

Offering Memorandum



ANZ National Bank Limited

*(incorporated with limited liability in New Zealand)
as Issuer and Guarantor*

ANZ National (Int'l) Limited

*(incorporated with limited liability in New Zealand)
acting through its London branch
as Issuer*

US\$10,000,000,000

Medium-Term Notes

Series A Notes

Due One Year or More from Date of Issue

ANZ National Bank Limited (“ANZ National”) and ANZ National (Int'l) Limited, acting through its London branch (“ANZNIL”) (each an “Issuer” and together, the “Issuers”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium-term notes, due one year or more from the date of issue. Notes of ANZ National are referred to as “ANZ National Notes”, notes of ANZNIL are referred to as “ANZNIL Notes” and ANZ National Notes and ANZNIL Notes are collectively referred to as “Notes”. The payment of all amounts due in respect of any ANZNIL Notes will be unconditionally and irrevocably guaranteed by ANZ National (the “Guarantee”). Other than as set forth in the preceding sentence, the Notes are not guaranteed by any person, including our ultimate parent Australia and New Zealand Banking Group Limited.

The following terms may apply to the Notes:

- Mature one year or more from the date of issue;
- May be subject to redemption at the Issuer’s option or require repurchase at your option;
- A fixed interest rate, which may be zero if Notes are issued at a discount from the principal amount due at maturity, or a floating interest rate, or both fixed and floating rate;
- Floating interest rates may include:
 - Commercial Paper Rate
 - Treasury Rate
 - New Zealand Bank Bill Rate
 - Prime Rate
 - CMT Rate
 - Australian Bank Bill Rate
 - LIBOR
 - CD Rate
 - Eleventh District Cost of Funds Rate
 - EURIBOR
 - Federal Funds Rate
- Book-entry only form; and
- Minimum denomination of US\$100,000, and integral multiples of US\$1,000 (or the equivalent thereof in another currency or composite currency) in excess thereof.

The final terms of each Note, including terms that may not be contemplated herein, will be specified in the Final Terms (as defined herein). For more information, see “Description of the Notes and the Guarantee”.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 17 of this Offering Memorandum.

Each initial and subsequent purchaser of the Notes offered hereby in making its purchase will be deemed to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Notes and may in

certain circumstances be required to provide confirmation of compliance with such resale or other transfer restrictions below and as set forth in “Notice to Purchasers” and “Plan of Distribution”.

The Notes and the Guarantee are being offered and sold without registration under the United States Securities Act of 1933, as amended (the “Securities Act”): (A) to “qualified institutional buyers” (“QIBs”) as defined in Rule 144A under the Securities Act (“Rule 144A”) in reliance upon the exemptions provided by Section 4(2) of the Securities Act and Rule 144A and Regulation D promulgated thereunder and (B) to certain persons in reliance upon Regulation S under the Securities Act (“Regulation S”). Prospective purchasers are hereby notified that the seller of the Notes may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see “Notice to Purchasers” and “Plan of Distribution”.

The Notes are not protected accounts or deposit liabilities of the Issuers and, except as expressly stated in this Offering Memorandum, are not insured or guaranteed by (1) the Crown or any governmental agency of New Zealand, (2) the United States of America, the Federal Deposit Insurance Corporation or any other governmental agency of the United States or (3) the government or any government agency of any other jurisdiction.

Application will be made to the Financial Services Authority (the “UK Listing Authority”) in its capacity as competent authority under the Financial Services and Markets Act 2000 (the “FSMA”) for Notes issued within the period of 12 months from the date of this Offering Memorandum to be admitted to the official list of the UK Listing Authority (the “Official List”) and an application will be made to the London Stock Exchange plc (the “London Stock Exchange”) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market. In this Offering Memorandum, references to Notes being “listed” will mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange’s Regulated Market. The London Stock Exchange’s Regulated Market is a “regulated market”, for the purposes of Directive 2004/39/EC (the “Markets in Financial Instruments Directive”).

The Notes will be issued in registered, book-entry only form and will be eligible for clearance through the facilities of The Depository Trust Company (“DTC”) and its participants, including Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to a particular issuance of Notes (each, a “Tranche”) will be set out in the relevant Final Terms relating to such Notes which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issuance of the Notes of such Tranche.

The Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and Agent. The relevant Issuer may also issue unlisted Notes and/or Notes not admitted to trading or quotation on any market.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area (each a “Member State”) in circumstances which would otherwise require the publication of a prospectus under Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”), the minimum denomination at the issue date shall be no less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).

Arranger and Lead Agent

J.P. Morgan

Agents

**ANZ Securities, Inc.
Barclays Capital
BofA Merrill Lynch**

**Citi
Deutsche Bank Securities
Goldman, Sachs & Co.**

**HSBC
Morgan Stanley
Wells Fargo Securities**

December 10, 2010

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Notice to Purchasers

NEITHER THE NOTES NOR THE GUARANTEE OFFERED HEREBY HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR ANY STATE SECURITIES AUTHORITY. NEITHER THE SEC NOR ANY STATE SECURITIES AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE NOTES AND THE GUARANTEE ARE BEING OFFERED AND SOLD TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF AND IN RELIANCE UPON THE EXEMPTIONS PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT, AND RULE 144A AND REGULATION D PROMULGATED THEREUNDER AND TO CERTAIN PERSONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT.

Each initial and subsequent purchaser of a Note or Notes will be deemed to have acknowledged, represented and agreed as follows:

- (1) The Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable securities law and, accordingly, neither the Notes nor the Guarantee may be offered, sold, transferred, pledged, encumbered or otherwise disposed of unless in a transaction exempt from registration under the Securities Act and any other applicable securities law.
- (2) (A) It is a QIB, and is purchasing for its own account or solely for the account of one or more QIBs for which it acts as a fiduciary or agent, and such purchaser acknowledges that it is aware that the seller may rely upon the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder or (B) it is a purchaser acquiring such Notes in an offshore transaction within the meaning of Regulation S that is not a “U.S. person” (and is not acquiring such Notes for the account or benefit of a U.S. person) within the meaning of Regulation S.
- (3) It agrees on its own behalf and on behalf of any account for which it is purchasing Notes, to offer, sell or otherwise transfer such Notes (A) only in minimum principal amounts of US\$100,000 or such larger principal amounts as shall be specified in the relevant Final Terms as the minimum denomination for the Notes of a relevant Tranche (or, in either case, the equivalent thereof in another currency or composite currency) and (B) prior to the date that is one year after the later of (i) the issue date of such Notes and (ii) the last date on which the Issuer thereof or any affiliate of the Issuer was the beneficial owner of such Notes (or any predecessor of such Notes) only (a) pursuant to the exemption from the registration requirements of the Securities Act provided by either Rule 144A or Regulation S, (b) to the Issuer, ANZ National (in the case of ANZNIL Notes) or any of their respective subsidiaries or an Agent that is a party to the Amended and Restated Distribution Agreement, dated as of December 11, 2007, among ANZ National, ANZNIL and the Agents named therein, as amended from time to time (the “Distribution Agreement”) or (c) pursuant to an exemption from such registration requirements as confirmed in an opinion of counsel satisfactory to such Issuer and ANZ National (in the case of ANZNIL Notes). It acknowledges that each Note will contain a legend substantially to the effect of the foregoing paragraph (1) and this paragraph (3).
- (4) It acknowledges that the Fiscal Agent referred to herein will register the transfer of any Note resold or otherwise transferred by such purchaser pursuant to clause (c) of the foregoing paragraph (3) only upon receipt of an opinion of counsel satisfactory to the Issuer and ANZ National (in the case of ANZNIL Notes).
- (5) It acknowledges that the Issuers, the Agents and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and it agrees that, if any of the acknowledgments, representations or warranties deemed to have been made by it in connection with its purchase of Notes are no longer accurate, it shall promptly notify the Issuer of such Notes, ANZ National (in the case of ANZNIL Notes) and the Agent through which it purchased any Notes. If it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (6) Either (a) it is not a pension, profit-sharing or other employee benefit plan that is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or any similar provision of applicable federal, state, local, foreign or other law, and it is not purchasing

the Notes on behalf of or with the assets of any such plan or (b) with respect to its purchase and holding of the Notes, it is eligible for a statutory or administrative exemption from the prohibited transaction rules of ERISA and the Code or, where applicable, any such similar law.

