Portfolio having been repaid, cancelled or restructured, or as a result of foreign exchange movements, further Debt Obligations may be added to the Portfolio or the principal amount of existing Debt Obligations in the Portfolio may be increased to bring the size of the Portfolio back to the Maximum Portfolio Size.

The criteria applying to the Portfolio and to Debt Obligations in the Portfolio are taken into account by Standard & Poor's in rating Portfolio Linked FRNs. See Section 5.1 for more information on these criteria.

¹⁵ If the amount raised from the Offer is less than or greater than \$56 million, this amount will decrease or increase proportionately.

2.20 Can the composition of the Portfolio change over time?

Yes.

On a monthly basis, Replenishment of the Portfolio may occur as a result of:

- loan or credit facility repayments;
- expiry or cancellation of undrawn amounts; or
- foreign exchange movements involving a depreciation of a foreign currency against the Australian dollar. As the Maximum Portfolio Size is denominated in Australian dollars, Noteholders are not exposed to currency risk even though Debt Obligations included in the Portfolio may be denominated in foreign currencies.

The key criteria for Replenishment of the Portfolio are summarised in Section 5.1.

2.21 Is the identity of the Portfolio Companies disclosed?

No.

As a result of banking confidentiality or privacy conditions, the names of the Portfolio Companies cannot be disclosed to Nexus, Noteholders or ASX. However, Deutsche Bank has undertaken to Nexus to disclose their identity to an internationally recognised accounting firm for the purposes of the reports described in Sections 5.5 and 9.4.

Standard & Poor's do not require details of the identity of the Portfolio Companies in order to assign a rating to Portfolio Linked FRNs.

2.22 What verification and reporting will be available?

An internationally recognised accounting firm will be appointed by Deutsche Bank to provide to Nexus an initial report, ongoing quarterly and semi-annual reports and other reports in relation to the composition of the Portfolio and some, but not all, of the criteria for its Replenishment. These reports will be provided to ASX and will be made available on the **www.nexusbonds.com.au** website. More detail on the extent and contents of these reports is set out in Section 5.5.

2.23 What are Deutsche Bank's roles in relation to the Portfolio?

The Deutsche Bank Group has a number of roles in relation to the Portfolio. The most important roles are that it:

- originates or acquires all of the Debt Obligations in the Portfolio in accordance with its credit processes;
- selects which Debt Obligations will be included in the Portfolio, but in so doing must comply with the criteria described in Section 5.1; and
- must certify compliance with the criteria described in Section 5.1 before any loss is allocated to Portfolio Linked FRNs.

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answers to key questions

2.24 Will I be able to obtain early repayment of my Portfolio Linked FRNs?

No. You are not entitled to obtain early repayment of your Portfolio Linked FRNs.

You will have the opportunity to sell your Portfolio Linked FRNs on ASX. However, there is no certainty of liquidity.

2.25 Can my Portfolio Linked FRNs be redeemed early by Nexus?

Yes. Portfolio Linked FRNs are subject to early redemption by Nexus but only if:

- there are certain changes in law – see Sections 7.3 and 9.1;
- a Regulatory Capital Change occurs – see Sections 7.3 and 9.1; or
- loss amounts (if any) on the Portfolio exceed \$109.6 million¹⁶ (being the aggregate of the Protection Amount and the original Principal Amount of Portfolio Linked FRNs) – see Section 6.

See Section 6.9 for a description of the consequences of early redemption.

2.26 What are the tax implications of holding or selling Portfolio Linked FRNs?

The taxation implications of holding or selling Portfolio Linked FRNs will depend on each Noteholder's individual circumstances. Prospective Noteholders should obtain their own taxation advice. If relevant, you should also seek advice on the treatment of holding Portfolio Linked FRNs for the purpose of pension or other Government benefits to which you may be entitled. See Section 8 for some taxation information.

2.27 How do I apply for Portfolio Linked FRNs?

Detailed information on how to invest is provided in Section 3.

¹⁶ If the amount raised from the Offer is less than or greater than \$56 million, this amount will decrease or increase proportionately.



section 3

how to invest

3.1 Application information

When to apply:

From 9.00 am 19 November 2003 to 5.00 pm 12 December 2003.

The Offer is scheduled to open at 9.00am (Sydney time) on 19 November 2003 and is expected to close at 5.00 pm (Sydney time) on 12 December 2003.

Applications for Portfolio Linked FRNs must be received in accordance with the instructions in this Section by no later than 5.00pm (Sydney time) on 12 December 2003.

The Arranger may close the Offer early or extend the Closing Date without notice.

Potential investors who wish to apply are encouraged to submit their Application Form as soon as possible after the Offer opens.

If the Closing Date is varied, subsequent dates may also be varied accordingly.

How to apply:

Apply through the Lead Manager, a Co-Manager or your broker or licensed securities adviser.

Applications for Portfolio Linked FRNs may be made through the Lead Manager, a Co-Manager or your broker or licensed securities adviser (including Deutsche Bank).

Your completed Application Form and payment must be lodged with the Lead Manager, a Co-Manager or your broker or licensed securities adviser.

To apply for Portfolio Linked FRNs:

■ **Complete the Application Form:**

You must complete an Application Form attached to, or accompanying, this Prospectus in accordance with the instructions set out on page 84, the Application Form and accompanying notes. Photocopied Application Forms will not be accepted.

■ **Return your Application Form:**

■ **Broker firm application:**

If you received a firm allocation of Portfolio Linked FRNs from the Lead Manager or a Co-Manager, you must:

1. return your completed Application Form to the Lead Manager or that Co-Manager;
2. attach a cheque or money order in Australian dollars which must be drawn on an Australian branch of a financial institution; and
3. make it payable according to the instructions provided by the Lead Manager or that Co-Manager, as relevant.

■ **General application:**

If you did not receive a firm allocation of Portfolio Linked FRNs from the Lead Manager or a Co-Manager to the Offer, you must:

1. return your completed Application Form to the the Lead Manager, a Co-Manager or your broker or licensed securities adviser;
2. attach a cheque or money order in Australian dollars which must be drawn on an Australian branch of a financial institution; and
3. make it payable to "Portfolio Linked FRNs Application Account" and crossed "Not Negotiable".

Failure to comply with these instructions may mean that your application is not accepted.

Minimum application size:

\$10,000

Applications must be for a minimum of \$10,000 (100 Portfolio Linked FRNs), and thereafter in multiples of \$1,000 (10 Portfolio Linked FRNs).

The issue price is \$100 per Portfolio Linked FRN.

Application money is payable in full with your application for Portfolio Linked FRNs.

Application fees:

None

No application, management or exit fees are payable by applicants or holders of Portfolio Linked FRNs.

section 3

how to invest

3.2 Acceptance of applications and refunds

A duly submitted Application Form constitutes an offer to subscribe for Portfolio Linked FRNs on the terms set out in this Prospectus.

Acceptance of your offer is constituted by entry of your name in the Register as the holder of Portfolio Linked FRNs and will take effect immediately on entry without prior notice to you.

Allocation of Portfolio Linked FRNs will be at the discretion of the Arranger and, where relevant, the Lead Manager or a Co-Manager.

The distribution of broker firm allocations will be at the discretion of the Lead Manager or the relevant Co-Manager and will be subject to the terms of relevant arrangements between the Arranger, the Lead Manager and the Co-Managers.

Applications may be subject to scaling back and some Applications may be rejected in full if there is demand for Portfolio Linked FRNs beyond the maximum issue size. This may include scaling back below the stated minimum application of 100 Portfolio Linked FRNs.

If you are allotted less than the number of Portfolio Linked FRNs you applied for, you will receive a refund of your excess application money as soon as practicable after the Closing Date. No interest will be payable on any application money, whether refunded or not. Nexus will retain interest on any application money.

The issue size is up to \$56 million (560,000 Portfolio Linked FRNs). Over subscriptions may be accepted up to a further \$42 million (420,000 additional Portfolio Linked FRNs). Nexus and the Arranger have the right at any time to withdraw the Offer.

There is no minimum issue amount.

3.3 ASX quotation

An application will be made to ASX within 7 days after the date of this Prospectus for official quotation of Portfolio Linked FRNs (the expected ASX listing code is NXBHB).

If quotation is not granted on ASX, Portfolio Linked FRNs will not be issued and all application money will be refunded without interest.

It is expected that trading of Portfolio Linked FRNs on ASX will commence on 22 December 2003.

CHES and Holding Statements

Nexus will apply to participate in CHES in relation to Portfolio Linked FRNs and, in accordance with the Listing Rules and the SCH Business Rules, will maintain an electronic issuer-sponsored sub-register and an electronic CHES sub-register. These two sub-registers together will make up Nexus' principal register of Portfolio Linked FRNs. Nexus will not issue certificates to Noteholders.

Following the issue or transfer of Portfolio Linked FRNs to successful applicants, Noteholders will receive an initial statement of holding (similar to a bank statement) that sets out the number of Portfolio Linked FRNs which have been allocated to them in the Offer. This statement also will provide details of a Noteholders' Holder Identification Number (HIN) in the case of a holding on the CHES sub-register, or Security Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

Noteholders will be required to quote their HIN or SRN, as applicable, in all dealings with a broker or the Registrar. These statements will be dispatched to successful applicants as soon as practicable after the Issue Date.

Noteholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the Register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Noteholder's sponsoring broker, in the case of a holding on the CHES sub-register, or through the Registrar in the case of a holding on the issuer sponsored sub-register. Nexus or the Registrar may charge a fee for these additional issuer sponsored statements.

section 3

how to invest

Transfer of Portfolio Linked FRNs

If Portfolio Linked FRNs are officially quoted on ASX, they may be transferred in any manner permitted by the CHESS system. Before registration of any such transfer, Nexus may require any documents which the rules of the uncertificated system require or permit Nexus to require be provided to it to authorise registration. A transfer is not effective until registered.

Nexus must register a transfer of a Portfolio Linked FRN to or by a person who is entitled to do so as a result of death or bankruptcy of a Noteholder in accordance with all applicable laws on providing such evidence of entitlement as Nexus may require.

3.4 Commissions, stamp duty and GST

No commission or stamp duty will be payable by applicants on Portfolio Linked FRNs. Stamp duty is not payable on transfers of Portfolio Linked FRNs.

Nexus has agreed that the Arranger may make payments of certain commissions out of its own funds to the Lead Manager, the Co-Managers, other brokers or licensed securities advisers in relation to applications for Portfolio Linked FRNs.

Related bodies corporate of Deutsche Bank may receive some of these commission payments.

Payments of interest and repayment of principal on Portfolio Linked FRNs are not subject to GST.

3.5 Prospectus

During the exposure period and the Offer Period this Prospectus (without Application Forms) will be available on Nexus' website at ***www.nexusbonds.com.au/prospectus.html***.

Applications may only be made on an Application Form attached to, or accompanying, this Prospectus.

During the Offer Period, you can request paper copies of the Prospectus including the Application Form and any supplementary documentation, free of charge by telephoning:

- the information line;
- the Arranger;
- the Lead Manager; or
- any one of the Co-Managers.

See page 85 for a list of their contact numbers.

3.6 Enquiries

If you require assistance to complete the Application Form, you should contact the Lead Manager or a Co-Manager (see page 85 for a list of their contact numbers) or the information line on 1800 624 912.

If you are unclear as to any matter or are uncertain if Portfolio Linked FRNs are a suitable investment for you, you should contact the Lead Manager, a Co-Manager or your broker, financial planner, accountant or other professional adviser.

section 4

the issuer

4.1 Who is Nexus?

Nexus Bonds Limited is the issuer of Portfolio Linked FRNs. Nexus is an Australian limited liability company incorporated under the Corporations Act.

Nexus has entered into arrangements with Deutsche Bank and various other service providers to deliver investment opportunities to potential investors. These arrangements are discussed in Section 4.4.

Nexus is not a member of the Deutsche Bank group. The share capital of Nexus is held on trust for the benefit of certain charitable organisations.

As of the date of this Prospectus, Nexus has no business other than in connection with Nexus Yield Bonds issued by Nexus in December 2002 and Portfolio Linked FRNs.

Nexus may issue other securities in the future.

See Section 9.3 for a description of the segregation of the assets of Nexus in connection with each issue of securities.

The 'Nexus' trademark is registered in the name of Deutsche Bank and licensed to Nexus.

4.2 The Board

The individuals on the Board of Nexus are:

Richard J Nettleton

Richard Nettleton is a solicitor. He was a partner at Malletsons Stephen Jaques until 1994, where he now is a consultant. He is a director of a number of companies, mainly in the financial services industry, including Guardian Trust Australia Limited.

Douglas W (Bill) O'Neill

Bill O'Neill is a corporate finance specialist with 35 years industry experience and has been involved in over 100 stock market takeovers. He has acted as a consultant to KPMG Corporate Finance and uses his extensive industry experience to provide guidance on transactions. His previous roles included senior corporate finance positions at HSBC Investment Banking Group and Morgan Grenfell.

Stephen J Treanor

Stephen Treanor is a credit risk specialist who has advised corporates on financing and securitisation as well as risk management through insurance-based capital structures since 1993. From 1986 to 1993 he worked for Moody's Investors Service where he held various roles including Managing Director of its Australasian offices, and had global responsibility for credit ratings and research for metals and mining companies. He is director of a number of securitisation companies.

4.3 Financial position

Immediately following the Issue Date the statement of financial position of Nexus (assuming that \$56 million is raised by the issue of Portfolio Linked FRNs and taking into account that all costs relating to the issue will be paid by Deutsche Bank) will be as set out below.

It is not expected that Nexus will earn anything other than nominal profits after payment of operating expenses and fees to Deutsche Bank. Deutsche Bank has agreed with Nexus to pay the operating expenses of Nexus including directors' fees and fees payable to Permanent and Computershare, subject to limited conditions if an event of default occurs in respect of Portfolio Linked FRNs. Nexus agrees to reimburse Deutsche Bank for these payments to the extent it has sufficient funds available to it in respect of Portfolio Linked FRNs.

Assets	\$
Nexus Yield Bonds Deposit	60,000,000
Portfolio Linked FRNs Deposit ¹⁷	56,000,000
Cash	1
Total¹⁷	116,000,001

Liabilities and share capital	\$
Nexus Yield Bonds	60,000,000
Portfolio Linked FRNs ¹⁷	56,000,000
Issued share capital	1
Total¹⁷	116,000,001

The Deposits for each of Nexus Yield Bonds and Portfolio Linked FRNs relate only to those issues of securities and neither is available to meet the obligations of Nexus in connection with the other.

As Nexus is a special purpose company, its service providers and security structure are important to its ability to perform its obligations in connection with Portfolio Linked FRNs. These arrangements are described in Section 9. A brief summary of the role of each service provider is set out in Section 4.4.

¹⁷ If the amount raised from the Offer is less than or greater than \$56 million, the Portfolio Linked FRNs' Deposit and the amount of Portfolio Linked FRNs will decrease or increase proportionately and the total assets and liabilities of Nexus will vary accordingly.

section 4

the issuer

4.4 Who provides services to Nexus?

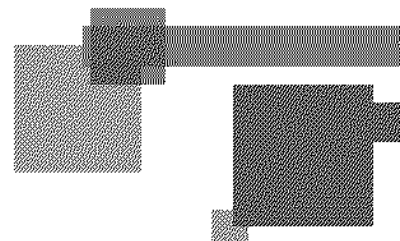
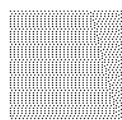
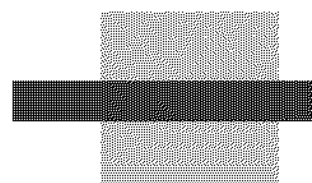
Nexus has entered into arrangements for the purpose of the ongoing administration of Portfolio Linked FRNs.

A brief summary of the role of each service provider is set out below. A summary of material contracts, including some of the arrangements with the service providers, is set out in Section 9.

Each of Deutsche Bank, Permanent and Computershare act as independent contractors, and not as partners, officers or employees of Nexus.