Each person receiving this Offering Memorandum acknowledges that (i) such person has been afforded an opportunity to request from the Issuers and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information contained or incorporated by reference herein, (ii) it has not relied on any Agent or any person affiliated with any Agent in connection with its investigation of the accuracy and completeness of such information or its investment decision and (iii) no person has been authorized to give any information or to make any representation concerning either Issuer, ANZ National (in the case of ANZNIL Notes) or the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by such Issuer, ANZ National (in the case of ANZNIL Notes) or any Agent.

This Offering Memorandum comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom. This Offering Memorandum supersedes and replaces in its entirety the Offering Memorandum dated June 16, 2010 for ANZ National and ANZNIL in connection with their medium-term note program.

Notwithstanding anything to the contrary contained herein, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and U.S. federal income tax structure (as such terms are used in Sections 6011, 6111 and 6112 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury Regulations promulgated thereunder) of the offering of the Notes and all materials of any kind (including opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

This Offering Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where such action is required.

The Notes are subject to restrictions on transferability and resale. Investors may not transfer or resell the Notes except as described in this Offering Memorandum and as permitted under the Securities Act and other applicable securities laws. Investors may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

Each of the Issuers and the Guarantor accepts responsibility for the information contained in this document and to the best of the knowledge and belief of each of the Issuers and the Guarantor (which have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Memorandum should, in relation to each Tranche, be read and construed together with the relevant Final Terms.

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

All references to websites in this Offering Memorandum, any Final Terms or any amendment or supplement hereto or thereto or in any document incorporated or deemed to be incorporated by reference in this Offering Memorandum are, unless expressly stated otherwise, intended to be inactive textual references for information only and any information contained in or accessible through any such website does not form a part of this Offering Memorandum, unless specifically stated in this Offering

Memorandum or in any such document that all or any portion of such information is incorporated by reference in this Offering Memorandum.

Notice to New Hampshire Residents

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, 1955, AS AMENDED (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available Information

Each prospective purchaser of the Notes is hereby offered the opportunity to ask questions of the Issuers concerning the terms and conditions of the offering and to request from the Issuers any additional information such prospective purchaser may consider necessary in making an informed investment decision or in order to verify the information set forth herein.

The General Disclosure Statements of the ANZ National Group for the years ended September 30, 2010 and 2009, which contain the audited consolidated financial statements of the ANZ National Group for the years ended September 30, 2010, 2009 and 2008 (the “ANZ National Consolidated Financial Statements”), are attached to this Offering Memorandum as Annex A. Information in such General Disclosure Statements is superseded by information contained in this Offering Memorandum to the extent there are any inconsistencies.

For segment reporting purposes in the General Disclosure Statements, the ANZ National Group is split into three major business segments: Retail, Commercial and Institutional. The segment disclosures in this Offering Memorandum have been aligned with those used in the General Disclosure Statement for the year ended September 30, 2010 and the comparative period of September 30, 2009, as this grouping more accurately reflects the way that management manages the operations of the ANZ National Group. Segmental disclosures for other periods have not been restated to this format.

Reporting for the 2009 results was based on the following segments: Retail, Corporate & Commercial Banking, Rural Banking, Wealth, Institutional and UDC. For the year ended September 30, 2010, results are reported based on three segments: Retail (including Retail and Wealth), Commercial (including Commercial, UDC and Rural) and Institutional. These segments are consistent with those reported in General Disclosure Statements and those used internally for evaluating operating segment performance and deciding how to allocate resources.

The audited financial statements of ANZNIL for the years ended September 30, 2010, 2009 and 2008 (the “ANZNIL Financial Statements”) are attached to this Offering Memorandum as Annex A-1.

While any Notes remain outstanding, the relevant Issuer will, during any period in which ANZ National is not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), or exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any QIB who holds any Note and any prospective purchaser of a Note who is a QIB designated by such holder of such Note, upon the request of such holder or prospective purchaser, the information concerning ANZ National required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act.

If at any time the Issuers shall be required to prepare a supplementary prospectus pursuant to Section 87G of the FSMA, the Issuers will prepare and make available an appropriate amendment or supplement to this Offering Memorandum or a further Offering Memorandum which, in respect of any subsequent issue of Notes to be admitted to the Official List of the UK Listing Authority, will constitute a supplementary prospectus as required by the UK Listing Authority and Section 87G of the FSMA.

The Issuers will provide, without charge, to each person to whom a copy of this Offering Memorandum has been delivered, upon the request of such person, a copy of the Previous Conditions (as defined herein), a copy of the Fiscal Agency Agreement (as defined herein), or if such person is a holder of extendible notes, a copy of the Supplementary Fiscal Agency Agreement (as defined herein). Written requests should be addressed to ANZ National Bank Limited, Level 8, P.O. Box 540, 1-9 Victoria Street, Wellington, New Zealand, Attention: The Treasurer. In addition, the Fiscal Agency Agreement and the Supplementary Fiscal Agency Agreement will be available free of charge from the principal office in London of The Bank of New York Mellon in its capacity as paying agent for the Notes listed on the London Stock Exchange.

Certain Defined Terms

In this Offering Memorandum, unless the context otherwise requires:

- references to “we”, “our”, “us” or “ANZ National Group” are to ANZ National together with its consolidated subsidiaries (including, among others, ANZNIL);
- references to “ANZ National”, “ANZNBL” or the “Guarantor” are to ANZ National Bank Limited or, prior to June 28, 2004, ANZ Banking Group (New Zealand) Limited;
- references to “ANZNIL” are to ANZ National (Int’l) Limited, formerly NBNZ International Limited;
- references to “ANZBGL” are to our ultimate parent, Australia and New Zealand Banking Group Limited;
- references to the “ANZ Group” are to ANZBGL together with its consolidated subsidiaries (including, among others, ANZ National and ANZNIL);
- references to “ANZ Retail” are to ANZ National’s ANZ branded retail banking business, including its ANZ branded branch network;
- references to “ANZ” are to the ANZ National Group’s ANZ brand;
- references to the “Fiscal Agency Agreement” are to the fiscal agency agreement, dated as at March 15, 2005, as amended, among ANZ National, ANZNIL and The Bank of New York Mellon, as Fiscal Agent;
- references to the “National Bank Group” are to NBNZ Holdings Limited and its consolidated subsidiaries;
- references to “The National Bank” or “The National Bank of New Zealand” are to The National Bank of New Zealand brand;
- references to “The National Bank Retail” are to ANZ National’s National Bank branded retail banking business, including its National Bank branded branch network;
- references to the “New Zealand branch of ANZBGL” and the “New Zealand branch” are to the New Zealand branch established by ANZBGL that was registered on January 5, 2009;
- references to “OnePath” are to OnePath Holdings (NZ) Limited, ANZ National’s wholly-owned subsidiary that develops and procures life insurance, general insurance and fund management products;
- references to “RBNZ” are to the Reserve Bank of New Zealand;
- references to “RMBS” are to residential mortgage backed securities;
- references to the “Supplementary Fiscal Agency Agreement” are to the fiscal agency and issuing and paying agency agreement dated as at December 7, 2005, as amended, among ANZ National, ANZNIL and JPMorgan Chase Bank, National Association, as Supplemental Fiscal Agent;
- references to “\$”, “New Zealand dollars”, “NZ\$” or “NZ dollars” are to the lawful currency of New Zealand;
- references to “US\$”, “U.S. dollars”, “US Dollars” and “cents” are to the lawful currency of the United States;
- references to “€” or “euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union of February 7, 1992, as amended;

- references to “A\$” or “Australian dollars” are to the lawful currency of Australia;
- references to this “Offering Memorandum” are to this offering memorandum, the annexes hereto, any supplement hereto and any information incorporated herein by reference;
- references to “Final Terms” are to a supplement hereto, which shall be substantially in the form attached hereto as Annex B, describing the terms of a Tranche; references to “your Final Terms” are to the Final Terms describing the specific terms of the Note(s) you purchase; and
- references to “legislation” include any amendments, re-enactments or replacement of it.