Deutsche Bank's services described below are provided to Nexus and it provides no service to, and undertakes to perform no obligations in favour of, Noteholders.

Service provider	Responsibility
Deutsche Bank	<ul style="list-style-type: none"> As operating agent: Deutsche Bank is responsible for the day to day administration of the business of Nexus. As custodian: Deutsche Bank is responsible for holding and keeping in safe custody the money and certain other property of Nexus. This does not include the amount raised from the issue of Portfolio Linked FRNs which will be kept in the Deposit Account (which is held by Deutsche Bank as deposit bank). As arranger: Deutsche Bank is responsible for arranging the initial distribution and sale of Portfolio Linked FRNs. As transaction counterparties: Deutsche Bank acts as the deposit bank (all proceeds from the issue of Portfolio Linked FRNs are deposited with Deutsche Bank) and the counterparty to Nexus under the Portfolio Agreement.
Permanent	<ul style="list-style-type: none"> As note trustee: Permanent is responsible for holding on trust for the benefit of Noteholders the right to enforce Nexus' obligations under Portfolio Linked FRNs. It calls meetings of Noteholders when required under the Note Trust Deed and the Corporations Act. It would represent the Noteholders at any meetings of the secured creditors of Nexus. As security trustee: Permanent also acts as trustee for all of the secured creditors of Nexus. It is the Security Trustee who is authorised to enforce the security on behalf of the secured creditors of Nexus.
Computershare	<ul style="list-style-type: none"> As registrar: Computershare is responsible for the establishment and maintenance of the Register of Portfolio Linked FRNs. It is the Register which ultimately determines who is a registered holder of Portfolio Linked FRNs.



section 5

the Portfolio

The Portfolio consists of a replenishable pool of senior (secured or unsecured) Debt Obligations of, on the Issue Date, over 70 diversified international and Australian investment grade credit rated companies.

5.1 Criteria for inclusion in the Portfolio

In order to be included in the Portfolio, or for the principal amount of a Debt Obligation already included in the Portfolio to be increased, the Debt Obligation must comply with the Debt Obligation Eligibility Criteria.

On the Issue Date the Portfolio as a whole must comply with the Portfolio Criteria. There is no requirement that the Portfolio complies with the Portfolio Criteria on an ongoing basis after the Issue Date. For example, if a Portfolio Company is downgraded so that it is no longer investment grade rated, there is no obligation to remove its Debt Obligations from the Portfolio. Deterioration in the Portfolio is a risk which Noteholders assume in return for an enhanced investment return on Portfolio Linked FRNs.

However, when a Debt Obligation is added to the Portfolio, or the principal amount of a Debt Obligation already included in the Portfolio is increased, such addition or increase must not cause the Portfolio to breach the Portfolio Criteria or, if the Portfolio is not then in compliance with the Portfolio Criteria, must not worsen the extent of non compliance.

In addition, the credit rating assigned to Portfolio Linked FRNs by Standard & Poor's rating model following any Replenishment must be either:

- BBB or better; or
- if lower than BBB, not lower than it was immediately before the Replenishment.

It should be noted that:

- debt restructurings; and
- the replacement of short term loans with longer fixed term loans as contemplated by their terms,

may result in the automatic substitution of one Debt Obligation for another, without the need for the new Debt Obligation to comply with the criteria for Replenishment discussed above. See Section 9.4.

The key Debt Obligation Eligibility Criteria and Portfolio Criteria are summarised in the following tables.

Key Debt Obligation Eligibility Criteria	
Debt Obligation	<p>must:</p> <ul style="list-style-type: none"> ■ be a senior (secured or unsecured) obligation in respect of borrowed money originally approved under Deutsche Bank's standard credit policies and guidelines; ■ be legally valid and enforceable (subject to insolvency and bankruptcy laws and equitable principles); and ■ not cause the aggregate amount of Debt Obligations of a Portfolio Company group in the Portfolio to exceed: <ul style="list-style-type: none"> ■ if rated BBB- or higher by Standard & Poor's (or the Deutsche Bank equivalent), 1.65% of the Maximum Portfolio Size on the Issue Date; or ■ if rated BBB- by Standard & Poor's (or the Deutsche Bank equivalent), 1.50% of the Maximum Portfolio Size on the Issue Date.
Portfolio Company	<p>must:</p> <ul style="list-style-type: none"> ■ be rated BBB- or better (investment grade) by Standard & Poor's, if rated by Standard & Poor's, and must also have an equivalent rating by Deutsche Bank; ■ be incorporated in a country having a Standard & Poor's long term sovereign foreign currency country rating of at least A-; and ■ not be the subject of a Company Event or an event which, with the giving of notice or lapse of time, would become a Company Event.

Key Portfolio Criteria	
Maximum Portfolio Size	\$1.6 billion ¹⁸
Minimum number of Portfolio Company groups	70
Maximum weighted average term to maturity of Debt Obligations in the Portfolio	3 years
Maximum amount of Debt Obligations in the Portfolio by rating¹⁹	The aggregate amount of Debt Obligations of Portfolio Companies incorporated in countries having a Standard & Poor's sovereign long term foreign currency rating below AA- must not exceed 3% for any one country, or 6% in aggregate of the Maximum Portfolio Size on the Issue Date.
Maximum exposure to Standard & Poor's industry classifications¹⁹	12% to largest 12% to second largest 10% to third largest 8% to all other groups
Maximum exposure to geographic regions¹⁹	Americas 45% Europe 65% Australia/New Zealand 20% Asia 6%
Minimum percentage of Portfolio Companies publicly assigned an issuer credit rating by Standard & Poor's¹⁹	40%

18 If the amount raised from the Offer is less than or greater than \$56 million, the Maximum Portfolio Size will decrease or increase proportionately. The Maximum Portfolio Size will also decrease during the Term by the amount of losses (if any) on the Portfolio – see Section 6.

19 Weighted by principal amount of Debt Obligations in the Portfolio.

section 5

the Portfolio

5.2 Deutsche Bank's standard credit policies and guidelines

As set out in Section 5.1, one of the Debt Obligation Eligibility Criteria is that each Debt Obligation must have been originally approved under Deutsche Bank's standard credit policies and guidelines. This means that a member of the Deutsche Bank Group, in accordance with Deutsche Bank's standard credit policies and guidelines at the relevant time and on the basis of circumstances at that time, must have approved the incurring of indebtedness to the relevant Portfolio Company under that Debt Obligation or the acquisition of that Debt Obligation.

It should be noted that those circumstances and Deutsche Bank's credit policies and guidelines may have changed by the time of first inclusion of the Debt Obligation in the Portfolio or the time of any increase in its principal amount in the Portfolio. Despite these changes in circumstances, the Debt Obligation must still satisfy the criteria for inclusion in the Portfolio, including the requirement that the relevant Portfolio Company carry a current investment grade rating, at the time of inclusion in the Portfolio or at the time of any increase in the principal amount of its Debt Obligations in the Portfolio.

The following is a brief description of Deutsche Bank's credit policies and guidelines currently applying. These may change from time to time.

The Deutsche Bank Credit Risk Management Group reviews all proposals for the extension of credit by a member of the Deutsche Bank Group. This review is done in accordance with Deutsche Bank's internal credit policies as well as its specialised product guidelines.

Credit is extended primarily based on a borrower's or other obligor's credit standing evaluated in accordance with Deutsche Bank's risk scoring system, which places particular emphasis on the borrower's or obligor's future outlook and cash flow. In other words, the borrower or obligor must be considered to be willing and able to fulfil its obligations from business operations. In addition, alternative sources of repayment are considered.

Deutsche Bank manages credit risk in accordance with certain principles, including:

- Every extension of credit requires approval at a specified seniority level.
- All Deutsche Bank group entities and divisions must apply consistent standards in arriving at their credit decisions.
- The approval of credit limits and the management of individual credit exposures must fit within specified portfolio guidelines and credit strategies.
- Every material change to a credit facility (such as to its term, collateral structure or major covenants) requires approval at a specified seniority level.
- Credit approval authorities are assigned to individuals according to their qualifications, experience and training, which is reviewed regularly.
- All credit exposures to each obligor are measured and managed on a global basis that applies across the consolidated Deutsche Bank group.

section 5

the Portfolio

5.3 Deutsche Bank and its experience in lending

Deutsche Bank is one of the world's largest banks and is the parent company of a group consisting of banks, capital market companies, fund management companies, mortgage banks, a property finance company, instalment financing and leasing companies, insurance companies, research and consultancy companies and other domestic and foreign companies.

As of 31 December 2002, based on United States generally accepted accounting principles, the Deutsche Bank group had total assets of \$1,403 billion. The group has about 2,000 branches and offices engaged in banking and other financial business worldwide and is represented in Australia by over 1,000 employees.

As of 31 December 2002, the Deutsche Bank group had provided over \$317 billion in loans and financial products to over 84,000 corporate, institutional and governmental customers.

Deutsche Bank's credit policies and guidelines have been developed over many years.

A key part of the credit assessment process is determining and assigning an internal credit rating to each corporate, institutional and governmental customer.

A credit rating is a current assessment of a company's overall financial capacity (its creditworthiness) to pay its financial obligations (i.e. its debts). This assessment focuses on the company's capacity to meet its financial commitments as they become due. It does not apply to any specific financial obligation.

All Portfolio Companies must be rated investment grade by Deutsche Bank when their Debt Obligations are first included in the Portfolio. If rated by Standard & Poor's, they must also carry an investment grade credit rating from Standard & Poor's at that time. On the Issue Date, at least 40% by value of the Maximum Portfolio Size must be Debt Obligations of Portfolio Companies which are publicly rated by Standard & Poor's.

Deutsche Bank's credit ratings scale has been mapped with that of Standard & Poor's. A consequence of this harmonisation is that Standard & Poor's use the Deutsche Bank credit rating in their analysis of the Portfolio for any Portfolio Companies that are not rated by them.

5.4 Changes to the composition of the Portfolio over the Portfolio Term

The composition of the Portfolio will change during the Portfolio Term.

The Portfolio will consist of Debt Obligations of Portfolio Companies selected by Deutsche Bank from time to time, in its discretion and without reference to Nexus, provided that they meet the criteria described in Section 5.1 at the time of first inclusion or at the time of any increase in their principal amount.

Debt Obligations may be added and the principal amount of existing ones may be increased or decreased, as a result of:

- loan or credit facility repayments;
- expiry or cancellation of undrawn amounts; or
- foreign exchange movements involving a depreciation of a foreign currency against the Australian dollar.

If there are losses realised on the Portfolio, the Maximum Portfolio Size will also be reduced by the amount of those losses. Subsequent Replenishments cannot cause the size of the Portfolio to exceed that reduced Maximum Portfolio Size.

Replenishments must be made in compliance with the criteria for Replenishment described in Section 5.1. Debt restructurings and the replacement of short term loans with longer fixed term loans as contemplated by their terms may result in the automatic substitution of one Debt Obligation for another without the need for compliance with those criteria. See Section 9.4.

section 5

the Portfolio

5.5 Reporting in relation to the Portfolio

An internationally recognised accounting firm will be appointed by Deutsche Bank to examine compliance with some, but not all, of the criteria for the composition and Replenishment of the Portfolio. The accounting firm will provide the following reports to Nexus:

- an **initial report** within 60 days of the Issue Date confirming that, on the basis of the Portfolio records and information sourced from Standard & Poor's, the Portfolio Criteria and some, but not all, of the Debt Obligation Eligibility Criteria were complied with on the Issue Date.
- **semi-annual reports**
 - confirming that on the same basis, in respect of any Debt Obligation which was added to the Portfolio or the principal amount of which was increased during the semi-annual period, it satisfied some, but not all, of the conditions for Replenishment, including the requirement not to cause or worsen any non-compliance of the Portfolio with the Portfolio Criteria – see Section 5.1;
 - confirming that on the same basis, in respect of any Debt Obligation in the Portfolio in default, any losses in respect of that Debt Obligation allocated during the semi-annual period were correctly calculated and that some, but not all, of the conditions for Replenishment were complied with when the Debt Obligation was included in the Portfolio;
 - on the stratification of the Portfolio within the categories of Portfolio specific criteria, updating the information in the key criteria for Debt Obligations and the Portfolio table in Section 1.8; and
 - giving certain information concerning any Debt Obligations in the Portfolio in default.
- **quarterly reports** for the first quarter of each semi-annual period providing some, but not all, of the information provided in the semi-annual reports in relation to that quarter.
- if the date for any final repayment of the Principal Amount is extended as described in Section 6.5, a **final report** confirming that, in respect of any Debt Obligation in the Portfolio in default, any losses in respect of that Debt Obligation allocated during the period since the Maturity Date (i.e. before the Term was extended) were correctly calculated.

Section 9.4 provides further information in respect of the reports to be provided.

The initial, semi-annual and quarterly reports described above do not cover compliance with all conditions for Replenishment as some of the conditions are not susceptible to verification by the accounting firm. See Section 9.4 for a description of what conditions for Replenishment the reports do and do not cover. The reports also do not cover the conduct of any work out or sale process or other conditions to loss allocation described in Sections 6.5 to 6.7. However, Deutsche Bank must certify to Nexus that all the criteria described in Section 5.1 were satisfied before any losses are allocated to Portfolio Linked FRNs.

Deutsche Bank has also undertaken to provide to Nexus:

- semi-annual certificates as to the correlation between the Portfolio and Deutsche Bank's internal books and records; and
- quarterly non-binding estimates of loss on each relevant Debt Obligation once a Company Event has occurred, except in certain circumstances (see Section 6.5).

These certificates and estimates will not be examined by the accounting firm. Nexus will provide these reports, certificates and estimates to ASX and make them available on the www.nexusbonds.com.au website.

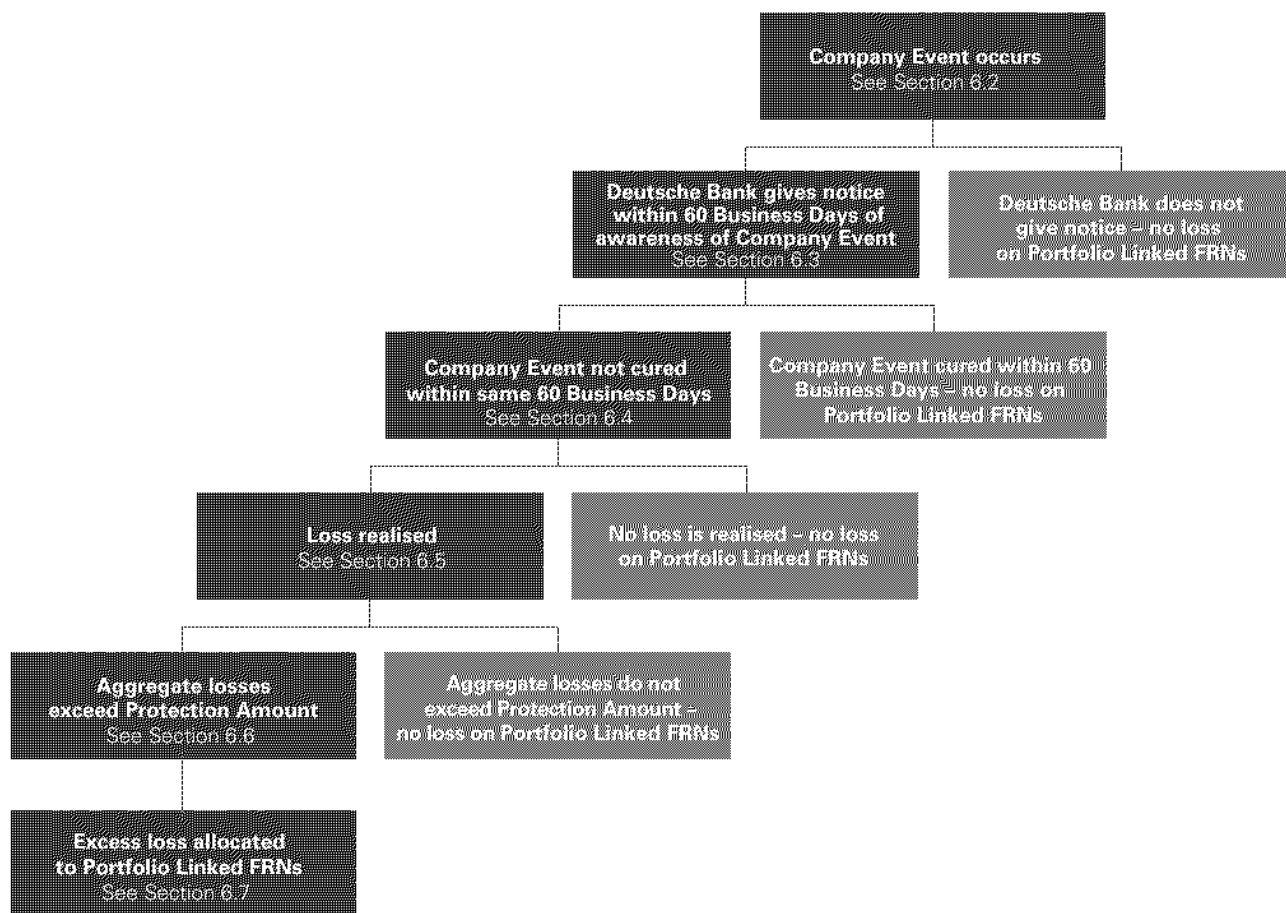
Except as specifically set out in this Prospectus, Deutsche Bank is under no obligation and will not provide Nexus, Noteholders, ASX or any other person with any financial or other information concerning the Portfolio, including in relation to the Portfolio Companies, the Debt Obligations in the Portfolio, compliance with the criteria described in Section 5.1, whether or not circumstances exist under which there is a possibility of the occurrence of a Company Event or the conduct of any work out or sale process.

section 6

Company Events and loss allocation

6.1 Diagrammatic overview

The steps that must be followed before losses (if any) on the Portfolio can be allocated to Noteholders and the Principal Amount repayable on Portfolio Linked FRNs reduced are illustrated in the following diagram:



These steps are expanded in more detail on the pages that follow.