Forward-Looking Statements

This Offering Memorandum contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of ANZ National or the ANZ National Group to differ materially from the information presented herein. When used in this Offering Memorandum, the words “estimate”, “project”, “intend”, “anticipate”, “believe”, “expect”, “may”, “probably”, “will”, “seek”, “would”, “could”, “should” and similar expressions, as they relate to the ANZ National Group and its management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date hereof. Such statements constitute “forward-looking statements” for the purposes of the United States Private Securities Litigation Reform Act of 1995. The ANZ National Group does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

For example, the forward-looking statements contained in this Offering Memorandum could be affected by:

- adverse conditions in global or regional debt and equity markets;
- general business and economic conditions in New Zealand and the external markets on which the New Zealand economy relies;
- continuing impacts of the global financial crisis, including volatile conditions in funding, equity and asset markets;
- market liquidity and investor confidence;
- changes to our credit ratings;
- inflation, interest rate, exchange rate, market and monetary fluctuations and longer term changes;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy including fiscal and monetary policies;
- levels of credit risk and provisions to cover credit impairment;
- changes in consumer spending, saving and borrowing habits in New Zealand;
- the effects of competition in the geographic and business areas in which we operate;
- the ability to maintain or increase market share and control expenses;
- the ability to complete, integrate and process acquisitions and dispositions;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by users;
- adverse change to our reputation;
- technological changes;
- operational and environmental factors;
- demographic changes and changes in political, social, and economic conditions in New Zealand;

- stability of New Zealand, Australian, international and regional financial systems and disruptions to financial markets and any losses we may experience as a result; and
- various other factors beyond our control.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Offering Memorandum.

Enforcement of Liabilities; Service of Process

ANZ National and ANZNIL are each registered under the Companies Act 1993 of New Zealand and incorporated in New Zealand and have limited liability. The directors and officers of ANZ National and ANZNIL and certain of the experts named herein reside outside the United States. In addition, a substantial portion of the assets of the ANZ National Group, including ANZNIL, those of the directors and officers and those of the experts are located outside of the United States. As a result, it may be difficult for United States investors to effect service of process within the United States upon ANZ National or ANZNIL or any of those persons or to enforce against ANZ National or ANZNIL or any of those persons, outside of the United States, judgments obtained in the United States courts predicated upon the civil liability provisions of the United States federal or state securities laws. ANZ National and ANZNIL have expressly submitted to the jurisdiction of any federal or state court in the Borough of Manhattan, The City of New York for the purpose of any suit, action or proceeding arising out of the offering of Notes.

Incorporation by Reference

For the purpose of any issue of Notes under this Offering Memorandum which are to be consolidated and form a single Series with an existing Tranche or Series of Notes, this Offering Memorandum incorporates by reference the terms and conditions of the Notes as set out in the section entitled “Description of the Notes and the Guarantee” in the Offering Memorandum dated July 28, 2009, the section entitled “Description of the Notes and the Guarantee” in the Offering Memorandum dated December 11, 2009 and in the section entitled “Description of the Notes and the Guarantee” in the Offering Memorandum dated June 16, 2010 (the “Previous Conditions”).

Presentation of Financial Information

The ANZ National Consolidated Financial Statements and the ANZNIL Financial Statements have been prepared in accordance with accounting practice generally accepted in New Zealand after the introduction of New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and do not contain a reconciliation to U.S. GAAP.

Unless the context otherwise requires, references herein to “2010”, when used in connection with a discussion of the ANZ National Consolidated Financial Statements, means our fiscal year ended September 30, 2010. We refer to prior and subsequent fiscal years in a corresponding manner.

The audited ANZ National Consolidated Financial Statements and the ANZNIL Financial Statements for the years ending September 30, 2010, 2009 and 2008 are subject to auditing and auditor independence standards applicable in New Zealand, which differ from those applicable in the United States.

For the convenience of the reader, this Offering Memorandum contains translations of certain NZ dollar amounts into U.S. dollars at specified rates. These translations should not be construed as representations that the NZ dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. See “Exchange Rates”.

Due to rounding, the numbers presented throughout this Offering Memorandum may not add up precisely, and percentages may not precisely reflect absolute figures.

Overview

This overview highlights information contained elsewhere in this Offering Memorandum. This overview is not complete and does not contain all of the information that you should consider before investing in the Notes. You should carefully read the entire Offering Memorandum, including the section describing the risks of investing in the Notes under the caption “Risk Factors”, before making an investment decision. Some of the statements in this overview constitute forward-looking statements. For more information, please see “Forward-Looking Statements”.

ANZ National Bank Limited

ANZ National was incorporated under the New Zealand Companies Act 1955 on October 23, 1979 and is a private company limited by shares with its registered office at Level 6, 1 Victoria Street, Wellington 6011, New Zealand and the registered number 35976. The address of ANZ National’s principal executive offices is Level 10, 1 Victoria Street, Wellington 6011, New Zealand and the phone number is +64 (4) 496 7000.

ANZ National is a registered bank under the Reserve Bank of New Zealand Act 1989 (the “Reserve Bank Act”).

ANZ National dates back to 1840, when the Union Bank of Australia opened a branch in Wellington, New Zealand. ANZ National’s parent company, ANZBGL, was formed through a series of mergers involving the Union Bank of Australia and its successors.

On December 1, 2003, ANZ Banking Group (New Zealand) Limited acquired NBNZ Holdings Limited and its consolidated subsidiaries including The National Bank of New Zealand Limited.

On June 26, 2004, ANZ Banking Group (New Zealand) Limited amalgamated with The National Bank of New Zealand Limited and changed its name to ANZ National Bank Limited. On November 30, 2009, ANZ National acquired ING Group’s 51% shareholding in ING NZ, the ANZ National and ING Group wealth management and life insurance joint venture in New Zealand. As a result of the acquisition, ING NZ became a wholly-owned subsidiary of ANZ National and has subsequently been re-named “OnePath.”

According to the KPMG Financial Institutions Performance Survey Review, released by KPMG New Zealand in April 2010, ANZ National is the largest full-service banking group in New Zealand. As at September 30, 2010, ANZ National had total assets of \$116,458 million, and its two brands, “ANZ” and “The National Bank of New Zealand” combined to hold the number one position in terms of market share compared with other registered banks in New Zealand in most customer segments in which they participate.

Based on the RBNZ Standard Statistical Return for registered banks, as at September 30, 2010, ANZ National held approximately 30% of the total assets held by registered banks in New Zealand. ANZ National is supported by over 300 branches across our two brands and has a customer base of approximately 2.0 million, the largest of the New Zealand banks.

Our Strategy

Our strategy is to fully leverage ANZ National’s leading market position to deliver superior growth and returns.

Our strategy is underpinned by a program of initiatives. Our priorities include:

- Aligning our services to customer needs, improving customer experience and increasing customer satisfaction while lowering cost to serve.
- Investing in our customer facing systems and technology infrastructure, simplifying processes and using data driven customer insights to drive the business.
- Continuing to manage credit risk and provisions.

- Transforming the way we deliver banking services and reducing costs, including through transforming our service delivery channels and processes.
- Optimizing our profitability by targeting profitable customer segments and pricing credit appropriately for risk.

Competitive strengths

We believe our competitive strengths are as follows:

- We are New Zealand's largest bank, with more dedicated branches, ATMs and customers than any other New Zealand bank.
- We have a leading market share in New Zealand in all major business segments, a diverse business mix reflecting the makeup of the economy.
- We have multiple well-respected brands and a combined customer base of approximately 2.0 million.
- We maintain strong local corporate governance and New Zealand-based management.
- We can leverage the super-regional strategy of the ANZ Group.

Recent Developments

The Canterbury Region Earthquake

The Canterbury region of New Zealand experienced a 7.1 magnitude earthquake on September 4, 2010. There are approximately 400,000 people in the affected area. New Zealand is geologically very active as it sits at the boundary of two tectonic plates and experiences a large number of earthquakes annually. There is a high level of preparedness for earthquakes via building codes, civil defense organization, public (Earthquake Commission) and private insurance cover and general public awareness.

The majority of the damage from the Canterbury earthquake was to older buildings (often constructed of brick) and structures built on reclaimed, sandy or swampy terrain. Initial government assessments have estimated the damage to be approximately \$5.0 billion. The earthquake is expected to have a negative impact on GDP in the September quarter of around 0.4%. However, recovery and repair work over the following three quarters is likely to more than offset this, boosting GDP in 2011. ANZ National's lending assets in the affected area are:

- Retail - \$3.3 billion (7.6% of Retail portfolio)
- Commercial - \$3.5 billion (10% of Commercial portfolio)
- Institutional - \$1.1 billion (16% of Institutional portfolio)

Firm loss estimates are not available yet, although larger customers are reporting no major disruption. We believe our existing levels of provisioning are adequate to cover potential losses.

Market conditions

The New Zealand economy has continued its gradual recovery, recording a fifth consecutive quarter of expansion in the June 2010 quarter, following five consecutive quarters of contraction through to the March quarter of 2009. However, the recovery has been weaker than typical recoveries experienced previously in New Zealand, such that real gross domestic product ("GDP") remains 1.5% below its 2007 peak.

The subdued nature of the recovery partly reflects balance sheet improvement on the part of households, farmers and businesses. The recovery has been uneven as evidenced by volatility in business confidence in recent months and a weak housing market

which is affecting household spending. For New Zealand banks such as ANZ National, this has meant lower demand for credit. Nevertheless, New Zealand banks have returned to more normal profit levels in 2010, with the major banks all reporting stronger results underpinned by improved margins and significantly lower impairment expenses.

We expect stronger growth to emerge in 2011 as the process of balance sheet improvement nears an end, earthquake reconstruction work gets underway, the labour market recovery strengthens, higher commodity prices support rural incomes and benefits of expected global recovery flow through into export incomes. However, this forecast remains contingent on a stronger global recovery eventuating. The five year outlook is one of modest growth, which in part reflects a sustained period of structural change expected across the economy.

ANZ National, like New Zealand's other major banks, relies heavily on offshore funding, a substantial portion of which is obtained by issuing short-term debt in the US commercial paper market. Conditions in this market have made a steady improvement following the significant contraction from the beginning of 2008 to the first quarter of 2009.

ANZ National, like New Zealand's other major banks, has maintained its capital ratios as a buffer against unexpected losses without the government assistance banks in other countries have required.

For a further discussion of the impacts of market conditions on our capital, liquidity and funding, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Funding" in this Offering Memorandum. Also refer to "Overview of the New Zealand Banking Industry" in this Offering Memorandum.

New Zealand Sovereign Credit Rating

On November 22, 2010, Standard & Poor's Ratings Services revised its outlook on the foreign currency sovereign credit ratings on New Zealand to negative from stable. At the same time, the 'AA+' long-term and 'A-1+' short-term sovereign credit ratings were affirmed.

Move to Single Core IT System

On November 25, 2010, we announced that we will migrate to one core banking system being the Systematics system currently used by The National Bank, across ANZ and The National Bank networks by late 2011. The change is aimed at simplifying our business and delivering better service and better products to customers. We expect the consolidated system to streamline and simplify our operations by allowing us to maintain a single set of products and processes.

New Chief Executive Officer

Mr. David Hisco was appointed Director and Chief Executive Officer on October 13, 2010. Previously, Mr. Hisco was ANZ Group Managing Director Commercial for Australia based in Melbourne.

New Role: Managing Director – Business Banking

On November 25, 2010, we announced our intention to appoint Mr. Fred Ohlsson as the Managing Director of Business Banking, subject to RBNZ approval. This role will report directly to the Chief Executive Officer. Business Banking is currently in the Retail segment as a standalone specialist business unit.

New Wealth Business Structure

A single business structure has been created in the Wealth business (within the Retail segment), incorporating both the previous ANZ Private Banking and Wealth businesses and the OnePath business (formerly ING NZ) under a single business head.

ANZ National organizational structure

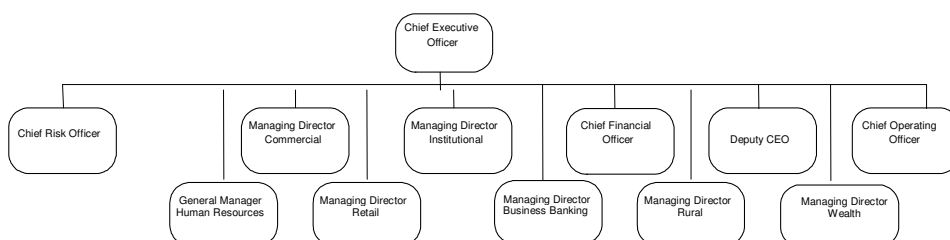
Business lines

Our business is organized into the following three major business segments: 1) Retail, 2) Commercial (including Rural and UDC Finance Limited, a finance company providing asset finance) and 3) Institutional. These segments are supported by

centralized back office and corporate functions. Life insurance and fund management products are developed and procured through OnePath (formerly ING NZ), which is a wholly-owned subsidiary of ANZ National. OnePath's products are distributed through the Retail segment.

As of the date of this Offering Memorandum, our executive team is structured as follows:

Chief Executive's Reports



Retail

The Retail segment provides banking and insurance products and services to individuals and small businesses through separate ANZ and The National Bank of New Zealand branded distribution channels (see “Branding strategy” below). Personal banking customers of each brand have access to a wide range of financial services and products, including core banking products such as checking accounts, various lending products and insurance products. The small business segment serves owner managed and small-sized enterprises with annual revenues of less than \$5 million and with relatively simple banking requirements. Lending in this market is typically secured by mortgages over property. The Wealth business is also part of the Retail segment and includes Private Banking, which offers a fully inclusive banking and investment service to high net worth individuals, and OnePath, which develops and procures life insurance, general insurance and fund management products that are distributed through the Private Banking distribution channel, as well as through the ANZ and The National Bank of New Zealand branded distribution channels and independent brokers.

As at September 30, 2010, ANZ Retail had a network of 153 branches, 425 ATMs and approximately 1,000,000 customers. As at September 30, 2010, The National Bank Retail had a network of 162 branches, 321 ATMs and approximately 1,000,000 customers. Customers of both brands have access to phone and mobile phone banking and on-line banking services.

As at September 30, 2010, ANZ Retail had loans of \$14.8 billion and deposits of \$15.7 billion and The National Bank Retail had loans of \$27.6 billion and deposits of \$18.7 billion. Private Banking and Wealth businesses had loans of \$1.2 billion and deposits of \$4.6 billion.

Commercial

The Commercial segment provides services to Commercial, Rural and UDC customers.

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

Commercial is structured into three regional businesses (Northern, Central and Southern), including a specialist unit that focuses on potential growth sectors. Property Finance offers specialist property financing for development and investment assets.

UDC Finance Limited ('UDC') is New Zealand's only bank-owned finance company. UDC provides asset finance across a diverse range of assets including plant, machinery, and vehicles. Funding is predominately sourced through the domestic retail debenture market. UDC is one of the non-bank brands of the ANZ National Group.

Our Rural banking business unit provides a broad suite of banking products and services to farmers. We have the largest share among registered New Zealand banks of the New Zealand rural sector. Based on data sourced from the Reserve Bank's aggregate Standard Statistical Return for registered banks in New Zealand, as at September 30, 2010, we had approximately 39% of total rural lending by registered banks in New Zealand.

As at September 30, 2010, Commercial had loans to Commercial customers of \$14.4 billion and total deposits of \$5.9 billion.

As at September 30, 2010, Commercial had loans to Rural customers of \$19.0 billion and total deposits of \$2.2 billion.

As at September 30, 2010, Commercial had loans to UDC customers of \$2.0 billion and secured debentures of \$1.4 billion.

Institutional

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

In addition, the Institutional segment provides specialist services, including transaction banking, trade services, specialized lending, foreign exchange and interest rate risk management services.

As at September 30, 2010, Institutional had total loans of \$6.9 billion and total deposits of \$11.2 billion.

Branding strategy

Following the acquisition of the National Bank Group by ANZ National in 2003, we made a strategic decision to retain both the "ANZ" and "The National Bank of New Zealand" brands in the New Zealand market. This decision was based on studies of previous mergers in the New Zealand market and the potential impact on customers of moving to a single brand. ANZ and The National Bank of New Zealand are viewed in New Zealand as separate brands, each with a share of "shelf space" in the market and each acquiring new customers based on their differing brand appeal and value propositions.

Our "dual brand" strategy operates differently in each of our business units to suit the needs of customers of those business units. We believe the two brands, ANZ and The National Bank of New Zealand, offer greater flexibility to deliver differentiated offers and services. The brands are separate and competing, but are complementary in that the overall brand positions are being designed in a way to increase the reach of the ANZ National Group. In most other ways, the brands compete directly. According to customer feedback, customers feel as though there are two distinct offers and experiences available to them although, behind the scenes, our systems, processes and personnel may be integrated. The knowledge and best practice of each brand is available to the other, accelerating the evolution of the individual brands. Following the implementation of a single core IT system, we will be able to simplify our product portfolio and processes.