6.2 Company Event

A Company Event occurs if a Portfolio Company:

- becomes insolvent or bankrupt; or
- fails to pay when due certain amounts in respect of borrowed money within any applicable grace period.

These amounts are \$10,000 or more for Debt Obligations in the Portfolio and US\$1 million or more for any other obligation. The lower amount for Debt Obligations in the Portfolio is required for Deutsche Bank to manage the amount of capital required to be held by it in order to support those Debt Obligations (see Section 2.3).

A Company Event in relation to a Portfolio Company may arise in relation to a Debt Obligation in the Portfolio but may also arise in relation to another obligation of that Portfolio Company (including a guarantee or financial insurance policy) in respect of borrowed money.

A Company Event is not:

- a restructuring of any borrowed money of a Portfolio Company;
- a fall in the share price of a Portfolio Company;
- non-payment of a dividend by a Portfolio Company; or
- a change in the credit rating of a Portfolio Company.

6.3 Notice of Company Event

To exercise its rights under the Portfolio Agreement following a Company Event, Deutsche Bank must give notice of the Company Event to Nexus no later than 60 Business Days after Deutsche Bank becomes aware of it, specifying the Company Event and providing confirmation of its occurrence.

6.4 Cure period

If a Company Event occurs but is remedied within 60 Business Days after Deutsche Bank becomes aware of it, no loss can be allocated to Portfolio Linked FRNs in respect of that Company Event and any notice given by Deutsche Bank is deemed to have been rescinded.

section 6

Company Events and loss allocation

6.5 Assessment of loss and possible extension of the Term

Workout or sale process

If a Company Event occurs, a member of the Deutsche Bank Group, or a third party agent bank or financial institution, will assume responsibility for the ensuing work out or sale process in respect of the Debt Obligations in the Portfolio of the Portfolio Company affected by the Company Event. If a third party assumes responsibility, such as under certain syndicated transactions, a member of the Deutsche Bank Group will nevertheless monitor their performance.

The work out or sale process must be conducted in accordance with:

- Deutsche Bank's established procedures applicable to similar obligations (however, see Section 7.2 for more information about Debt Obligations in the Portfolio arising under syndicated transactions);
- the relevant transaction documents; and
- servicing principles that require that the relevant DB Servicer acts as a reasonable creditor would in the protection of its own interests acting reasonably and in accordance with applicable laws, regulations and regulatory requirements.

There are various other principles which Deutsche Bank has undertaken to Nexus will be complied with in calculating any loss on a Debt Obligation following the occurrence and notification of a Company Event. These are summarised in Section 9.4.

Provision of estimates

While the work out or sale process for a Debt Obligation is continuing, Deutsche Bank will (so long as it has a commercially reasonable basis for doing so) provide Nexus with an estimate of the anticipated loss on the Debt Obligation, such estimate to be updated quarterly. These estimates will be good faith estimates by Deutsche Bank but are not legally binding. Nexus will provide these estimates to ASX.

The estimates are designed to keep Noteholders aware of the likely impact of defaulted Debt Obligations in the Portfolio but are not intended to have any legally binding effect and do not affect the amount of loss which may ultimately arise or the extent of any ultimate reduction of the Principal Amount of Portfolio Linked FRNs.

Possible extension of Term

The work out or sale process may take some time.

If:

- the recovery of defaulted Debt Obligations in the Portfolio is not complete by the Maturity Date or any Early Redemption Date; and
- assuming the full amount of such Debt Obligations were not recovered, a portion (or all) of the Principal Amount of Portfolio Linked FRNs would be subject to reduction,

then, repayment of the affected portion of the Principal Amount of Portfolio Linked FRNs may be deferred for up to 13 months pending a final determination of any losses. Any unaffected portion of the Principal Amount of Portfolio Linked FRNs will be repaid on the Maturity Date or the Early Redemption Date.

However, if the work out or sale is not complete within 12 months of the Maturity Date or the Early Redemption Date, as applicable, any unpaid balance of the Principal Amount of Portfolio Linked FRNs must be repaid without reference to any undetermined losses and Noteholders will have no further exposure to them.

Interest will be paid during any such extended period on any unpaid Principal Amount at a reduced rate equal to the 90 Day Bank Bill Rate.

Noteholders are not exposed to Company Events which may occur during any period of extension.

6.6 Application of Protection Amount

If Debt Obligations in the Portfolio are recovered in full then the funds in the Deposit Account will enable Nexus to repay in full the Principal Amount of Portfolio Linked FRNs.

If there is a loss then it is added to all previously determined Portfolio losses (if any). If cumulative Portfolio losses do not exceed the Protection Amount, then the Principal Amount of Portfolio Linked FRNs will be repaid in full.

The Portfolio Agreement does not restrict Deutsche Bank's ability to manage any exposure it may have in relation to the Protection Amount.

section 6

Company Events and loss allocation

6.7 Application of any excess loss to Portfolio Linked FRNs

If cumulative Portfolio losses exceed the Protection Amount, then Nexus must pay this excess amount, up to a limit equal to the original Principal Amount of Portfolio Linked FRNs to Deutsche Bank under the Portfolio Agreement. This excess amount is called the "Reduction Amount." Payment by Nexus is made by reducing the balance in the Deposit Account. In the event of any such reduction, the Principal Amount of each Portfolio Linked FRN is reduced proportionately. See Sections 2.6 and 2.7.

The amount of excess losses on the Portfolio is only payable by Nexus and applied against the Principal Amount of Portfolio Linked FRNs on the Maturity Date or any Early Redemption Date and, if the Term is extended in the circumstances described in Section 6.5, on the Extended Payment Date. This has the effect that interest is payable at the 90 Day Bank Bill Rate plus 3.25% per annum on the full Principal Amount until the Maturity Date or any Early Redemption Date.

Interest is also payable at a reduced rate equal to the 90 Day Bank Bill Rate in respect of any unpaid Principal Amount during any period of late repayment after the Maturity Date or any Early Redemption Date. See Section 6.5.

If at any time cumulative Portfolio losses exceed the aggregate of the Protection Amount and the original Principal Amount of Portfolio Linked FRNs, then Portfolio Linked FRNs will be deemed to be redeemed early as of the next quarterly interest payment date, with no amount becoming payable to Noteholders other than accrued but unpaid interest. Noteholders are then not affected by any further losses on the Portfolio.

6.8 Example

Set out below are numerical examples of the effect of five successive Company Events on principal and interest payments on Portfolio Linked FRNs. The examples are provided by way of illustration only of the operation of the provisions of the Portfolio Agreement and the Company Event process described in Sections 6.1 to 6.7 inclusive. The examples are not projections or forecasts of the performance of the Portfolio, Nexus or Portfolio Linked FRNs. The assumptions in the examples are used only for the purpose of illustrating how returns may be affected by Company Events. Nexus makes no statement as to the likelihood of a Company Event occurring or the likely recovery value of relevant Debt Obligations following the occurrence and notification of any Company Event.

Prior Company Events

In this example, it is assumed that there is a Company Event in respect of a Portfolio Company owing a Debt Obligation of the maximum exposure permitted per Portfolio Company of 1.65% and the actual recovery value is 50%. This is subtracted from 100% to give a 50% loss on the principal amount of the Debt Obligation.

The 50% loss is applied to the Debt Obligation's proportion of the Maximum Portfolio Size to calculate the loss amount for that Debt Obligation as follows:

$$\begin{aligned}\text{Loss amount} &= (100\% - \text{recovery value}) \times \text{initial Maximum Portfolio Size} \times \text{exposure} \\ &= 50\% \times \$1.6 \text{ billion}^{20} \times 1.65\% \\ &= \$13.2 \text{ million}\end{aligned}$$

It is then assumed that three further Portfolio Companies suffer Company Events and the aggregate loss amounts are \$39.6 million. The aggregate of the loss amounts in respect of the four Company Events is therefore \$52.8 million.

Since the \$52.8 million aggregate loss amount is still less than the \$53.6 million²⁰ Protection Amount, no loss amount would have been allocated to Noteholders. However, the remaining Protection Amount would have been reduced from \$53.6 million to \$0.8 million.

20 If the amount raised from the Offer is more or less than \$56 million, the Maximum Portfolio Size, the principal amount of the Debt Obligations in the Portfolio, the Protection Amount and the maximum loss amount that can be allocated to Noteholders as a result of a single Company Event will each increase or decrease proportionately.

section 6

Company Events and loss allocation

6.8 Example (continued)

Subsequent Company Event

If it is further assumed that there is another Company Event relating to another Portfolio Company owing a Debt Obligation of the maximum exposure of 1.65% (taking the total number of separate Company Events to five) and the actual recovery value on the principal amount of that Debt Obligation is also 50%, then the loss amount would be calculated as \$13.2 million (ie 50% x \$1.6 billion²¹ x 1.65%).

To calculate the Reduction Amount, only the losses in excess of the remaining Protection Amount (which then stands at \$0.8 million following the prior Company Events) are allocated to Noteholders. Therefore the Reduction Amount would be \$12.4 million (\$13.2 million minus the remaining Protection Amount of \$0.8 million).

If this occurred, the aggregate Principal Amount of Portfolio Linked FRNs repayable would be reduced by the Reduction Amount (i.e. from \$56 million to \$43.6 million).

Were all of the five Company Events described in this example to happen, the total Principal Amount of Portfolio Linked FRNs held by an investor who had purchased 100 Portfolio Linked FRNs for \$10,000 would be reduced to approximately \$7,786 (being that Noteholder's proportionate share of the reduction in the Principal Amount of all Portfolio Linked FRNs).

As long as the total Principal Amount of Portfolio Linked FRNs is not reduced to zero, the floating interest rate of the 90 Day Bank Bill Rate plus 3.25% per annum will continue to be payable on the full Principal Amount of Portfolio Linked FRNs until the Maturity Date or any Early Redemption Date, as applicable.

This process is repeated for all unremedied Company Events (if any) that are notified to Nexus by Deutsche Bank on or before the Maturity Date or Early Redemption Date. The maximum loss that can be allocated to Noteholders as a result of a single Company Event is \$26.4 million²¹ (1.65% of the initial Maximum Portfolio Size).

The Principal Amount of Portfolio Linked FRNs may reduce to zero. On a worst case (i.e. assuming no recoveries) the Principal Amount will begin to be reduced after the occurrence of three Company Events and will be reduced to zero after the occurrence of five Company Events. Noteholders are not required to make up losses (if any) beyond the Issue Price of their Portfolio Linked FRNs.

21 If the amount raised from the Offer is more or less than \$56 million, the Maximum Portfolio Size, the principal amount of the Debt Obligations in the Portfolio, the Protection Amount and the maximum loss amount that can be allocated to Noteholders as a result of a single Company Event will each increase or decrease proportionately.

6.9 Early redemption and late repayment

On the Maturity Date (six years after the Issue Date) the Principal Amount of Portfolio Linked FRNs will be repaid less any reduction due to losses on the Portfolio which are allocated to Portfolio Linked FRNs, unless early redemption or late repayment applies.

The following table summarises the different possibilities for early redemption or late payment and the consequences of each.

Event	Consequences
Early redemption due to change in law (see Section 9.1)	<ul style="list-style-type: none"> ■ Noteholders will have no exposure to Company Events occurring after the Redemption Event. ■ On the Early Redemption Date (two Business Days after Nexus gives notice of the Redemption Event), the Principal Amount of Portfolio Linked FRNs (as reduced by any Reduction Amounts (see Section 6.7)) will be repaid to Noteholders, less the amount of undetermined losses (if any) which could later be allocated to Portfolio Linked FRNs (the Retained Principal Amount). ■ On the Extended Payment Date (which may be up to 13 months from when the Redemption Event occurred), the Retained Principal Amount less any further Reduction Amounts will be repaid to Noteholders. ■ Noteholders will receive interest on any Retained Principal Amount at the 90 Day Bank Bill Rate quarterly in arrears until the Extended Payment Date.
Early redemption due to occurrence of Regulatory Capital Change (see Sections 7.3 and 9.1)	<p>The consequences are the same as for early redemption due to change in law (see above). This includes the repayment to Noteholders of the Principal Amount of Portfolio Linked FRNs less any Reduction Amounts or Retained Principal Amount.</p> <p>An additional early redemption amount will also be paid to Noteholders. That amount is described in more detail in Section 9.1 but may be summarised as being equal to the present day value of 2.5% per annum for the period between the Early Redemption Date and the Maturity Date. This amount is calculated on the total Principal Amount of Portfolio Linked FRNs ultimately repayable to Noteholders.</p>
Early redemption due to cumulative Portfolio losses reducing the Principal Amount of Portfolio Linked FRNs to zero (see Section 6.7)	Portfolio Linked FRNs will be redeemed on the next interest payment date and Noteholders will receive no further payment other than accrued interest.
Late repayment due to undetermined losses at the Maturity Date which could impact on Portfolio Linked FRNs (see Section 6.5)	<ul style="list-style-type: none"> ■ Noteholders will have no exposure to Company Events occurring after the Maturity Date. ■ On the Maturity Date, the Principal Amount of Portfolio Linked FRNs (as reduced by any Reduction Amounts (see Section 6.7)) will be repaid to Noteholders, less the amount of undetermined losses (if any) which could be later allocated to Portfolio Linked FRNs (the Retained Principal Amount). ■ Any Retained Principal Amount of Portfolio Linked FRNs will be repaid to Noteholders less any further Reduction Amounts on the final repayment date (which may be up to 13 months after the Maturity Date). ■ Noteholders will receive interest on any Retained Principal Amount at the 90 Day Bank Bill Rate quarterly in arrears until the final repayment date.

section 7

investment risks

7.1 Introduction

Before applying for Portfolio Linked FRNs, you should consider whether Portfolio Linked FRNs are suitable for you and we recommend that you consult a financial, taxation or other adviser.

You should be aware that there are risks associated with investing in Portfolio Linked FRNs. In particular, you should carefully consider each of the following risks, as well as the other information in this Prospectus. There may also be other risks that are not detailed in this Prospectus.

Some of the following risks apply generally to any investment, while others are specific to Portfolio Linked FRNs. Many of these risks are outside the control of Nexus.

7.2 Risks associated with the Portfolio

Company Events and losses on the Portfolio

Noteholders are exposed to the risk that Portfolio Companies may become insolvent or bankrupt, or fail to pay when due certain amounts in respect of borrowed money within any applicable grace period (see Section 6.2).

If the full amount owed to the Deutsche Bank Group in respect of the Debt Obligations in the Portfolio relating to those Portfolio Companies is not recovered, any losses will be allocated firstly to the \$53.6 million²² Protection Amount (ie the first 3.35% of the initial Maximum Portfolio Size) and after that will reduce the Principal Amount otherwise repayable to Noteholders on Portfolio Linked FRNs.

The occurrence of these events in relation to Portfolio Companies and the amount recovered will depend on a range of factors beyond the control of Nexus or Deutsche Bank.

²² If the amount raised from the Offer is less than or greater than \$56 million, this amount will decrease or increase proportionately.

These factors include:

- the financial performance of the relevant Portfolio Company and other factors internal to them; and
- economic conditions and other external factors and their impact on the relevant Portfolio Company.

Repayment of principal and payment of interest on Portfolio Linked FRNs is not guaranteed by Nexus, Deutsche Bank or any other party.

Compliance with the criteria for inclusion in the Portfolio (as set out in Section 5.1), and adherence by the Deutsche Bank Group to its standard credit policies and guidelines and its servicing and collection policies, is no guarantee or assurance that losses on the Portfolio will not arise and be allocated to reduce the Principal Amount of Portfolio Linked FRNs.

Reliance on Deutsche Bank

Noteholders are reliant on the business judgment and practices of the Deutsche Bank Group in administering, collecting and enforcing the Debt Obligations in the Portfolio and in administering the Portfolio.

Further, in the case of Debt Obligations in the Portfolio arising under syndicated transactions:

- a third party agent bank or financial institution may carry out administration, collection and enforcement in accordance with the servicing principles in the documentation governing the relevant Debt Obligation and also to a material degree in accordance with its own credit and collection policies;
- the practices and decisions of the third party may be based on decisions of a majority of syndicate members with which the relevant Deutsche Bank Group entity may not have agreed and which could, therefore, be contrary to the Deutsche Bank Group's servicing and collection policies; and
- Deutsche Bank Group entities, as syndicate members, may have only limited means under the documentation governing the relevant Debt Obligation to influence the administration, collection and enforcement of that Debt Obligation by any such third party.

Noteholders are also reliant on Deutsche Bank complying with the criteria described in Section 5.1 and in accurately calculating losses on the Portfolio (if any).

section 7

investment risks

7.3 Risks associated with Portfolio Linked FRNs

Liquidity/price fluctuations on ASX

Although Portfolio Linked FRNs will be quoted on ASX, Noteholders are exposed to the risk that:

- there will not be a liquid market on ASX for Portfolio Linked FRNs; and
- the trading price of Portfolio Linked FRNs will fluctuate and may fall below the Issue Price or the price at which Noteholders purchased Portfolio Linked FRNs.

Early and late repayment risks

Early redemption risks

Deutsche Bank is subject to banking supervision and regulation under the laws of Germany and, among other things, is required to maintain certain levels of capital to support the risks associated with its lending and credit business. The credit protection it receives under the Portfolio Agreement allows Deutsche Bank to manage the amount of capital required to be held to support the Debt Obligations included in the Portfolio (see Section 2.3).

The Basel Committee on Banking Supervision has proposed a new capital accord scheduled to be implemented in 2006.

If the introduction of the new Basel capital accord or other changes in German law or regulatory requirements result in a materially less favourable capital adequacy treatment for Deutsche Bank in respect of the Debt Obligations included in the Portfolio than that which applies at the Issue Date, or when Deutsche Bank first receives regulatory capital relief in respect of the Debt Obligations in the Portfolio, Deutsche Bank may give notice to Nexus, triggering a Redemption Event. If Portfolio Linked FRNs are redeemed early in such circumstances, Nexus will pay Noteholders an additional early redemption amount (see Sections 6.9 and 9.1). At this stage, it is not known whether the new Basel capital accord will result in such a materially less favourable capital adequacy treatment.

Portfolio Linked FRNs may also be redeemed early in other circumstances relating to changes in law, directives or regulations that affect the ability of Nexus to meet its payment obligations to Noteholders, as also described in Section 9.1.

Late repayment risk

Noteholders are exposed to the risk that Principal Amounts repayable on Portfolio Linked FRNs may be deferred in certain circumstances (see Section 6.5). However, if any such amount is not calculated within 12 months of the Maturity Date or any Early Redemption Date, each relevant defaulting Debt Obligation in the Portfolio will be treated as if it was recovered in full and will not reduce the Principal Amount to be repaid to Noteholders.

Fluctuations in 90 Day Bank Bill Rate

The 90 Day Bank Bill Rate is a floating rate of interest which may move up or down over the Term of Portfolio Linked FRNs due to economic conditions and other factors beyond the control of Nexus or Deutsche Bank.

7.4 Risks associated with Nexus

Portfolio Linked FRNs are limited recourse securities

If Nexus were to default under Portfolio Linked FRNs (events of default are described in Section 9.3), then the Security Trustee can enforce the charge granted by Nexus only over the property of Nexus relating to Portfolio Linked FRNs (primarily the rights of Nexus under the Deposit Deed and the Portfolio Agreement).

It will then use any proceeds recovered to repay Portfolio Linked FRNs and the amounts owing by Nexus to the Note Trustee, the Security Trustee, Deutsche Bank and Computershare in the order described in Section 9.3.

No action can be taken against Nexus once these recovery proceeds have been paid, even if they were insufficient to repay Portfolio Linked FRNs in full (or at all).

Any other property of Nexus (including any relating to other issues of securities by Nexus) is not available to repay Portfolio Linked FRNs.

Noteholders are not entitled to take direct action against Nexus, the Note Trustee, the Security Trustee, Deutsche Bank or Computershare. The rights against Nexus in respect of Portfolio Linked FRNs will be exercisable by the Note Trustee on behalf of the Noteholders or the Security Trustee on behalf of all secured creditors.

7.5 Risks associated with Deutsche Bank

Although Deutsche Bank enjoys a credit rating of AA- (negative outlook) as rated by Standard & Poor's, Aa3 as rated by Moody's Investors' Services and AA- as rated by Fitch as of the date of this Prospectus, Noteholders are nevertheless exposed to Deutsche Bank credit risk.

Deutsche Bank does not guarantee the payment of principal or interest in relation to Portfolio Linked FRNs in any way. However, Noteholders are exposed to Deutsche Bank credit risk in that, if Deutsche Bank becomes insolvent or otherwise unable to make payments under the Deposit Deed or Portfolio Agreement, Nexus is not obliged to make payment to Noteholders.

Further information on Deutsche Bank's financial position and ratings is available on the bank's website "www.db.com".

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taxation information

MALLESONS STEPHEN JAUQUES

12 November 2003

The Directors
Nexus Bonds Limited
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Dear Sirs

PORTFOLIO LINKED FLOATING RATE NOTES

This Opinion has been prepared for inclusion in the Prospectus to be dated on or about 12 November 2003 in respect of Portfolio Linked Floating Rate Notes (Portfolio Linked FRNs).

The purpose of this Opinion is to summarise, in broad terms, the main income tax consequences to certain investors arising from an acquisition of Portfolio Linked FRNs under the Prospectus. This Opinion is not provided as a basis on which a potential investor should make an investment decision. That decision requires a review of all of the materials presented in the Prospectus. This Opinion focuses on the position of an Australian resident investor who subscribes for Portfolio Linked FRNs under the Prospectus, who does not carry on the business of trading or dealing in securities and who holds their Portfolio Linked FRNs for long term investment purposes. This Opinion is necessarily general in nature and does not take into account the specific circumstances of each individual investor. A potential investor should not rely on this Opinion but should obtain specific tax advice in relation to his or her own circumstances prior to making an investment decision.

This Opinion is given in relation to the law prevailing, together with known administrative practice, at the date of this Opinion. Investors should note that these laws, the interpretation of them by the Courts and administrative practice can change at any time.

Interest Payments to Noteholders

Interest payments under Portfolio Linked FRNs will be assessable income in the hands of the Noteholder.

Generally, the interest will be assessable at the time it is paid to the Noteholder. However, if a Noteholder carries on the business of lending money or a similar business, the interest income would normally be brought to account on a daily accruals basis, to the extent that Portfolio Linked FRNs are held as part of that business.

Disposal of Portfolio Linked FRNs

Portfolio Linked FRNs should be treated as “traditional securities” for income tax purposes.

If a Noteholder sells a Portfolio Linked FRN (or it is redeemed), any gain would be assessable income to the Noteholder at the time the sale (or redemption) occurs under the “traditional security” provisions. A gain would arise to the extent to which the net consideration received on the sale (or redemption) of a Portfolio Linked FRN is greater than its cost. In practical terms, there should be no capital gain on the disposal of a Portfolio Linked FRN.

Generally, an allowable deduction should be available for any loss on the disposal of a Portfolio Linked FRN in the tax year during which the disposal occurs (whether the Noteholder acquired the Portfolio Linked FRN upon issuance or not). A loss should arise if the net consideration received is less than the cost of the Portfolio Linked FRN. A capital loss will not arise on the disposal of a Portfolio Linked FRN to the extent that an allowable deduction is available.

If the term of Portfolio Linked FRNs is extended beyond the Maturity Date (or an Early Redemption Date), this would cause a partial redemption under the “traditional security” provisions. A gain or loss may arise as at the Maturity Date (or the Early Redemption Date), depending on the amount by which the Principal Amount is reduced, the amount (if any) of the principal repaid and the cost of Portfolio Linked FRNs. A further gain or loss may arise upon the Extended Payment Date.

Tax File Numbers

There should be no deduction on account of tax on payments of interest to a Noteholder who is resident in Australia (or a non-resident receiving interest through a permanent establishment in Australia), provided that the Noteholder quotes its Tax File Number (TFN) or Australian Business Number (ABN) or gives evidence of an appropriate exemption. (Details of whether a Noteholder falls within an exemption category, and the relevant exemption category number, are available from the Australian Tax Office.)

The collection of TFN information is authorised, and its use and disclosure is strictly regulated, by Australian taxation and privacy laws. Noteholders need not quote a TFN (or a TFN exemption category) to Nexus if they do not wish to do so. If a Noteholder does not quote their TFN (or TFN exemption category), tax will be deducted from interest paid to the Noteholder at the appropriate rate (currently, 48.5%). If the Noteholder quotes their TFN (or TFN exemption category), no tax will be taken out of payments to the Noteholder.

If the Noteholder acquires a Portfolio Linked FRN in the course or furtherance of an enterprise carried on by the Noteholder, the Noteholder may quote their ABN as an alternative to quoting their TFN.

Disclaimer

This Opinion does not purport to give advice to any specific Noteholder, as each Noteholder’s tax position will depend on his or her own particular circumstances. To the maximum extent permitted by law, neither this firm nor any partner or employee of this firm accepts any responsibility to any Noteholder for any statements, conclusions or opinion expressed in this Opinion. Noteholders should seek their own professional tax advice regarding their individual circumstances.

Yours faithfully

Mallesons Stephen Jacques

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material contracts

This Section contains a summary of the material contracts entered into by Nexus with Deutsche Bank and Permanent in relation to Portfolio Linked FRNs. This Prospectus contains only a summary of the material contracts and their substantive terms.

9.1 Terms and conditions of Portfolio Linked FRNs

The terms and conditions of Portfolio Linked FRNs are contained in the Note Trust Deed (see Section 9.2 below) and the Master Trust Deed (see Section 9.3 below). They are summarised here separately for ease of reference.

Form of Portfolio Linked FRNs

Portfolio Linked FRNs are secured, limited recourse debt securities of Nexus constituted by the Note Trust Deed and take the form of entries in the Register. For the purposes of section 283BH of the Corporations Act, Portfolio Linked FRNs are "unsecured notes".

Undertaking to pay

In respect of each Portfolio Linked FRN, Nexus has undertaken with the relevant Noteholder and the Note Trustee to pay the amounts due and payable in respect of that Portfolio Linked FRN in accordance with the Note Trust Deed and the Master Trust Deed. The payment of an amount due under a Portfolio Linked FRN to either the Noteholder or Note Trustee discharges the obligation of Nexus to pay that amount under the Portfolio Linked FRN to each of the Noteholder and the Note Trustee. Portfolio Linked FRNs rank equally amongst themselves.

Principal Amount

The initial Principal Amount of each Portfolio Linked FRN is \$100.

On each day that Nexus must make a payment of an amount to Deutsche Bank under the Portfolio Agreement (see Section 9.4 below, each such amount is a **Reduction Amount** and each such date is a **Reduction Date**), the Principal Amount of each Portfolio Linked FRN is reduced by the Portfolio Linked FRN's pro-rata share of the Reduction Amount payable by Nexus on that Reduction Date.

If this reduction would cause the Principal Amount of Portfolio Linked FRNs to be reduced to zero then, on payment of any interest which has accrued on Portfolio Linked FRNs as at the relevant Reduction Date, Portfolio Linked FRNs are taken to have been redeemed in full and Nexus' obligations in respect of Portfolio Linked FRNs are discharged.

The Principal Amount of each Portfolio Linked FRN is reduced by any Interim Repayment Amount payable by Nexus in respect of the Portfolio Linked FRN (see below).

Interim Repayment and Redemption

In respect of each Portfolio Linked FRN, Nexus agrees to repay an amount equal to the current Principal Amount plus any interest which has accrued under the terms of the Portfolio Linked FRN but which has not been paid (in respect of any date, this combined amount is the **Repayment Amount**) on the Redemption Date (see below) unless the Portfolio Linked FRN has been previously redeemed.

The **Redemption Date** will be the earlier of the sixth anniversary of the Issue Date (the **Maturity Date**) and the date which is 2 Business Days after the date on which an Early Redemption Notice (see below for a definition of this term) is given by Nexus (the **Early Redemption Date**) unless, on that date, the calculation of Reduction Amounts is not complete for all Company Events notified to Nexus under the Portfolio Agreement. In these circumstances:

- on that date (the **Interim Repayment Date**), Nexus agrees to repay any portion of the Principal Amount which could not be affected by the undetermined Reduction Amounts (assuming that there are no recoveries on the relevant Defaulted Debt Obligations) (the **Interim Repayment Amount**). The Principal Amount of each Portfolio Linked FRN is reduced by any Interim Repayment Amount; and
- the Redemption Date becomes the earliest of the date which is 30 days after the date on which the last of the Reduction Amounts is calculated (which may be up to a year after the Interim Repayment Date), and the Reduction Date that a Reduction Amount is payable which causes the reduction of the Principal Amount of Portfolio Linked FRNs to zero.

The making of these payments when due discharges the obligations of Nexus in connection with each Portfolio Linked FRN in full, whether or not the sum of the Interim Repayment Amount (if any), the Early Redemption Amount (if any) and the Repayment Amount for a Portfolio Linked FRN is less than its Issue Price.

Early Redemption Events

If either of the following events occurs (each a **Redemption Event**) then Nexus must give a notice to Deutsche Bank, the Note Trustee and the Registrar (an **Early Redemption Notice**):

- following any change in, the making of, any change in the interpretation of, or any change in compliance with any law, official directive or request, Nexus receives an opinion from an independent expert to the effect that the return to Nexus is, or will be, reduced such that it affects the ability of Nexus to meet its payment obligations to Deutsche Bank under the Portfolio Agreement or to all Noteholders; or
- Deutsche Bank gives Nexus a notice that as a result of the introduction or change in any law or regulation of Germany binding on the Deutsche Bank Group, or in the interpretation, implementation or application of any such law or regulation, since the Issue Date, the capital adequacy treatment of the Debt Obligations to which the Deutsche Bank Group is subject (only taking into account any regulatory capital relief obtained as a result of the Portfolio Agreement) is materially less favourable than what it was at the later of the Issue Date and the date that the Deutsche Bank Group first obtained such regulatory capital relief.