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

- UDC (asset finance);
- Direct Broking (online equity and debt securities trading);
- EFTPOS New Zealand (card merchant acquiring and terminal rental);
- OnePath (formerly ING NZ) insurance, superannuation and investment products; and
- Bonus Bonds

Competition

The New Zealand financial services sector in which we operate is very concentrated and highly competitive. Our principal competitors are the three other major banks, ASB Bank Limited (“ASB Bank”), Bank of New Zealand (“BNZ”) and Westpac Banking Corporation/Westpac New Zealand Limited (“Westpac”). Each of these is a subsidiary of an Australian bank. Together with ANZ National (including the New Zealand branch of ANZBGL), these banks (including the New Zealand branches of their Australian bank parents) hold approximately 89% of the New Zealand banking system’s assets as at June 30, 2010 and participate across all customer segments from individuals to large corporates.

Competition also exists in specific business segments from other banks. The New Zealand Government owned Kiwibank Limited (“Kiwibank”) is active in retail segments and Rabobank New Zealand Limited (“Rabobank”) is active in retail deposits and agricultural lending markets. International banks such as Citigroup, The Hong Kong and Shanghai Banking Corporation and Deutsche Bank participate in a limited manner in the Institutional market.

Competition in the financial services sector can be intense and difficult to predict. Competition in the deposit market has increased rapidly in New Zealand, with banks attempting to grow their share of retail deposits and reduce their wholesale funding. Lending to the residential mortgage market accounts for over half of the lending in New Zealand by registered banks and this market is a key area of competitive tension.

Outside the banking sector, a number of smaller finance companies in New Zealand are active in the personal and business markets through competitive lending and deposit product offerings, especially in the personal and commercial property segments, although their number has fallen in recent years. The non-banking sector constitutes approximately 4.5% of total financial system assets.

Significant subsidiaries

The significant subsidiaries of ANZ National are as follows:

- ANZNIL;
- OnePath; and
- UDC.

Each of the subsidiaries listed above is incorporated in New Zealand and is 100% owned, directly or indirectly, by ANZ National.

The subsidiaries listed above are either subsidiaries that, as at September 30, 2010, account for 10% or more of any of ANZ National’s investments, operating surplus or assets for the most recent fiscal year or are considered by management to be of importance to ANZ National. As at September 30, 2010, ANZNIL accounts for more than 10% of ANZ National’s consolidated total liabilities. UDC represents one of the non-bank brands of the ANZ National Group in New Zealand. Of the 52,352,000 outstanding ordinary shares of UDC, 31,600,000 ordinary shares are unpaid as to \$1.00 per share.

Employees

As at September 30, 2010, we employed 8,908 core full-time equivalent employees, consisting of 7,934 people employed on a full-time basis, 1,295 people employed on a part-time basis, and 190 people on fixed-term contracts. In addition, we had a further 367 people employed on a casual basis and 480 independent contractors and temporary staff.

	Year ended September 30,				
	2010	2009	2008	2007	2006
Number of core full-time equivalent employees ⁽¹⁾ ...	8,908	8,513	9,115	8,991	8,730

(1) All employees are located in New Zealand except for one employee located in ANZNIL’s London branch. Core full-time equivalent employees include employees that are employed on a full-time basis, part-time basis or that are on a fixed term contract, but does not include casual employees or independent contractors.

The increase in core full-time equivalent employees from 8,513 at September 30, 2009 to 8,908 at September 30, 2010 can primarily be attributed to the acquisition of OnePath (formerly ING NZ), on November 30, 2009.

We consider our relations with our employees to be satisfactory.

Our collective employment agreement with Finsec (New Zealand's financial sector union) has been renewed for a two year term effective from August 1, 2010 and expiring July 31, 2012. We are not involved in any significant labor disputes with any of our employees.

Properties

We operate from a substantial number of properties, both freehold and leasehold, throughout New Zealand. As of the date of this Offering Memorandum, our freehold portfolio consisted of 47 properties including head office buildings, residences, carparks and a data centre. Our most valuable freehold properties are National Bank House, Featherston Street, Wellington, 1 Victoria Street, Wellington and a Data Centre.

Currently, we lease approximately 700 properties ranging from branches, offices, carparks, data centres and ATM sites. We believe that all of our property, both freehold and leasehold, is well maintained and adequately insured.

ANZ National (Int'l) Limited

ANZNIL (formerly NBNZ International Limited) was incorporated under the New Zealand Companies Act on December 8, 1986 and is a wholly-owned subsidiary of ANZ National with its registered office at Level 6, 1 Victoria Street, Wellington 6011, New Zealand and the registered number is 328154. The address of ANZNIL's principal executive offices is 28th Floor, 40 Bank Street, Canary Wharf, London E14 5EJ, United Kingdom and the phone number is +44 (20) 3229 2017.

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

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

ANZNIL has no subsidiary companies.

Overview of Terms

The Issuers	ANZ National and ANZNIL acting through its London branch.
The Guarantor	ANZ National in the case of ANZNIL Notes.
The Agents	J.P. Morgan Securities LLC ANZ Securities, Inc. Barclays Capital Inc. Citigroup Global Markets Inc. Deutsche Bank Securities Inc. Goldman, Sachs & Co. HSBC Securities (USA) Inc. Merrill Lynch, Pierce, Fenner & Smith Incorporated Morgan Stanley & Co. Incorporated Wells Fargo Securities, LLC Any other agents appointed in accordance with the terms of the Distribution Agreement.
Terms of the Notes and Guarantee	The Notes, which may be issued at their principal amount or at a premium to or discount from their principal amount, on an unsubordinated basis, may bear interest at a fixed or floating rate or be issued on a fully discounted basis and not bear interest. The interest rate or interest rate formula, if any, issue price, currency, terms of redemption or repayment, if any, stated maturity and other terms not otherwise provided in this Offering Memorandum will be established for each Note by the Issuer thereof at the issuance of such Note and will be indicated in the relevant Final Terms. The ANZNIL Notes issued by ANZNIL will be unconditionally and irrevocably guaranteed by ANZ National as described in “Description of the Notes and the Guarantee”.
Method of distribution	The Notes are being offered from time to time by the Issuers through the Agents. The Issuers may also sell Notes to the Agents acting as principals for resale in the United States to QIBs and outside the United States to individuals that are not U.S. persons (as defined in Regulation S) and may sell Notes directly on their own behalf. See “Notice to Purchasers” and “Plan of Distribution”.
Maximum amount	The aggregate principal amount (or, in the case of Notes issued at a discount from the principal amount or Indexed Notes, the aggregate initial offering price) of Notes outstanding at any time shall not exceed US\$10,000,000,000 or the approximate equivalent thereof in another currency calculated as at the issue date of the relevant Notes. The Issuers may increase this amount from time to time in accordance with the terms of the Distribution Agreement.
Status of the Notes	The Notes will be direct, unsecured and general obligations of the relevant Issuer and will rank equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer (other than any obligation preferred by mandatory provisions of applicable law).

Status of the Guarantee	<p>The Guarantee of ANZ National with respect to ANZNIL Notes issued by ANZNIL will be a direct, unsecured and general obligation of ANZ National and will rank equally with all other present and future unsecured and unsubordinated obligations of ANZ National (other than any obligation preferred by mandatory provisions of applicable law).</p>
Maturities	<p>Such maturities as may be agreed between the relevant Issuer and the relevant purchaser or Agent (as indicated in the relevant Final Terms as the Stated Maturity), subject to such minimum or maximum term as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency (as defined herein).</p> <p>At the date of this Offering Memorandum, the minimum term of all Notes is one year. There is no maximum stated term.</p>
Currency	<p>Subject to any applicable legal or regulatory restrictions, such currency or currencies as may be agreed between the relevant Issuer and the relevant purchaser or Agent (as indicated in the relevant Final Terms). See “Description of the Notes and the Guarantee — Currency of Notes”.</p>
Denomination and form	<p>The Notes will be issued in fully registered form in minimum denominations of US\$100,000 (or, in the case of Notes not denominated in U.S. dollars, the equivalent thereof in such Specified Currency, rounded down to the nearest 1,000 units of such foreign currency) and integral multiples of US\$1,000 (or, in the case of Notes not denominated in U.S. dollars, 1,000 units of such Specified Currency) in excess thereof.</p> <p>In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which would otherwise require the publication of a prospectus under the Prospectus Directive, the minimum denomination at the issue date shall be no less than €50,000 (or its equivalent in any other currency as at the date of issue of the Notes).</p> <p>Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global Notes (each, a “Rule 144A Global Note”) registered in the name of a nominee of DTC. Notes sold to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by one or more global Notes (each, a “Regulation S Global Note” and, together with the Rule 144A Global Notes, the “Global Notes”) registered in the name of a nominee of DTC. Definitive Notes will only be issued in limited circumstances. See “Legal Ownership and Book-Entry Issuance — Special considerations for Global Notes”.</p>