The delivery of the Early Redemption Notice leads to redemption of the Portfolio Linked FRNs (see Interim Repayment and Redemption above).

If the second of these Early Redemption Events occurs (the **Regulatory Capital Change**), then on the Interim Repayment Date (if any) and the Redemption Date, Nexus will pay in respect of each Portfolio Linked FRN an additional amount (the **Early Redemption Amount**) calculated by Deutsche Bank under the Portfolio Agreement which is equal to the present value (discounted at the applicable Australian Financial Markets Association mid-market swap rate) of 2.5% per annum for the period between the Early Redemption Date and the Maturity Date. This amount is calculated on the total Principal Amount of Portfolio Linked FRNs ultimately repayable to Noteholders.

Interest

Interest is payable on each Portfolio Linked FRN on the date which is 3 months after the Issue Date and each consecutive 3 monthly date until the Redemption Date (which is the last day on which interest is paid) and on the Interim Repayment Date (if any) (each an **Interest Payment Date**). Until the earlier of the Maturity Date and the Interim Repayment Date (if any), interest is calculated at the aggregate of the 90 Day Bank Bill Rate and 3.25% per annum on the original Principal Amount. If the Portfolio Linked FRNs are not redeemed on such a date, interest for the period until the Redemption Date is calculated at the 90 Day Bank Bill Rate on the Principal Amount immediately after the Interim Repayment Date or Maturity Date (as applicable). Interest accrues daily and is payable quarterly in arrears. Calculations of interest are to be made by Nexus on the basis of the provisions set out in the Note Trust Deed.

Nexus has irrevocably directed Deutsche Bank to pay into an account nominated by the Registrar amounts due to Nexus under the Portfolio Agreement and the Deposit Deed which equal the amount of interest payable on Portfolio Linked FRNs.

Nexus will pay default interest on unpaid amounts under Portfolio Linked FRNs which have become due and payable but only when and to the extent that it receives default interest under the Deposit Deed or the Portfolio Agreement.

Register of Portfolio Linked FRNs

Nexus has agreed to keep an up-to-date register of the holdings of Portfolio Linked FRNs which includes the details of each Noteholder and the number of Portfolio Linked FRNs held by each Noteholder.

The persons whose names are registered as the Noteholders of a Portfolio Linked FRN will be treated as the absolute owners of that Portfolio Linked FRN.

A Noteholder must advise Nexus of any change to the information recorded in the Register.

The record date for each Interest Payment Date is 7 calendar days before that Interest Payment Date.

Nexus is not liable for any mistake in the Register except to the extent the mistake is attributable to its own fraud, gross negligence or wilful default.

Nexus has arranged for the Registrar to maintain the Register on its behalf.

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Transfers of and payments under Portfolio Linked FRNs

Provisions relating to transfers of and payments under Portfolio Linked FRNs are set out in the Master Trust Deed. Payments to Noteholders will be made according to the information recorded in the Register. Transfers and payments in respect of Portfolio Linked FRNs registered on CHES will be made in accordance with the rules and regulations of CHES.

Deductions and withholdings

If a law requires Nexus to deduct an amount in respect of taxes from a payment under a Portfolio Linked FRN such that the Noteholder or the Note Trustee would not actually receive on the due date the full amount provided for under the Portfolio Linked FRN, then Nexus will deduct the amount for the taxes and pay it to the relevant authority. Nexus is not obliged to pay any additional amounts to the Noteholder or the Note Trustee.

Events of Default

Events of Default are described in Section 9.3 below. If an Event of Default occurs, the Note Trustee must call a meeting of the Noteholders as soon as is reasonably practicable and the Note Trustee may, and if directed by an extraordinary resolution of Noteholders, the Note Trustee must, by notice to Nexus declare the Repayment Amount of each Portfolio Linked FRN on the date of the declaration to be immediately due and payable, provided that the Event of Default is subsisting at that time. No Noteholder has the right to make such a declaration. The making of such a declaration does not entitle either the Note Trustee or any Noteholder to take any further action against Nexus except as permitted by the Note Trust Deed and the Master Trust Deed. The Master Trust Deed sets out the further consequences of the occurrence of an Event of Default. Payment of the amount available to Noteholders under the Master Trust Deed discharges Nexus' obligations under Portfolio Linked FRNs.

Noteholders bound

Each Noteholder is bound by the Note Trust Deed and the Master Trust Deed.

Meetings of Noteholders

Meetings of Noteholders are to be conducted in accordance with the Master Trust Deed.

Calculations under Portfolio Linked FRNs

Calculations and determinations of amounts, rates and dates under Portfolio Linked FRNs are made by Nexus. Its determination is final and binding on the Noteholders, unless there is a manifest error. Under the Services Deed (see Section 9.6 below), the Operating Agent may make these calculations and determinations on behalf of Nexus.

9.2 Note Trust Deed

The Noteholders have the benefit of the Note Trust Deed established in relation to Portfolio Linked FRNs. The Note Trust Deed contains the terms and conditions of Portfolio Linked FRNs (as described in Section 9.1) as well as establishing the trust for Noteholders. The Note Trust Deed also varies some of the terms of the Master Trust Deed that apply to Portfolio Linked FRNs, such as the order of the priority of payments. The parties to the Note Trust Deed are Nexus and Permanent.

Permanent is appointed as Note Trustee to hold the following on trust for the Noteholders:

- the right to enforce the obligations of Nexus to pay amounts payable under Portfolio Linked FRNs;
- any amounts that the Note Trustee receives for the Noteholders under the documents entered into by Nexus in connection with Portfolio Linked FRNs (the **Documents**);
- the security rights which the Note Trustee acquires under the Master Trust Deed in respect of amounts owing under Portfolio Linked FRNs; and
- the right to enforce any other duties or obligations of Nexus under Portfolio Linked FRNs, the Note Trust Deed or Chapter 2L of the Corporations Act or to the Noteholders under the other documents in connection with Portfolio Linked FRNs.

Many of the provisions described in Section 9.3 are incorporated into the Note Trust Deed and apply to Permanent in its capacity as Note Trustee. This includes the statutory obligations of the Note Trustee, such as the duty to call meetings of Noteholders in certain circumstances and the limitations on the Note Trustee's liability. The Note Trustee's liability under the Note Trust Deed is limited to the assets of the trust.

9.3 Master Trust Deed

The parties to the Master Trust Deed are Nexus, Permanent and Deutsche Bank.

Multiple series of securities

The Master Trust Deed is designed to apply to multiple issues of securities by Nexus, including the issue of Nexus Yield Bonds and Portfolio Linked FRNs. As such, the Master Trust Deed includes terms, representations and warranties common to various issues of securities that may be made by Nexus. The application of the Master Trust Deed to Portfolio Linked FRNs is varied by the Note Trust Deed.

The Master Trust Deed also provides for the creation of new trusts for future securities issues by Nexus by the execution of further bond or note trust deeds. There is no limit to the number of trusts that may be created nor to the number of series of securities that may be issued by Nexus.

However, Nexus and Permanent are under an obligation to ensure that all proceeds received from each issue of securities are to be recorded, kept and dealt with separately.

The proceeds from, and other assets of Nexus allocated to, one series of securities are not available to meet amounts owing in respect of any other series of securities (despite there being a single charge – see below).

Security arrangements

Under the Master Trust Deed, Permanent is appointed Security Trustee. The Security Trustee is required to hold the benefit of the Master Trust Deed for the secured creditors of Nexus.

A single fixed and floating charge over the assets of Nexus is granted to Permanent as Security Trustee under the Master Trust Deed as security for specified payments to be made by Nexus including amounts owing under Nexus Yield Bonds, the obligations of Nexus in connection with Nexus Yield Bonds, amounts owing under Portfolio Linked FRNs, the obligations of Nexus in connection with Portfolio Linked FRNs and amounts owing in connection with future issues of securities. Some assets of Nexus are excluded from the charge such as goodwill, money of Nexus not related to issues of securities and some future-acquired real property. See Section 9.5.

Nexus provides representations and undertakings to the Security Trustee in the Master Trust Deed.

Rights and obligations of Permanent

The rights and obligations of Permanent in its capacity as Note Trustee and Security Trustee are set out in the Master Trust Deed and the Note Trust Deed.

The Master Trust Deed also limits the responsibility and liability of Permanent when acting as Security Trustee and Note Trustee to the amounts available to it as trustee, except in circumstances where it has acted negligently or fraudulently, or where there has been a gross or wilful breach of its obligations.

Removal and resignation of Permanent

Nexus may, by giving 30 days' notice in writing, remove Permanent as either the Security Trustee or the Note Trustee.

The Noteholders may, by extraordinary resolution, remove Permanent as Note Trustee.

Permanent may retire as Security Trustee or Note Trustee by giving Nexus 30 days' notice in writing. It must immediately retire if an insolvency event has occurred in respect of it in its personal capacity.

However, Permanent's appointment will not cease until an approved replacement trustee has been appointed by Nexus.

Fees, indemnities and expenses

The Master Trust Deed provides that Nexus must pay to Permanent such fees as agreed between them.

Nexus indemnifies Permanent against liabilities, costs, charges and expenses incurred in certain circumstances, and Permanent will be indemnified out of moneys and other property it holds as trustee for all liabilities arising from the exercise or performance of its powers and obligations as Security Trustee or Note Trustee.

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Nexus Events of Default

A Nexus **Event of Default** occurs if:

- Nexus fails to pay any amount due under Portfolio Linked FRNs or other amounts owing under the Documents within 10 Business Days of the due date;
- Nexus fails to perform any other obligation under any Document and that failure is not remediable and Permanent considers that the failure has a material adverse effect on the ability of Nexus to meet its payment obligations under Portfolio Linked FRNs;
- Nexus fails to perform any obligation under any Document (other than a failure as described above) and Nexus has not remedied it within 14 Business Days after being requested by Permanent to do so and the failure has, or is likely to have, a material adverse effect on the ability of Nexus to meet its obligations under the Documents;
- any of a number of defined insolvency-related events occurs in respect of Nexus;
- any Document ceases to be effective in accordance with its terms; or
- any of the representations and warranties made by Nexus in a Document is false and misleading when made or repeated and has, or is likely to have, a material adverse effect on the ability of Nexus to meet its obligations under the Documents.

An event of default in respect of any other series of securities issued by Nexus (including Nexus Yield Bonds) does not, of itself, constitute an Event of Default in respect of Portfolio Linked FRNs.

Consequences of an Event of Default

If an Event of Default occurs then the charge becomes enforceable to the extent that it applies to the property of Nexus referable to Portfolio Linked FRNs (primarily the rights under the Deposit Deed and the Portfolio Agreement).

Permanent must notify Nexus, Deutsche Bank and Computershare and convene a meeting of them to determine what enforcement action is to be taken. As described in Section 9.1, Permanent (as Note Trustee) will also convene a meeting of Noteholders and will represent Noteholders at the meeting with Deutsche Bank and Computershare.

As Security Trustee, Permanent also has the right (but not the obligation) to take separate enforcement action.

The Noteholders are not entitled to enforce the charge or take separate action against Nexus.

After an Event of Default, the Security Trustee will pay the amount recovered on enforcement in the following order:

- to pay amounts owing to the Security Trustee and the Note Trustee;
- to pay any remuneration payable to a receiver appointed to Nexus by the Security Trustee (if any);
- to pay amounts owing to Deutsche Bank under the Deposit Deed and the Portfolio Agreement;
- to pay amounts owing under Portfolio Linked FRNs;
- to pay amounts owing to Deutsche Bank under the Services Deed or to Computershare; and
- any remaining amount is to be paid to Nexus.

This order also applies to money acquired by Nexus prior to an Event of Default, other than money paid to the Registrar, under the Portfolio Agreement and the Deposit Deed (and other payments which are directed to be paid under the Documents).

If at the same time that an Event of Default occurs the requirements for early redemption of Portfolio Linked FRNs described in Section 9.1 are not satisfied and either:

- Deutsche Bank has not paid an amount owing by it under the Deposit Deed or the Portfolio Agreement on the due date and has not remedied the failure to pay; or
- the Portfolio Agreement is terminated early because of the occurrence of any number of defined events related to the insolvency of Deutsche Bank,

then, in the order of payments made by the Security Trustee after the Event of Default, amounts owing under Portfolio Linked FRNs will rank equally with amounts owing to Deutsche Bank under the Deposit Deed and the Portfolio Agreement.

Money or other property of Nexus which is referable to any other securities issued by Nexus is not payable to any person claiming any amount due in respect of Portfolio Linked FRNs.

Limited recourse

Portfolio Linked FRNs and other dealings with Nexus are subject to the limited recourse provisions contained in the Master Trust Deed and Note Trust Deed.

For each Noteholder, this means that if the actual amount available for distribution to the Noteholder under the Master Trust Deed is less than the nominal amount owing to the Noteholder, the payment of the amount available completely discharges Nexus' liability to the Noteholder.

The Noteholder has no further claim or entitlement to be paid the difference between the nominal amount and the available amount and the Note Trustee (on behalf of Noteholders) has waived all claims Noteholders may have against Nexus where Nexus' payment obligations have been discharged.

The terms of the Master Trust Deed and Note Trust Deed also provide that no Noteholder can apply for judgment against Nexus, seek to wind up Nexus, appoint a receiver or administrator to Nexus, enforce against the property of Nexus, exercise rights of set-off or counterclaim against Nexus or issue a statutory demand against Nexus.

Amendment of the Documents

Nexus and Permanent may agree to an amendment of any Document without the consent of the Noteholders if, in the opinion of Permanent the amendment:

- is made to correct an error or it is of a formal, technical or administrative nature;
- is necessary to comply with any applicable law or regulation; or
- is not materially prejudicial to the interests of the Noteholders.

Any amendment to a Document may be agreed upon by Nexus with the authority of a resolution of Noteholders.

9.4 Portfolio Agreement

The Portfolio Agreement is an agreement between Deutsche Bank and Nexus.

Form of the Portfolio Agreement

The Portfolio Agreement is made up of a master agreement and a confirmation, each of which is based on international standard terms developed for use (by the International Swaps and Derivatives Association, Inc.) in transactions of a similar nature to the Portfolio Agreement.

In the master agreement, each party provides a number of standard representations, warranties and undertakings to the other. The master agreement also sets out the circumstances in which either Nexus or Deutsche Bank is entitled to terminate the Portfolio Agreement, whether Nexus or Deutsche Bank is required to make any payments if the Portfolio Agreement terminates and, if so, how those payments are calculated.

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Term of the Portfolio Agreement

The term of the Portfolio Agreement is the same as the term of Portfolio Linked FRNs (including when Portfolio Linked FRNs can be redeemed early or late).

The Portfolio Agreement can be terminated early in certain circumstances (see "Early Termination of the Portfolio Agreement" below).

Debt Obligations

The Portfolio Agreement relates to the **Debt Obligations**. Each Debt Obligation in the Portfolio is a debt obligation (including a partial obligation or a contingent obligation) owed to an entity in the Deutsche Bank Group in respect of the payment of principal, interest and/or fees arising from a loan (including a syndicated loan) or a revolving credit facility or a payment obligation arising under a certificate or note or from a guarantee (including a letter of credit, performance bond, credit guarantee, credit guarantee facility, documentary letter of credit, customs guarantee or other similar instrument) by a corporate or other entity (including a financial institution). A Debt Obligation in the Portfolio must not be a foreign exchange transaction or option. A Debt Obligation must be a senior (secured or unsecured) obligation in respect of borrowed money.

The characteristics of the Debt Obligations included in the Portfolio at the Issue Date are described in Section 5. Additional Portfolio Criteria not set out in Section 5.1 are:

- the weighted average recovery rate for Debt Obligations in the Portfolio (using recovery rates for senior debt obligations of entities established or incorporated in the countries of incorporation of the Portfolio Companies supplied by Standard & Poor's prior to the date of this Prospectus) must be 35% or more;
- at least one Debt Obligation must not be owed to Deutsche Bank (but it may be owed to another member of the Deutsche Bank Group); and
- not more than 25% of Portfolio Companies weighted by the Principal Amount of their Debt Obligations included in the Portfolio have a Standard & Poor's equivalent rating of BBB- (on the Issue Date) or BBB- or below (at any time after the Issue Date).