Interest rates.....	<p>Interest bearing Notes may be issued either as Fixed Rate Notes or Floating Rate Notes (each, as defined herein). Fixed Rate Notes will bear interest at the rate specified in the relevant Final Terms. Floating Rate Notes will bear interest based on an interest rate formula designated in the relevant Final Terms, which formula may include the Commercial Paper Rate, the Prime Rate, the CD Rate, the Federal Funds Rate, LIBOR, EURIBOR, the Treasury Rate, the CMT Rate, the New Zealand Bank Bill Rate, the Australian Bank Bill Rate, the Eleventh District Cost of Funds Rate or such other interest rate formula as may be agreed between the relevant Issuer and the purchaser. Unless otherwise specified in the relevant Final Terms, the interest rate on each Floating Rate Note will be calculated by reference to the specified interest rate (a) plus or minus the Spread (as defined herein), if any, and/or (b) multiplied by the Spread Multiplier (as defined herein), if any.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both or neither.</p>
Interest payment dates	<p>Unless otherwise stated in the relevant Final Terms, interest on Fixed Rate Notes will be payable annually or semiannually on the date or dates set forth in the relevant Final Terms, and at maturity, and interest on Floating Rate Notes will be payable quarterly on the dates set forth in the relevant Final Terms and at maturity.</p>
Redemption and repurchase	<p>The relevant Final Terms will indicate either that such Notes cannot be redeemed prior to their stated maturity (other than for certain taxation reasons) or that such Notes will be redeemable at the option of the relevant Issuer upon giving not more than 60 days written notice nor less than 30 days written notice to the holders of such Notes on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the relevant Final Terms.</p> <p>The relevant Final Terms will indicate either that such Notes cannot be repurchased prior to their stated maturity or that the Notes will be repurchasable at the option of the holders of such Notes on a date or dates specified prior to the stated maturity upon giving no more than 45 days nor less than 30 days written prior notice to the Fiscal Agent.</p>
Redemption for taxation reasons.....	<p>The Notes may be redeemed at the option of the relevant Issuer, in whole but not in part, at the principal amount thereof plus accrued and unpaid interest in certain circumstances in which the relevant Issuer or, in the case of ANZNIL Notes, the Guarantor, would become obligated to pay additional amounts. See “Description of the Notes and the Guarantee — Payment of additional amounts” and “— Redemption for taxation reasons”.</p>
Zero Coupon Notes	<p>Zero Coupon Notes will be offered and sold at a discount to their principal amounts unless otherwise specified in the relevant Final Terms and will not bear interest.</p>
Indexed Notes	<p>Amounts due on an Indexed Note may be determined by reference to such index and/or formula as the relevant Issuer and the relevant Agent may agree (as indicated in the relevant Final Terms).</p>

Amortizing Notes	Amounts due on an Amortizing Note will be paid in installments over the term of such Amortizing Note (as specified in the relevant Final Terms).
Original Issue Discount Notes	An Original Issue Discount Note will be issued at a price lower than its principal amount and will provide that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable (as specified in the relevant Final Terms).
Extendible Notes	Extendible Notes will have an initial maturity date of not more than 397 days from the trade date and will provide that the holders of the Extendible Notes will have one or more rights to extend the maturity date of such Extendible Notes up to a final maturity date (as specified in the relevant Final Terms).
Taxation	All payments in respect of the Notes and the Guarantee will be made without deduction for or on account of withholding taxes imposed within New Zealand or the United Kingdom, except as described under “Description of the Notes and the Guarantee — Payment of additional amounts”. For a discussion of certain tax considerations, see “Taxes”.
Rating	<p>The Notes when issued, will be rated Aa2 by Moody’s Investors Service, Limited (“Moody’s”) and AA by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc (“S&P”) and AA- by Fitch Ratings Limited (“Fitch”).</p> <p>A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency and any rating should be evaluated independently of any other information.</p>
Fiscal Agent	The Bank of New York Mellon.
Supplemental Fiscal Agent	JPMorgan Chase Bank, National Association, as fiscal agent for Extendible Notes.
Paying Agent	The Bank of New York Mellon.
Listing	If indicated in the relevant Final Terms, the Notes will be admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange’s Regulated Market. Notes may also be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system agreed between the relevant Issuer and the relevant Agent as indicated in the relevant Final Terms, and Notes may be unlisted.
Transfer Restrictions	There are selling restrictions in relation to the United States, the United Kingdom, New Zealand, the European Economic Area, Japan, Hong Kong and such other jurisdictions as may be required in connection with the offering and sale of a Tranche as set forth in the relevant Final Terms. See “Plan of Distribution”.
Governing Law	New York, except as to authorization and execution by ANZ National and ANZNIL of the Notes, the Guarantee and the Fiscal Agency Agreement, which are governed by the laws of New Zealand.

Risk Factors..... Prospective purchasers of the Notes should consider carefully all of the information set forth in this Offering Memorandum and, in particular, the information set forth under the caption “Risk Factors” in this Offering Memorandum before making an investment in the Notes.

Selected consolidated financial information

The consolidated balance sheet information of the ANZ National Group as at September 30, 2010, 2009, 2008, 2007 and 2006 and income statement data for the fiscal years ended September 30, 2010, 2009, 2008, 2007, and 2006 have been taken from the ANZ National Group's audited consolidated financial statements for the years ended September 30, 2010, 2009, 2008, 2007 and 2006. The financial information contained in this Offering Memorandum should be read in conjunction with, and is qualified by reference to, the ANZ National Consolidated Financial Statements.

For additional information concerning our financial results, see "Management's Discussion and Analysis of Financial Condition and Results of Operation" in this Offering Memorandum and our General Disclosure Statement for the year ended September 30, 2010 attached to this Offering Memorandum as part of Annex A.

The ANZ National Consolidated Financial Statements and the financial information included herein are prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"). Compliance with NZ IFRS for the ANZ National Group ensures compliance with International Financial Reporting Standards ("IFRS"). IFRS differs in some respects from Generally Accepted Accounting Principles ("GAAP") in the U.S. ("U.S. GAAP").

	Year ended September 30,					
	2010 ⁽¹⁾	2010	2009	2008	2007	2006
	(US\$ millions)			(NZ\$ millions)		
Income Statement						
Interest income ⁽³⁾	4,307	5,876	7,345	9,857	8,309	7,206
Interest expense	2,534	3,457	4,892	7,568	6,059	5,077
Net interest income ⁽³⁾	1,773	2,419	2,453	2,289	2,250	2,129
Other operating income ⁽³⁾	545	744	663	1,124	861	802
Net operating income	2,318	3,163	3,116	3,413	3,111	2,931
Operating expenses	1,147	1,565	1,477	1,444	1,331	1,323
Profit before provision for credit impairment and income tax	1,171	1,598	1,639	1,969	1,780	1,608
Provision for credit impairment	320	436	874	302	74	18
Profit before income tax-continuing operations	852	1,162	765	1,667	1,706	1,590
Income tax expense	246	335	467	504	614	523
Profit after income tax-continuing operations	606	827	298	1,163	1,092	1,067
Profit from discontinued operations (net of income tax) ⁽²⁾	-	-	-	-	76	5
Profit after income tax	606	827	298	1,163	1,168	1,072

- (1) For the convenience of the reader, the financial data for the year ended September 30, 2010 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2010 of \$1.00=US\$0.7329.
- (2) On September 1, 2006, UDC Finance Limited agreed to sell Truck Leasing Limited. The sale was completed on October 31, 2006. In accordance with NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of Truck Leasing Limited were classified as held for sale as at September 30, 2006 and Truck Leasing Limited was treated as a discontinued operation.
- (3) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was reclassified as interest income to more accurately reflect the nature of the income. Comparative data for the year ended September 30, 2009 has been restated accordingly. For the year ended September 30, 2009, this reclassification increased interest income for the ANZ National Group by \$99 million from \$7,246 million to \$7,345 million and reduced other operating income by \$99 million from \$762 million to \$663 million. As a result of this reclassification, interest income, net interest income and other operating income for 2008, 2007 and 2006 are not comparable to those items for 2010 and 2009. There was no impact on total operating income or net profit after taxation. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Critical accounting policies" in this Offering Memorandum.