The Debt Obligations in the Portfolio can change during the term of Portfolio Linked FRNs. The ways in which these changes can occur are:

- by replenishment of the Portfolio (see "Replenishment" below);
- by replacement with another Debt Obligation if the previous Debt Obligation was replaced by way of novation, refinancing or consolidation as a result of a debt restructuring or payment rescheduling which occurs in compliance with the Servicing Standards (see "Servicing" below); or
- by replacement of a short term loan by a longer fixed term loan as contemplated by its terms.

The last two replacements occur automatically and are not made in accordance with (or subject to) the replenishment requirements set out below.

Reference Registry

Deutsche Bank will maintain a registry of the Debt Obligations in the Portfolio in accordance with the Portfolio Agreement (the **Reference Registry**). However, neither Nexus nor any Noteholder is entitled to a copy of the Reference Registry. The Reference Registry will be provided to an internationally recognised accounting firm to be appointed in respect of the Portfolio Agreement (the **Independent Accountant**) and Standard & Poor's each month.

One of the pieces of information recorded in the Reference Registry is the identifier for the **Portfolio Company** in respect of each Debt Obligation. The Portfolio Company is the obligor under the Debt Obligation (whether as principal, as surety or as the provider of an irrevocable financial guaranty insurance policy or similar financial guarantee) shown in the books and records of Deutsche Bank. If there is more than one obligor, then Deutsche Bank chooses which one is the Portfolio Company for that Debt Obligation. The identity of the Portfolio Company can change (for example as the result of a merger or demerger). In this circumstance, the Reference Registry will be changed by Deutsche Bank accordingly. Such a change does not require the satisfaction of the Replenishment requirements set out below.

The portion of the principal amount of each Debt Obligation which is included in the Portfolio will also be recorded in the Reference Registry.

Payments by Deutsche Bank

Deutsche Bank agrees to make payments to Nexus quarterly during the term of the Portfolio Agreement on the same dates that interest is payable on Portfolio Linked FRNs until, and on, the earlier of the Redemption Date and the Interim Repayment Date (if any). The amount of each quarterly payment is calculated by reference to a rate of 5.00% per annum on the initial aggregate Principal Amount. The difference between:

- the sum of these amounts and the interest on the Deposit Amount (see Section 9.5 below); and
 - the interest on Portfolio Linked FRNs,
- is retained by Nexus to pay its costs and expenses.

Deutsche Bank also agrees to pay to Nexus an amount equal to the sum of any Early Redemption Amounts payable on Portfolio Linked FRNs on the Interim Repayment Date (if any) or the Redemption Date.

Payments by Nexus

If there are no Company Events, then Nexus is not required to make any payments to Deutsche Bank under the Portfolio Agreement, except if the Portfolio Agreement terminates early (see "Early Termination of the Portfolio Agreement" and "Payments on early termination" below). Unless the Portfolio Agreement is terminated early, Nexus agrees that, if one or more Company Events happen, then, subject to the total loss amounts exceeding the Protection Amount and the Conditions to Settlement being satisfied (see "Conditions to Settlement" below), it will pay an amount (the **Reduction Amount**, the manner of its calculation is described in "Reduction Amounts" below) to Deutsche Bank. A Reduction Amount is payable on the Redemption Date and, if such a date occurs, the Interim Repayment Date. If Nexus receives a report from the Independent Accountant certifying that there have been sufficient Loss Amounts calculated to cause the Principal Amount of Portfolio Linked FRNs to be reduced to zero, then the next scheduled interest Payment Date is the final Reduction Date. The aggregate limit of the Reduction Amount(s) is equal to the total Principal Amount as at the Issue Date. These amounts will be paid by reducing the balance of the Deposit Account by set-off (see Section 9.5 below).

Company Events

It is a Company Event with respect to a Portfolio Company if any of the following occurs in respect of it during the period from the Issue Date to the earlier of the Business Day before the Maturity Date and the date that an Early Redemption Notice is given:

- **Bankruptcy** – the occurrence of any one of a number of defined events related to the insolvency of the company, including administration, winding up, dissolution, institution of insolvency events, receivership or a general arrangement with creditors; or
- **Failure to Pay** – the failure by the company to make, as and when due, payments in respect of principal, interest or fees in an aggregate amount at least equal to \$10,000 (in the case of a Debt Obligation included in the Portfolio) or US\$1 million (in any other case) or an equivalent amount in another currency under one or more of its Obligations (see below for a definition of this term). This Company Event does not occur until any grace period applicable under the relevant Obligation has expired.

The **Obligations** of a Portfolio Company used for determining whether a "Failure to Pay" has occurred are the relevant Debt Obligations and any other obligations of that Portfolio Company (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (including deposit and reimbursement obligations arising from drawings under letters of credit). An Obligation can be owed by a Portfolio Company as principal, guarantor (provided the guarantee is irrevocable and in writing) or as the provider of an irrevocable financial guaranty insurance policy or similar financial guarantee.

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Deutsche Bank is responsible for determining if a Company Event has occurred. In order to then exercise its rights under the Portfolio Agreement, Deutsche Bank must satisfy the Conditions to Settlement described below.

Conditions to Settlement

If a Company Event occurs, then Nexus may be required to make a payment to Deutsche Bank under the Portfolio Agreement only if the **Conditions to Settlement** are satisfied. These are that Deutsche Bank must give Nexus a notice no later than 60 Business Days after Deutsche Bank becomes aware of the occurrence of that Company Event containing various information, including a description of that Company Event and a notice containing either publicly available information which confirms any of the facts relevant to determining whether that Company Event has occurred or written confirmation from a firm of independent accountants that there are reasonable grounds for determining that the Company Event occurred.

The last day that these notices can be given is the earlier of the Business Day before the Maturity Date and the date that an Early Redemption Notice is given. If the Conditions to Settlement are satisfied for a Debt Obligation then it becomes a **Defaulted Debt Obligation**.

Work out and sale process

Defaulted Debt Obligations in the Portfolio will be subject to a work out and sale process conducted by a DB Servicer or a third party agent bank or financial institution. The DB Servicer must conduct its responsibilities in accordance with the Servicing Standards (see "Servicing" below) and Deutsche Bank's established procedures applicable to obligations that are similar in type to the relevant Defaulted Debt Obligation, irrespective of whether such obligations are subject to credit default protection. The DB Servicer will continue to apply those procedures until the date when it has either approved the sale of the relevant Defaulted Debt Obligation or determined in accordance with its established procedures that the work out process for the relevant Defaulted Debt Obligation is complete (either because the relevant Defaulted Debt Obligation has been written-off or because a formal work out process for the Defaulted Debt Obligation has been completed).

Whilst the work out or sale process is being undertaken for a Defaulted Debt Obligation, Deutsche Bank will provide quarterly estimates of the Final Price (see "Final Price and Loss Amount" below) to Nexus unless Deutsche Bank reasonably believes that there is insufficient information to provide a commercially reasonable estimate. Such estimates are non-binding and there may be a significant difference between the estimate and the Final Price (as defined below) finally calculated for a Defaulted Debt Obligation.

Loss Allocation Conditions

If a Company Event occurs and the Conditions to Settlement are satisfied, Deutsche Bank will determine whether the following conditions (the **Loss Allocation Conditions**) have been satisfied for the relevant Defaulted Debt Obligation:

- the Defaulted Debt Obligation was either validly included in the Portfolio on the Issue Date or was otherwise validly included in the Portfolio;
- all amounts of principal that Deutsche Bank reasonably expects to be recovered under the Defaulted Debt Obligation have been received; and
- the Servicing Standards (described in "Servicing" below) were complied with in relation to the Defaulted Debt Obligation.

If Deutsche Bank determines that the Loss Allocation Conditions have been satisfied, it must certify that fact to Nexus and calculate the Final Price and the Loss Amount for the relevant Defaulted Debt Obligation (see "Final Price and Loss Amount" below).

If Deutsche Bank determines that the Loss Allocation Conditions for a Defaulted Debt Obligation have not been satisfied, then Deutsche Bank will not calculate any Final Price or Loss Amount for that Defaulted Debt Obligation until the conditions are satisfied or will remove the Defaulted Debt Obligation from the Portfolio.

Final Price and Loss Amount

The **Final Price** is the percentage of the principal which was outstanding under the relevant Defaulted Debt Obligation at the time of the relevant Company Event which has been recovered by the time that the work out or sale of that Defaulted Debt Obligation is complete. If the work out or sale is not complete by 30 days before the Redemption Date (if it has been extended to the latest possible date), then the Final Price is taken to be 100% (ie total recovery).

In determining the Final Price:

- any principal foregone as part of a restructuring of the Defaulted Debt Obligation after the Company Event will be taken to comprise principal outstanding that was not recovered;
- the market value of any securities or other obligations received after the Company Event pursuant to any restructuring, settlement or proceeding affecting the Defaulted Debt Obligation will be taken into account;
- no account will be taken of any accrued interest, fees, expenses, internal costs or other amounts not recovered or paid or any losses attributable to fluctuations in exchange rates nor of restructuring costs incurred prior to the Company Event;
- the proceeds of enforcement of any security with respect to the Defaulted Debt Obligation will be allocated equally to the Defaulted Debt Obligation and any other obligation which is secured by the same security (unless a different allocation has been made for regulatory purposes);
- the proceeds of repayment received in respect of the Defaulted Debt Obligation will be shared equally between the Defaulted Debt Obligation and the other obligations of the relevant Portfolio Company which rank pari passu with it (unless a different allocation is required by law); and
- to the extent that any Deutsche Bank entity has an exposure to the Defaulted Debt Obligation, the recovery value will not be affected by any insurance, credit protection or risk sharing arrangements with entities other than the Portfolio Company or other obligors under the Debt Obligation or any rights of set-off, netting or combination of accounts (unless any such arrangement part of a security enforced in respect of the Defaulted Debt Obligation).

The **Loss Amount** for a Defaulted Debt Obligation is the Defaulted Notional Amount multiplied by the difference between 100% and the Final Price for that Defaulted Debt Obligation (which cannot be more than 100%).

The **Defaulted Notional Amount** for a Defaulted Debt Obligation is equal to the lesser of:

- the portion of its principal amount which is included in the Portfolio; and
- the Australian dollar equivalent (converted at the relevant foreign exchange rate recorded in the Reference Registry) of the drawn amount under the Defaulted Debt Obligation, as shown in Deutsche Bank's books and records,

in each case, as at the date that the relevant Company Event occurred.

The calculations of the Loss Amount are made separately for each Defaulted Debt Obligation. Once a Loss Amount is calculated, no further events in respect of that Defaulted Debt Obligation affect any payments made between Deutsche Bank and Nexus under the Portfolio Agreement.

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Reduction Amounts

If one or more Company Events have occurred in respect of Portfolio Companies, the Conditions to Settlement have been satisfied, the Loss Allocation Conditions have been satisfied and Final Prices and Loss Amounts have been calculated, then a Reduction Amount can become payable on the Redemption Date and, if one occurs, on the Interim Repayment Date.

The Reduction Amount payable on an Interim Repayment Date, or on the Redemption Date if there is no Interim Repayment Date, is calculated by:

- adding together all of the Loss Amounts which have been calculated on or before that date and in respect of which the Loss Allocation Conditions have been satisfied; and
- subtracting the Protection Amount,

provided that the maximum aggregate Reduction Amount is equal to the aggregate Principal Amount of Portfolio Linked FRNs.

If an Interim Repayment Date occurs, the Reduction Amount payable on the Redemption Date is calculated as at that date in the same manner as the Reduction Amount payable on the Interim Repayment Date provided that, if the sum of the Loss Amounts which have been calculated since the Interim Repayment Date is a lesser amount, then that lesser amount is the Reduction Amount.

Servicing

It is a Loss Allocation Condition in relation to a Defaulted Debt Obligation that Deutsche Bank has complied with the **Servicing Standards** in dealing with that Debt Obligation. The Servicing Standards are satisfied in relation to a Debt Obligation if:

- (a) to the extent that the Debt Obligation is serviced by a DB Servicer, that DB Servicer services that Debt Obligation in accordance with the standard credit and collection policies adopted by Deutsche Bank from time to time for corporate and institutional lending (subject to the servicing conditions under the relevant transaction documentation); and
- (b) to the extent that the Debt Obligation is serviced by a third party, a DB Servicer monitors in accordance with the standard credit and collection policies adopted by Deutsche Bank from time to time for corporate and institutional lending that the Debt Obligation is serviced in accordance with the relevant transaction documentation,

in each case subject to the following principles:

- (i) in administering, collecting and enforcing the Debt Obligations in the Portfolio, each DB Servicer will at all times act (to the extent permissible under the relevant transaction documentation) as a reasonable creditor in the protection of its own interests acting reasonably in accordance with its general business practices;
- (ii) each DB Servicer will take all measures it deems necessary or appropriate in its professional judgment to service the relevant Debt Obligations which are necessary to comply with supervisory requirements and will refrain from acting when so required by applicable law, regulations or a competent regulator; and
- (iii) each DB Servicer may delegate any of its duties to other persons provided that it remains responsible for the performance of those duties. Each DB Servicer may retain outside consultants and experts as it thinks fit provided that the DB Servicer monitors the performance of the consultants and experts with the care of a prudent bank.

Replenishment

A Replenishment to the Portfolio may be made only during the period from and including the Issue Date to and including the earlier of the date which is 3 months before the Maturity Date and the date that an Early Redemption Notice is given. Each month during this period, Deutsche Bank will:

- calculate the relevant Australian dollar foreign exchange rate for each foreign currency in which a Debt Obligation is denominated. This rate will be determined on the basis of mid-market foreign exchange rates as set by Deutsche Bank for its own foreign exchange transactions pursuant to its standard internal procedures;
- choose whether to reset any of the foreign exchange rates recorded in the Reference Registry to reflect any difference between the previously recorded foreign exchange rate and the newly calculated foreign exchange rate. If Deutsche Bank chooses to do so and the change reflects a depreciation in the foreign currency, then it may reduce the principal amount in the Portfolio of each Debt Obligation (other than a Defaulted Debt Obligation) denominated in that foreign currency;
- choose whether to reduce the amount of the principal amount of any Debt Obligation included in the Portfolio:
 - which has become a Defaulted Debt Obligation during the last month, to the Australian dollar equivalent of the amount of principal owing under that Debt Obligation if it is less than the current amount of the principal amount of the Debt Obligation included in the Portfolio;
 - which has been included in the Portfolio in a manner that does not comply with the requirements for inclusion but only to the extent of non-compliance with the requirements for inclusion; or
 - as the result of any reduction in principal amount of the Debt Obligation or irrevocable reduction in the undrawn commitment;
- remove any Debt Obligations in the Portfolio in respect of which a Loss Amount has been calculated (each a **Liquidated Debt Obligation**) and any Debt Obligations in the Portfolio in respect of which it determines that the Loss Allocation Conditions cannot be satisfied;
- choose whether to reduce the amount of the principal amount included in the Portfolio of, or remove the undrawn portion of, any Debt Obligation which is a credit facility which had an original maturity of less than 365 days;
- recalculate the total principal amount of Debt Obligations in the Portfolio (the **Portfolio Amount**) and the Maximum Portfolio Size;
- elect whether to replenish the Portfolio to the extent that the Maximum Portfolio Size is more than the Portfolio Amount by either:
 - increasing the principal amount of any Debt Obligation already in the Portfolio; or
 - adding an obligation as a new Debt Obligation to the Portfolio; and
- amend the Reference Registry to reflect any changes made.

In order for a Replenishment to be validly made to the Portfolio by the addition of a new Debt Obligation or an increase in the weighting of an existing Debt Obligation:

- the relevant Debt Obligation must satisfy the Debt Obligation Eligibility Criteria; and
- the addition or increase must not cause the Portfolio to not satisfy the Portfolio Criteria unless the Portfolio already did not satisfy the Portfolio Criteria in which case the addition or increase must not worsen the extent of that existing non-compliance.

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These two requirements are the **Replenishment Conditions**. A purported Replenishment which does not comply with these conditions is void but only to the extent of the principal amount of the Debt Obligation associated with such non-compliance. Deutsche Bank will correct the Reference Registry on it becoming aware of such non-compliance so that it does not record the effect of the purported Replenishment to the extent it is void. However, if such a correction would also retroactively cause subsequent replenishments not to comply with the Replenishment Conditions, then these subsequent Replenishments need not be corrected in the same manner and remains effective.

In addition Deutsche Bank must not replenish the Portfolio unless the credit rating of Portfolio Linked FRNs following the replenishment (calculated in accordance with Standard & Poor's trading model) is:

- BBB or better; or
- if it is lower than BBB, not lower than it was immediately before the Replenishment.

Independent Accountant's Reports

The Independent Accountant will provide the following reports to Nexus throughout the term of the Portfolio Agreement:

■ Initial Reference Portfolio Report:

This report is required to be provided within 60 days of the Issue Date and confirms whether:

- relevant information in the Reference Registry is consistent with information sourced from Standard & Poor's;
- on the basis of the information in the Reference Registry, as of the Issue Date:
 - each Debt Obligation had an internal Deutsche Bank rating equivalent to a Standard & Poor's rating of BBB- or better and, if it is rated by Standard & Poor's, a Standard & Poor's rating of BBB- or better;
 - each Portfolio Company was incorporated in a country having an S&P Sovereign Long Term Foreign Currency Rating of at least A-;
 - the weighting of each Debt Obligation in the Portfolio, when added to the weighting of each other Debt Obligation in the Portfolio which has a Portfolio Company in the same corporate group is not more than:
 - 1.65% of the Maximum Portfolio Size, if the S&P Equivalent Rating of the Company with the largest weighting is at least BBB; or
 - 1.50% of the Maximum Portfolio Size, if the S&P Equivalent Rating of the Company with the largest weighting is BBB-; and
- the Portfolio satisfied the Portfolio Criteria.

■ **Semi-annual Report:** This report is required to be provided within 30 days of the end of each semi-annual period (each a **Semi-annual Period**). The report is based on the information in the Reference Registry and information sourced from Standard & Poor's and:

- attaches a report of the stratification of the Portfolio and confirms whether it is consistent with the Independent Accountant's recalculations;
- contains certain information on the Defaulted Debt Obligations and the Liquidated Debt Obligations in the Portfolio;
- confirms, in relation to each Debt Obligation which was subject to a Replenishment or became a Defaulted Debt Obligation during that Semi-annual Period, whether, at the time that the Debt Obligation was included in the Portfolio or its weighting was increased:
 - the Debt Obligation had an internal Deutsche Bank rating equivalent to a Standard & Poor's rating of BBB- or better, and if it is rated by Standard & Poor's, a Standard & Poor's rating of BBB- or better;
 - the Portfolio Company was incorporated in a country having an S&P Sovereign Long Term Foreign Currency Rating of at least A-;

■ the weighting of the Debt Obligation in the Portfolio, when added to the weighting of each other Debt Obligation in the Portfolio which has a Portfolio Company in the same corporate group is not more than:

– 1.65% of the Maximum Portfolio Size, if the S&P equivalent rating of the Portfolio Company with the largest weighting is at least BBB; or

– 1.50% of the Maximum Portfolio Size, if the S&P equivalent rating of the Portfolio Company with the largest weighting is BBB-;

■ it did not cause the Portfolio to not comply with the Portfolio Criteria or, if the Portfolio already did not comply, worsen the extent of the non-compliance; and

■ confirms whether each Loss Amount and Reduction Amount calculation made during that Semi-annual Period has been calculated in accordance with their definitions in the Portfolio Agreement.

■ **Quarterly Report:** This report is required to be produced within 30 days of the end of the first quarter of each Semi-annual Period. It confirms the same matters as the Semi-annual report but on the basis of the information in the Reference Registry only.

■ **Termination Date Report:** If an Interim Repayment Date occurs, this report is required to be produced within 15 days of the Redemption Date and confirms whether each Loss Amount and Reduction Amount calculation made during the period since the first Reduction Date has been calculated in accordance with their definitions in the Portfolio Agreement.

If a report described above states that:

■ the inclusion of, or increase in the weighting of, a Debt Obligation in the Portfolio was not in compliance with the terms of the Portfolio Agreement then the inclusion or relevant part of the weighting of the Debt Obligation is taken to have never occurred and Deutsche Bank will amend the Reference Registry accordingly; and

■ the calculation of a Loss Amount or a Reduction Amount has been incorrectly made, then Deutsche Bank will recalculate those amounts, make any adjustments to other amounts which are necessary following the recalculation, and pay to Nexus an amount equal to any overpayment by Nexus or underpayment by Deutsche Bank which has occurred as a result of the miscalculation.

Certain of the Debt Obligation Eligibility Criteria are not covered by the above independent Accountant's reports as they are not susceptible to verification by them. The criteria not covered are those relating to the obligations being Debt Obligations which are senior obligations originally approved under Deutsche Bank's standard credit policies and guidelines, legal enforceability and validity and the absence of a Company Event.

Deutsche Bank certificate

Deutsche Bank will also provide Nexus with a semi-annual certificate as to the correlation between the information in the Reference Registry and the information in Deutsche Bank's loan booking and credit administration systems.

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Early termination of the Portfolio Agreement

If certain events happen, either Deutsche Bank or Nexus is entitled to terminate the Portfolio Agreement before its scheduled maturity. Deutsche Bank is entitled to terminate the Portfolio Agreement if:

- a Nexus Event of Default happens (see Section 9.3 above) and is continuing; or
- the Master Trust Deed ceases to be enforceable.

Nexus is entitled to terminate the Portfolio Agreement if:

- Deutsche Bank fails to make payment when due and payable under the Portfolio Agreement and such failure is not remedied within 10 Business Days; or
- any of a number of defined events related to the insolvency of Deutsche Bank occurs.

Either Nexus or Deutsche Bank can terminate the Portfolio Agreement if the performance of any obligation of either party under the Portfolio Agreement, the Master Trust Deed or the Deposit Deed would be unlawful (after certain efforts have been made to avoid the illegality). Deutsche Bank may terminate the Portfolio Agreement if it receives a payment under the Portfolio Agreement from which an amount is required to be deducted or withheld on account of any tax. However, Deutsche Bank may not exercise this right unless Nexus or the Operating Agent is satisfied that Noteholders will be repaid in full the then current Principal Amount and outstanding interest.

Payments on early termination

If the Portfolio Agreement is terminated early, then the payments required to be made by Deutsche Bank and Nexus under the Portfolio Agreement are replaced with an obligation by one of them to pay to the other a termination amount.

The termination amount is calculated in accordance with the terms of the Portfolio Agreement by reference to the loss (or gain) suffered by the party who terminated the Portfolio Agreement as a result of the termination. If a loss is calculated, then the other party pays this amount to the terminating party; if a gain is calculated, then the terminating party pays this amount to the other party.

The amount payable by one party to the other following the early termination of the Portfolio Agreement may be more or less than the amounts which would have otherwise been payable under the Portfolio Agreement. It could also lead to an Event of Default (if one has not already occurred). If an Event of Default has not occurred and the termination amount is payable to Deutsche Bank, it is paid to Deutsche Bank by way of set-off against the Deposit Account (see Section 9.5). This right to payment under the Portfolio Agreement on its early termination is in addition to other rights the parties may have.

A defaulting party must also indemnify the other for the other's expenses.

Other matters

Although it is necessary that there be a shortfall in recoveries under a Defaulted Debt Obligation in the Portfolio for a Reduction Amount to arise, in order for Deutsche Bank to be paid a Reduction Amount, it need not provide any evidence of any loss actually suffered by the Deutsche Bank Group as a result of the occurrence of a Company Event other than as expressly stated in the Prospectus. The Portfolio Agreement does not create a direct or indirect interest in any obligations of any Portfolio Company in the Portfolio. Each of Nexus and Deutsche Bank may deal with any Portfolio Company and may engage in any kind of commercial or investment banking or other business with a Portfolio Company.

When making calculations under the Portfolio, Deutsche Bank is required to act in good faith and in a commercially reasonable manner. However, in making these calculations, Deutsche Bank is not acting as a fiduciary for, or as an advisor to, Nexus.

Deutsche Bank's obligations described in this Section 9 are to Nexus and it provides no service to, and undertakes to perform no obligations in favour of, the Noteholders.

Neither Nexus nor any Noteholder has any right to inspect any of the books or records of Deutsche Bank.

9.5 Deposit Deed

The Deposit Deed is between Nexus and Deutsche Bank. It contains the provisions relating to the establishment, operation and use of the Deposit Account.

Deposit Account

After the issue of Portfolio Linked FRNs, Nexus will deposit the proceeds from the issue into a Deposit Account held with Deutsche Bank.

Interest

Deutsche Bank agrees to pay Nexus interest on the balance of the Deposit Account at the 90 Day Bank Bill Rate. Interest will not be credited to the Deposit Account and will be paid to Nexus or the Registrar at the direction of Nexus.

Interest accrues daily and is calculated in the same manner to that used for the calculation of interest under Portfolio Linked FRNs.

Withdrawals from the Deposit Account

As a general matter, Nexus may not withdraw, and Deutsche Bank will not repay, any money deposited in the Deposit Account until all the present and future amounts which are or may become payable by Nexus to Deutsche Bank in connection with the Portfolio Agreement (the **Portfolio Agreement Amounts**) have been paid in full.

Interim Repayment Amount

If Nexus is required to pay an Interim Repayment Amount under Portfolio Linked FRNs (and an Event of Default has not occurred), then Deutsche Bank agrees to pay from the balance of the Deposit Account to Nexus on the Interim Repayment Date an amount sufficient to pay the Interim Repayment Amount of all of the Portfolio Linked FRNs.

Excess amounts

If an Event of Default has not occurred, then on the Redemption Date or the date that a termination amount is payable if the Portfolio Agreement is terminated early, Deutsche Bank agrees to pay to Nexus an amount being the balance of the Deposit Account less the amount which Deutsche Bank has, or is entitled to, set off against it as described below. The remainder of the Deposit Account (if any) remains subject to the terms of the Deposit Deed.

Right of set-off – Reduction Amounts

If an Event of Default has not occurred and the Portfolio Agreement has not been terminated early, then on each Reduction Date an amount of money in the Deposit Account equal to the lesser of the relevant Reduction Amount and the balance of the Deposit Account will be set off against the relevant Reduction Amount owing under the Portfolio Agreement. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

Right of set-off – Redemption

If an Event of Default has not occurred, then on the Redemption Date or the date that a termination amount is payable if the Portfolio Agreement is terminated early, an amount of money in the Deposit Account equal to the lesser of the Portfolio Agreement Amounts and the balance of the Deposit Account will be set off against the Portfolio Agreement Amounts. Deutsche Bank is irrevocably released from its obligation to repay the deposit to the extent of the set-off.

Application of Deposit Account – Event of Default

If an Event of Default occurs, then Deutsche Bank can, but does not have to, notify Nexus that money in the Deposit Account has become due and payable. If Deutsche Bank gives this notice to Nexus, any money in the Deposit Account will be paid by Deutsche Bank to Nexus to be allocated by the Security Trustee in the manner described in Section 9.3.

Undertakings and indemnities

Nexus has made representations and given undertakings to Deutsche Bank in connection with the Deposit Account (including an undertaking not to deal with the Deposit Account except as permitted under the Documents).

Nexus indemnifies Deutsche Bank against any costs, loss or liability arising in connection with the Deposit Account or the Deposit Deed.

Recourse by Deutsche Bank to Nexus in respect of this indemnity is limited to the amounts available to pay it in accordance with the limited recourse provisions of the Master Trust Deed.

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9.6 Services Deed

The Services Deed is between Nexus, Permanent and Deutsche Bank. It contains the provisions relating to the appointment and function of Deutsche Bank as Custodian and Operating Agent.

Appointment of Custodian

Deutsche Bank is appointed as the Custodian of the authorised investments and money of Nexus. This does not include the Deposit Account, which is held by Deutsche Bank as deposit bank under the Deposit Deed (see Section 9.5 above). As Custodian, Deutsche Bank must keep records which show to which series of securities the authorised investments and money of Nexus which it holds are referable.

Appointment of Operating Agent

Deutsche Bank is appointed as Operating Agent by Nexus to carry on Nexus' day to day administration.

Despite the appointment of Deutsche Bank as Operating Agent, the directors of Nexus retain the power to make decisions and direct how the business affairs of Nexus will be conducted.

Payment of Nexus' expenses

As Operating Agent, Deutsche Bank agrees to pay, on behalf of Nexus, any establishment expenses and the general operating expenses of Nexus and the fees of the Note Trustee, Security Trustee and Registrar (until an Event of Default happens). Nexus will reimburse Deutsche Bank when funds are available to it in respect of the Portfolio Linked FRNs.

Delegation of responsibility

Deutsche Bank may discharge its obligations as Custodian or Operating Agent by acting through delegates.

Interested dealings

Deutsche Bank, or any of its related parties or associates, may enter into transactions with a Noteholder, another secured creditor of Nexus, Nexus or any other person.

Liability of Operating Agent

In acting as Operating Agent, Deutsche Bank is not liable for any loss or liability of Nexus in connection with the credit performance, market value or recovery value of any assets or obligations in connection with the Portfolio Agreement.

Custodian as agent for the Security Trustee

In certain circumstances, the Custodian may act on behalf of the Security Trustee instead of Nexus. In these circumstances the Security Trustee is not liable for any act or omission of the Custodian.

Removal and resignation

Nexus may remove Deutsche Bank as Operating Agent by 12 months' notice and as Custodian by 30 days' notice. If Deutsche Bank fails to perform its obligations it may be removed by Nexus after 14 days' notice of the failure has been given.

Deutsche Bank may retire as either Operating Agent or Custodian by giving at least 30 days' notice. Deutsche Bank will retire if it becomes subject to specified insolvency related events.

The removal or retirement of Deutsche Bank is not effective until a replacement has been appointed by Nexus.

Fees

Nexus agrees to pay Deutsche Bank a fee for acting as Custodian and Operating Agent as may be agreed between them from time to time. If Nexus does not have sufficient funds available to pay those fees then they are deferred until such time as Nexus has sufficient funds available to it in respect of the Portfolio Linked FRNs.

Indemnity for costs and expenses

Nexus agrees to pay or reimburse Deutsche Bank for its reasonable costs and expenses in connection with the execution and enforcement of the Documents and any duties and registration fees payable in respect of the Documents. Nexus also indemnifies Deutsche Bank against its losses, costs and liabilities if Nexus breaches its obligations or representations to Deutsche Bank.

Recourse by Deutsche Bank to Nexus in respect of this indemnity is limited to the amounts available to pay it in accordance with the limited recourse provisions of the Master Trust Deed.

9.7 Distribution Deed

The Distribution Deed is between Nexus and Deutsche Bank and under it Deutsche Bank is appointed as Arranger to the Offer.

As Arranger, Deutsche Bank may:

- determine the timetable for the Offer;
- determine whether and to what extent the right to accept over-subscriptions will be exercised;
- determine the manner of distribution of this Prospectus and other material in connection with the Offer;
- decide on the allocation of Portfolio Linked FRNs amongst applicants under the Offer; and
- direct Nexus not to proceed with the Offer or withdraw the Offer.

Deutsche Bank may appoint sub-distributors to lead manage or co-manage the Offer and enter into firm commitments with other persons (including Deutsche Bank acting in a capacity other than as Arranger and related entities of Deutsche Bank) in relation to subscriptions for Portfolio Linked FRNs.

Nexus and Deutsche Bank each give indemnities in connection with the performance of their obligations under the Distribution Deed.