Summary consolidated balance sheet

	As at September 30,					
	2010 ⁽¹⁾	2010	2009	2008	2007	2006
	(US\$ millions)	(NZ\$ millions)				
Balance Sheet						
Assets						
Liquid assets	1,640	2,238	2,762	4,838	4,807	2,698
Due from other financial institutions	2,562	3,496	4,514	5,032	3,563	5,617
Trading securities.....	4,952	6,757	4,166	2,624	1,877	1,596
Held for sale assets ⁽²⁾	-	-	-	-	-	538
Derivative financial instruments	7,598	10,367	11,408	7,533	4,711	2,020
Available-for-sale assets	1,620	2,210	1,513	109	48	359
Net loans and advances.....	62,966	85,913	88,259	97,679	87,878	78,155
Investments relating to insurance business	21	28	-	-	-	-
Insurance policy assets	101	138	-	-	-	-
Due from parent company	4	6	-	-	-	-
Shares in associates and jointly controlled entities	106	144	464	363	206	177
Current tax assets.....	18	25	65	57	112	114
Other assets.....	707	965	1,137	1,000	1,045	890
Deferred tax assets.....	229	312	-	121	11	122
Premises and equipment	228	311	278	242	232	240
Goodwill and other intangibles	2,600	3,548	3,325	3,317	3,297	3,288
Total assets	85,352	116,458	117,891	122,915	107,787	95,814
Liabilities						
Due to other financial institutions.....	1,333	1,819	3,725	3,312	3,170	3,987
Due to Parent Company	-	-	930	404	2,775	2,720
Deposits and other borrowings	51,519	70,295	71,764	77,136	70,030	63,176
Derivative financial instruments	7,853	10,715	10,762	6,710	4,924	1,997
Payables and other liabilities.....	1,246	1,700	1,809	1,841	1,351	1,216
Held for sale liabilities	-	-	-	-	-	53
Deferred tax liabilities	-	-	17	-	-	-
Provisions	231	315	283	190	165	159
Bonds and notes.....	13,750	18,761	15,917	20,695	14,607	12,468
Loan capital	1,764	2,407	2,596	2,820	2,062	1,805
Total liabilities.....	77,696	106,012	107,803	113,108	99,084	87,581
Net assets	7,656	10,446	10,088	9,807	8,703	8,233
Ordinary share capital.....	5,089	6,943	6,943	5,943	5,943	5,943
Reserves.....	117	160	48	47	83	55
Retained profits.....	2,449	3,342	3,097	3,817	2,677	2,235
Non-controlling interests	1	1	-	-	-	-
Total equity.....	7,656	10,446	10,088	9,807	8,703	8,233

- (1) For the convenience of the reader, the financial data as at September 30, 2010 has been translated from NZ dollars into U.S. dollars using the noon buying rate for September 30, 2010 of NZ\$1.00=US\$0.7329.
- (2) On September 1, 2006, UDC Finance Limited agreed to sell Truck Leasing Limited. The sale was completed on October 31, 2006. In accordance with NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities of Truck Leasing Limited were classified as held for sale as at September 30, 2006 and Truck Leasing Limited was treated as a discontinued operation.

Other financial data

	Year ended September 30,					
	2010	2010	2009	2008	2007	2006
	(US\$ millions)			(NZ\$ millions)		
Share information (NZ\$ per fully paid share) ⁽¹⁾						
Dividend-declared rate	0.26	0.35	1.43	-	1.04	1.29
Earnings-basic	0.36	0.49	0.18	1.66	1.67	1.53
Net tangible assets-basic	2.98	4.06	3.98	9.27	7.72	7.06
Number of shares on issue (thousands) ⁽¹⁾						
Ordinary shares-fully paid	1,700,105	1,700,105	1,700,105	700,105	700,105	700,105
Ratios ⁽²⁾						
Return on average shareholders equity (%)	8.05	8.05	3.00	12.47	13.34	12.78
Return on average total assets (%)	0.71	0.71	0.25	1.02	1.14	1.16
Ratio of earnings to fixed charges ⁽³⁾	33.35	33.35	15.55	21.95	28.05	31.17
Capital adequacy ratio (%)	13.11	13.11	12.67	11.72	10.08	10.14
Other banking data: ⁽⁴⁾						
Capital adequacy ratios						
Tier 1 (%)	9.68	9.68	9.03	8.13	7.19	7.34
Tier 2 (%)	3.43	3.43	3.64	3.59	2.89	2.8
Deductions	-	-	-	-	-	-
Total (%)	13.11	13.11	12.67	11.72	10.08	10.14
Net interest margin (%) ⁽⁵⁾⁽¹¹⁾	2.43	2.43	2.34	2.20	2.40	2.51
Net interest spread (%) ⁽⁶⁾⁽¹¹⁾	2.00	2.00	1.88	1.45	1.66	1.76
Cost to income ratio (%) ⁽⁷⁾	49.48	49.48	47.40	42.31	42.78	45.14
Risk-weighted exposures (NZ\$ millions) ⁽⁸⁾	50,408	68,779	71,401	75,449	71,311	64,383
Return on average risk-weighted exposures ratio (%) ⁽⁹⁾	1.18	1.18	0.40	1.53	1.73	1.75
Other information						
Points of representation (branches)	315	315	329	319	313	309
Number of core full-time equivalent employees ⁽¹⁰⁾	8,908	8,908	8,513	9,115	8,991	8,730

- (1) All shares of ANZ National are owned by ANZ Holdings (New Zealand) Limited, a wholly-owned subsidiary of ANZBGL. In March 2009, ANZ National paid a dividend of \$1.0 billion out of existing retained earnings which ANZ Holdings (New Zealand) Limited reinvested as new ordinary share capital in ANZ National.
- (2) Ratios calculated using average balances have been referenced to the table "Average balance sheet and interest income/expense" unless otherwise stated, and the methodology for calculating average balances is included in that table.
- (3) For the purpose of computing this ratio, earnings consist of operating profit before income tax and outside equity interests. Fixed charges consist of interest costs plus one-third of minimum rental payments under operating leases (estimated by management to be the interest factor of such rentals). The ratio is expressed as earnings divided by fixed charges.
- (4) The RBNZ sets minimum capital requirements that ANZ National must comply with, which now require capital adequacy ratios to be calculated under the principles established by the Basel Committee on Banking Supervision widely known as the "Basel II" framework. The capital adequacy ratios shown for September 30, 2010, 2009 and 2008 in the above table have been calculated under Basel II. ANZ National received accreditation from the RBNZ to adopt the internal ratings based approach under the Basel II framework on December 10, 2007 for calculating capital adequacy ratios. The capital adequacy comparative ratios at September 30, 2007 and 2006 in the above table have been calculated under the "Basel I" framework and are not directly comparable to the capital adequacy ratios for September 30, 2010, 2009 and 2008 calculated under Basel II.
- (5) Net interest income divided by average interest earning assets.
- (6) The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
- (7) Operating expenses of the banking business divided by total income from ordinary banking activities.
- (8) Risk-weighted exposures are calculated on a quarterly basis in accordance with RBNZ requirements. ANZ National received accreditation on December 10, 2007 to adopt Basel II, with effect from March 31, 2008. Prior to March 31, 2008, risk-weighted exposures were calculated under the Basel I framework. From March 31, 2008 onwards, all risk-weighted exposures have been calculated under the Basel II methodology. Accordingly, the risk-weighted exposures at September 30, 2007 and 2006 are not directly comparable to those at September 30, 2010, 2009 and 2008.
- (9) Banking operating profit after tax divided by average risk weighted exposures. Averages are based on quarterly balances. The ratio is annualized.

- (10) All employees are located in New Zealand except for one employee located in ANZNIL's London branch. Core full-time equivalent employees include employees that are employed on a full-time basis, part-time basis or that are on a fixed term contract but does not include casual employees or independent contractors.
- (11) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was reclassified as interest income to more accurately reflect the nature of the income. Comparative data for the year ended September 30, 2009 has been restated accordingly. For the year ended September 30, 2009, this reclassification increased net interest margin from 2.20% to 2.34% and increased net interest spread from 1.63% to 1.88%. As a result of this reclassification, net interest margin and net interest spread for 2008, 2007 and 2006 are not comparable to those items for 2010 and 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operation — Critical accounting policies" in this Offering Memorandum.

Risk Factors

Any investment in the Notes will involve risks including, without limitation, those described in this section. All material risks that have been identified by us are included in this section. You should carefully consider the following discussion of the risk factors and the other information in this Offering Memorandum and consult your own financial and legal advisers about the risks associated with the Notes before deciding whether an investment in the Notes is suitable for you.