Deutsche Bank receives no fees under the Distribution Deed.

Deutsche Bank may at any time, at its absolute discretion, terminate its obligations under the Distribution Deed.

9.8 Other

If a date referred to in this Section 9 (with limited exceptions) is not a Business Day then it will be adjusted to be the next following Business Day.

Words used and not defined in this Section can be found in the Glossary.

9.9 Incorporation of documents by reference

The Note Trust Deed and Master Trust Deed described in Sections 9.2 and 9.3 are incorporated by reference in accordance with the Corporations Act.

Copies of the Note Trust Deed and the Master Trust Deed will be provided free of charge to any person who asks for it during the Offer Period by calling the information line on 1800 624 912 (Monday to Friday 8:30am to 5:30pm Sydney time).

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regulatory information

10.1 ASX waiver

Nexus obtained a waiver from condition 3 of Listing Rule 1.8 so that Nexus did not need to have net tangible assets of at least \$10 million at the time of admission to the official list of ASX.

10.2 Interests of directors of Nexus

Directors of Nexus are not required to hold Portfolio Linked FRNs. No director of Nexus is, as of the date of this Prospectus, a beneficial holder of any Portfolio Linked FRNs. However, directors of Nexus may acquire Portfolio Linked FRNs under this Prospectus.

The fees paid or payable to each of the three directors, Richard Nettleton, Douglas William O'Neill and Stephen Treanor, for acting as a director of Nexus are \$25,000 per annum plus:

- \$10,000 per issue of securities by Nexus (excluding the issue of Nexus Yield Bonds) at the time of issue; and
- \$5,000 per annum for each issue of securities by Nexus for the life of the issue (excluding Nexus Yield Bonds).

Richard Nettleton is a consultant to, and former partner of, Mallesons Stephen Jaques. He receives some payments out of profits as a retired partner and as a consultant receives remuneration at normal commercial rates.

Each of the directors will have the benefit of an indemnity insurance policy for liabilities incurred as a director of Nexus.

10.3 Interests and fees

No director of Nexus has, and no person named in this Prospectus as having performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has:

- had any interest at any time during the past 2 years in the formation or promotion of Nexus, or in the transactions entered into by Nexus or in the Offer; or
- been paid or agreed to be paid, or received or agreed to receive any benefit either to induce the director to become, or to qualify as a director, of Nexus or for services provided in connection with the formation or promotion of Nexus or the Offer,

except as set out in this Prospectus.

Mallesons Stephen Jaques has acted as legal advisers to Nexus and Deutsche Bank in connection with the Offer and is entitled to receive approximately \$575,000 (exclusive of GST) for these services up to the date of this Prospectus.

Deutsche Bank has performed the roles in relation to the Prospectus as described in Section 9. It has received, or is entitled to receive to the extent of available funds, the following:

- payments from Nexus under the Portfolio Agreement (which include any payments following the occurrence of a Company Event as described elsewhere in this Prospectus) and the Deposit Deed as described in Sections 9.4 and 9.5; and
- a fee equivalent to 1% per annum of the outstanding Principal Amount of Portfolio Linked FRNs for providing custodial and operating agency services as described in Section 9.6.

Deutsche Bank is entitled to receive similar payments from Nexus under the Portfolio Agreement dated 31 October 2002 and Deposit Deed dated 31 October 2002, each relating to the issue of Nexus Yield Bonds, together with 1% per annum of the principal amount of Nexus Yield Bonds for providing custodial and operating agency services in connection with Nexus Yield Bonds.

The Lead Manager and Co-Managers are entitled to be paid fees by Deutsche Bank out of Deutsche Bank's own funds.

10.4 Consents to be named

Each of the parties named below (referred to as Consenting Parties):

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based other than as specified in Section 10.5 below;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or as specified in Section 10.5 below; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus.

10.5 Consents to the inclusion of information

Mallesons Stephen Jaques has given, and has not before the lodgement of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of its taxation opinion in Section 8 in the form and context in which it is included. Except with respect to its taxation opinion, Mallesons Stephen Jaques has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

Deutsche Bank has given, and has not before the lodgement of this Prospectus with ASIC withdrawn, its written consent for the inclusion in this Prospectus of the information in Sections 1.7, 2.2, 2.3, 2.11, 5.2, 5.3, 7.3, and 7.5 concerning Deutsche Bank each in the form and context in which they are included. Except with respect to the information referred to above, Deutsche Bank has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

Standard & Poor's has given, and has not before the lodgement of this Prospectus with ASIC withdrawn, its written consent to the inclusion in this Prospectus of references to its ratings on the Front Cover, the Important Information section, pages 4, 5 and 83 and in Sections 1.1, 1.5, 1.7, 1.8, 2.2, 2.11, 2.12, 2.14, 2.19, 2.21, and 5.3 and statements about the rating assigned to Portfolio Linked FRNs and the rating of Portfolio Companies, each in the form and context in which they are included. Except with respect to its ratings, Standard & Poor's has made no statement included in this Prospectus or on which a statement made in this Prospectus is based.

10.6 Consents of Directors

Each director of Nexus has given, and not withdrawn as of the date of this Prospectus, their consent to the lodgement of this Prospectus.

Role	Consenting party
Arranger	Deutsche Bank AG
Security Trustee and Note Trustee	Permanent Nominees (Aust.) Ltd
Registrar	Computershare Investor Services Pty Limited
Auditor	KPMG
Legal Advisers	Mallesons Stephen Jaques
Standard & Poor's	Standard & Poor's (Australia) Pty Limited
Lead Manager	Grange Securities Limited
Co-Managers	ABN AMRO Morgans Limited
	Montagu Stockbrokers Pty Ltd

glossary

Term	Definition
If a date referred to in this Glossary is not a Business Day then it will be adjusted to be the next following Business Day.	
90 Day Bank Bill Rate	The average mid rate for 90 day bank bills of exchange, as shown on Reuters' "BBSW" page, set on the first day of the relevant quarterly interest period. If no such rate is displayed or there is an obvious error in it, the rate will be the equivalent mid rate set by Deutsche Bank in good faith.
Affiliate	<p>In relation to a person, any entity:</p> <ul style="list-style-type: none"> ■ controlled, directly or indirectly, by the person; ■ that controls, directly or indirectly, the person; or ■ directly or indirectly under common control with the person. <p>For this purpose "control" of an entity or person means ownership of a majority of the voting power of the entity or person.</p>
Application	A valid application made on the conditions set out in this Prospectus by using an Application Form to apply for a specified number of Portfolio Linked FRNs.
Application Form	The application form which is attached to, or accompanying, this Prospectus on which an offer to subscribe for Portfolio Linked FRNs is made.
Arranger	Deutsche Bank.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
Business Day	A day on which commercial banks and foreign exchange markets are generally open to settle payments in Sydney.
CHESS	Clearing House Electronic Subregister System operated by an associate of ASX.
Closing Date	The last day on which Application Forms will be accepted.
Co-Managers	<p>ABN AMRO Morgans Limited (ABN 49 010 669 726).</p> <p>Montagu Stockbrokers Pty Ltd (ABN 46 009 368 432).</p>
Company Event	The events described in Section 9.4, being "Bankruptcy" and "Failure to Pay" in respect of a Portfolio Company.
Computershare	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Corporations Act	Corporations Act 2001 (Cwth).
Custodian	Deutsche Bank or such other person appointed by Nexus from time to time to act as custodian.

Term	Definition
DB Servicer	A member of the Deutsche Bank Group appointed to conduct or monitor a work out or sale of a Debt Obligation in the Portfolio. See Section 6.5.
Debt Obligation	A debt obligation (including a partial obligation or a contingent obligation) owed to an entity in the Deutsche Bank Group in respect of the payment of principal, interest and/or fees arising from a loan (including a syndicated loan) or a revolving credit facility or a payment obligation arising under a certificate or note or from a guarantee (including a letter of credit, performance bond, credit guarantee, credit guarantee facility, documentary letter of credit, customs guarantee or other similar investment) by a corporate or other entity (including a financial institution).
Debt Obligation Eligibility Criteria	The criteria described in Sections 5.1 and 9.4.
Deposit Account	The account opened with Deutsche Bank in Nexus' name into which the proceeds from the issue of Portfolio Linked FRNs are deposited.
Deposit Bank	Deutsche Bank.
Deutsche Bank	Deutsche Bank AG (ABN 13 064 165 162).
Deutsche Bank Group	Deutsche Bank and its Affiliates.
Early Redemption Date	The date which is two Business Days after Nexus gives notice of a Redemption Event. See Section 9.1.
Extended Payment Date	The date on which the last payment of Principal Amount of Portfolio Linked FRNs is made if repayment of Portfolio Linked FRNs is extended beyond the Maturity Date or any Early Redemption Date. See Section 6.9.
GST	Goods and Services Tax, a tax levied by the Australian Federal Government.
investment grade	See Sections 1.7 and 2.11 for an explanation of this term.
Issue Date	The date on which Portfolio Linked FRNs are allotted to successful applicants.
Issue Price	\$100 per Portfolio Linked FRN.
Lead Manager	Grange Securities Limited (ABN 12 066 797 760).
Listing Rules	The Listing Rules of ASX.
Master Trust Deed	The master trust deed between Nexus, Permanent and Deutsche Bank dated 29 October 2002, which is summarised in Section 9.3.

glossary

Term	Definition
Maturity Date	The date which is six years after the Issue Date. The Term can be extended beyond the Maturity Date in certain circumstances. See Sections 6.5 and 6.9.
Maximum Portfolio Size	\$1.6 billion as at the Issue Date. If the amount raised from the Offer is more or less than \$56 million then the Maximum Portfolio Size will increase or decrease proportionately. If there are loss amounts determined in respect of the Portfolio, the Maximum Portfolio Size will decrease by the loss amounts.
Nexus	Nexus Bonds Limited (ABN 23 101 744 389).
Nexus Yield Bonds	The debt securities which were issued by Nexus under a prospectus dated 31 October 2002 and which are quoted on ASX (Listing Code NXBHA).
Noteholder	A person whose name is for the time being registered in the Register as the holder of a Portfolio Linked FRN.
Note Trust Deed	The note trust deed between Permanent and Nexus dated 12 November 2003, which is summarised in Section 9.2.
Note Trustee	Permanent or any other person appointed as note trustee in accordance with the Note Trust Deed.
Offer	The offer of Portfolio Linked FRNs under this Prospectus.
Offer Period	The period commencing on the date the Offer opens and ending on the Closing Date.
Operating Agent	Deutsche Bank or such other person appointed by Nexus from time to time to act as operating agent.
Permanent	Permanent Nominees (Aust.) Ltd (ACN 000 154 441).
Portfolio	The replenishable portfolio of Debt Obligations described in Section 5.1.
Portfolio Agreement	The contract between Nexus and Deutsche Bank relating to the Portfolio, which is summarised in Section 9.4.
Portfolio Company	A company whose Debt Obligations are included in the Portfolio.
Portfolio Criteria	The criteria described in Section 5.1.
Portfolio Linked FRN	A Portfolio Linked Floating Rate Note, being a debt security issued under, and on the terms set out in, the Note Trust Deed and the Master Trust Deed as described in this Prospectus. Portfolio Linked FRNs are classified as unsecured notes for the purpose of section 283BH of the Corporations Act.
Portfolio Term	The period from the Issue Date until the earlier of the Maturity Date and any Early Redemption Date.

Term	Definition
Principal Amount	\$100 per Portfolio Linked FRN. This amount may be reduced in certain circumstances. See Section 6.
Protection Amount	Means the first \$53.6 million of losses on the Portfolio (see Sections 2.17 and 6.6). If the amount raised from the Offer is more or less than \$56 million, the Protection Amount will increase or decrease proportionately.
Prospectus	This Prospectus which is dated 12 November 2003.
Redemption Event	An event causing early redemption of Portfolio Linked FRNs. See Sections 2.25, 6.9 and 9.1.
Reduction Amount	Any amount by which the Principal Amount of Portfolio Linked FRNs is to be reduced. See Sections 6.7 and 6.8.
Regulatory Capital Change	The giving of a notice by Deutsche Bank as to a change in German laws or regulations which results in the Deutsche Bank Group being subject to materially less favourable capital adequacy treatment in respect of the Debt Obligations in the Portfolio, as described in more detail in Section 9.1.
Remaining Loss Amount	Losses on the Portfolio in excess of the aggregate of the Protection Amount and the original Principal Amount of Portfolio Linked FRNs.
Replenishment	An increase in the principal amount of a Debt Obligation already in the Portfolio or the addition of a Debt Obligation to the Portfolio.
Register	The register of persons who hold Portfolio Linked FRNs established and maintained in accordance with the Master Trust Deed and the Note Trust Deed and including any sub-register established and maintained under CHES.
Registrar	Computershare and any other person appointed by Nexus from time to time to act as registrar of the Register.
Security Trustee	Permanent or any other person appointed as security trustee in accordance with the Master Trust Deed.
Standard & Poor's	Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. acting through its wholly owned Australian subsidiary Standard & Poor's (Australia) Pty Ltd.
Term	The period of 6 years from the Issue Date, subject to early redemption or late repayment described in Section 9.1.

application forms

information to help you complete the application form

Important notice – Application Forms will only be accepted if they have been stamped by the Lead Manager, a Co-Manager or your broker or licensed securities adviser. Photocopied Application Forms will not be accepted.

A Application amount You must apply for at least \$10,000 of Portfolio Linked FRNs (100 x \$100 per Portfolio Linked FRN). You can apply for additional Portfolio Linked FRNs in multiples of \$1,000 (10 x \$100 per Portfolio Linked FRNs).

B Name Please see the back of the Application Form for details on how to correctly set out names.

C Address details You need to write down the postal address that you want us to send all communications regarding your Portfolio Linked FRNs.

If there is more than one applicant, only one address can still be used.

D CHES HIN If you are sponsored in CHES by a stockbroker (or other CHES participant) please provide your Holder Identification Number (HIN).

E Contact details We need your contact details in case we need to contact you or your representative about your application.

F Application payment details Do not send cash. If you do, your application will not be processed. We accept no responsibility for any cash sent to us or returned by us.

You must pay by cheque or money order.

If you are a broker firm applicant and require information about submitting an Application Form and payment instructions you should contact the Lead Manager, the Co-Manager or other organisation that you received your firm allocation of Portfolio Linked FRNs from.

If you did not receive a firm allocation of Portfolio Linked FRNs, you must make your cheque payable to "Portfolio Linked FRNs Application Account" and crossed "Not Negotiable" and return with your completed Application Form to the Lead Manager, a Co-Manager or your broker or a licensed securities adviser. Do not return the Application Form or payment to Nexus, the Arranger or Computershare.

Your cheque or money order must be in Australian dollars and must be drawn on an Australian branch of a financial institution.

G Privacy Act Please tick this box if you do not want to receive communications related to Other Matters (as defined on the back of the Application Form).



directory

Issuer

Nexus Bonds Limited
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Arranger

Deutsche Bank AG
Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000
Tel: +61 2 9258 1234

Note Trustee and Security Trustee

Permanent Nominees (Aust.) Ltd
35 Clarence Street
Sydney NSW 2000

Legal Advisers

Malliesons Stephen Jaques
Level 60
Governor Philip Tower
1 Farrer Place
Sydney NSW 2000

Auditor

KPMG
The KPMG Centre
45 Clarence Street
Sydney NSW 2000

Registrar

Computershare Investor Services
Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Lead Manager

Grange Securities Limited
Level 7
17 Castlereagh Street
Sydney NSW 2000
Tel: 1800 634 636

Co-Managers

ABN AMRO Morgans Limited
Level 29
Riverside Centre
123 Eagle Street
Brisbane QLD 4000
Tel: 1800 777 946

Montagu Stockbrokers Pty Ltd
Mezzanine Level
Australia Place
15 William Street
Perth WA 6000
Tel: 1300 859 595

Portfolio Linked Floating Rate Notes Information Line

Australia 1800 624 912

Monday to Friday 8.30am – 5.30pm (Sydney Time)