You should be aware that the risks set forth below are not the only ones facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, may also become important factors that affect us.

If any of the listed or unlisted risks actually occurs, our business, operations, financial condition or reputation could be materially adversely affected, with the result that the trading price of the Notes could decline and you could lose all or part of your investment.

As at the date of this Offering Memorandum, we believe that the following risk factors may affect our ability to fulfill our obligations under the Notes and could be material for the purpose of assessing the market risks associated with the Notes.

If any of the following factors actually occurs, the trading price of the Notes could fall and investors may lose the value of their entire investment or part of it. These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingencies occurring.

Risks relating to our business

Adverse credit, currency and capital market conditions may significantly affect our ability to meet liquidity needs, adversely affect our access to international capital markets and increase our cost of funding.

Global credit and capital markets experienced extreme volatility, disruption and decreased liquidity from the middle of 2007, reaching unprecedented levels of disruption in September and October 2008 and suffering intermittent periods of disruption since then. We rely on credit and capital markets for funding our business. Continued or increased instability in these market conditions may limit our ability to replace, in a timely manner, maturing liabilities and access the capital necessary to fund and grow our business.

In the event that our current sources of funding prove to be insufficient, we may be forced to seek alternative financing. The availability of such alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, our credit ratings and credit capacity. The cost of these alternatives may be more expensive or on unfavorable terms, which could adversely affect our results of operations, liquidity, capital resources and financial condition.

If we are unable to source appropriate funding, we may be forced to reduce our lending or begin to sell liquid securities. There is no assurance that we can obtain favorable prices on some or all of the securities we offer for sale. The credit, currency and capital market conditions could limit our ability to refinance maturing liabilities. Such actions could adversely impact our business, results of operations, liquidity, capital resources and financial condition.

Changes in general business and economic conditions in New Zealand may adversely impact our results and we can give no assurance as to the likely future state of such conditions.

General business and economic conditions are a key consideration in assessing the risk of loss arising from the inability to adapt cost structures, products, pricing, or activities in response to lower than expected revenues, or higher than expected costs, caused by an unexpected adverse change in the economy and general business conditions or operating environment.

Our funding is obtained from both New Zealand and offshore sources. The impact of the global financial crisis in 2008 and 2009 saw a sudden and prolonged dislocation in credit and capital markets, a contraction in global economic activity and the creation of many challenges for financial services institutions worldwide that still persist. The market is currently characterized by wider credit spreads, tightened liquidity conditions and a general weakening in the economic environment. These conditions have resulted in the failure of a number of financial institutions and have precipitated certain regulatory and other actions by governmental bodies, including those in New Zealand, Australia, the United States, Europe and elsewhere. These conditions have also adversely affected our ability to raise medium/long term funding in the international capital markets.

As we conduct substantially all of our lending business in New Zealand, our performance is influenced by economic conditions in New Zealand, including the level and cyclical nature of business activity, which in turn is affected by both domestic and international economic and political events. The New Zealand economy contracted sharply in 2008 and the first quarter of 2009. Since then, economic growth has been positive although economic conditions in New Zealand remain difficult. A material downturn in the New Zealand economy could adversely impact our results of operations, liquidity, capital resources and financial condition.

Economic and political factors and events in New Zealand which can adversely affect our performance and results include, but are not limited to, short-term and long-term interest rates, inflation, monetary supply, commodities volatility and results, fluctuations in both debt and equity capital markets, relative changes in foreign exchange rates, consumer confidence and the relative strength of the New Zealand economy. For example, a general economic downturn, a fall in the housing market or the rural property market (including a decline in housing or rural property prices), a continued decrease in immigration, a continued increase in unemployment, or other events that negatively affect household or corporate incomes in New Zealand could decrease our asset values and the demand for our loan and non-loan products and services and increase the number of customers who fail to pay interest or repay principal on their loans.

New Zealand economic conditions may also be affected by geopolitical instability, including, among other factors, actual or potential conflict and terrorism. Our future performance may also be affected by the economic conditions of other regions with economic connections to New Zealand.

In addition, an appreciation in the New Zealand dollar relative to other currencies could negatively impact New Zealand's agricultural exports and international tourism, whereas a depreciation would increase foreign debt service obligations.

There can be no assurance that actions of governments and other governmental and regulatory bodies to stabilize financial markets will achieve the intended effect.

The success of stabilizing actions announced by governments and regulatory bodies in response to financial crises affecting the banking system and financial markets generally is uncertain. There can be no assurance as to what impact such actions will have on financial markets, consumer and investor confidence, or market volatility. Declines in consumer and investor confidence and further uncertainty and volatility could materially adversely affect our business, funding, financial condition and results of operations.

The withdrawal of the Crown Wholesale Funding Guarantee Facility may adversely impact our access to funding and liquidity, particularly if credit markets conditions are disrupted as they were during the end of the 2008 and beginning of the 2009 calendar years.

On March 10, 2010, the New Zealand government announced the withdrawal of the Crown Wholesale Funding Guarantee Facility, pursuant to which the New Zealand government guaranteed certain issues of senior unsecured debt securities of eligible New Zealand financial institutions, effective April 30, 2010. As of September 30, 2010, approximately 19% of the ANZ National Group's outstanding long-term indebtedness was guaranteed pursuant to the Crown Wholesale Funding Guarantee Facility. Our access to funding and overall liquidity may be adversely impacted by the withdrawal of the Crown Wholesale Funding Guarantee Facility, particularly if credit markets conditions are disrupted as they were during the end of the 2008 and beginning of the 2009 calendar years.

Competition may adversely impact our results.

The financial services sector in New Zealand is highly competitive, particularly in those segments that are considered to provide higher growth prospects. Factors contributing to this include industry deregulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods and increased diversification of products by competitors. Competition in the financial services sector can be intense and difficult to predict. Currently there is significant competition for customer deposits among New Zealand banks. This is likely to continue as banks seek to diversify their sources of funding.

The effect of the competitive market conditions in which we operate may have a material adverse effect on our financial performance and position. For example, increasing competition for customers can lead to a compression in our net interest margin, or increased advertising and related expenses to attract and retain customers.

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

Sovereign risk or the risk that foreign governments will default on their debt obligations or be unable to refinance their debts as they fall due has emerged as a risk to the recovery prospects of global economies. This risk is particularly relevant to a number of European countries, though it is not limited to Europe. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than that experienced during the global financial crisis. Such an event could destabilize global financial markets adversely affecting all participants, including ANZ National. Financial support packages jointly announced by EU authorities and the International Monetary Fund ("IMF") in 2010 were designed to reassure global markets regarding the risk of sovereign default and avert further financial turmoil. It is not certain whether such packages will achieve their intended effect, and the impact of any withdrawal and modifications to such packages over time.

We are subject to credit risk, which may adversely impact our results.

As a financial institution, we are exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause customers or counterparties to experience adverse financial consequences, thereby exposing us to the increased risk that those customers or counterparties will fail to meet their obligations in accordance with agreed terms. We hold provisions to cover credit impairment. The amount of these provisions is determined by assessing the extent of impairment inherent within the current lending portfolio, based on current information. This process, which is critical to our financial results and condition, requires difficult, subjective and complex judgments, including forecasts of how current and future economic conditions might impair the ability of borrowers to repay their loans. However, if the information upon which the assessment is made proves to be inaccurate or if we fail to identify factors properly or fail to estimate accurately the impact of factors that are identified, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on our financial performance.

Recent periods have seen an increase in impairment expenses as a consequence of the weaker domestic and global economic environment. New Zealand is now experiencing an ongoing, albeit uneven, economic recovery. This resulted in a reduction in impairment charges in 2010 compared to 2009. Trading conditions, however, remain difficult for a number of commercial businesses and asset valuations in some areas, including Rural and Commercial Property, remain uncertain due to low turnover and an uncertain business environment. The Canterbury earthquake has had limited impact on credit provisions as at September 30, 2010. Those credit impacts are likely to be quantified over the year ahead but we believe we retain provisions more than sufficient to cover possible credit losses from the Canterbury earthquake.

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

An increase in the failure of third parties to honor their commitments in connection with our trading, lending, derivatives and other activities may adversely affect its results

We are exposed to the potential risk of credit-related losses that can occur as a result of a counterparty being unable or unwilling to honor its contractual obligations. As with any financial services organization we assume counterparty risk in connection with our lending, trading, derivatives and other businesses where we rely on the ability of a third party to satisfy its financial obligations to us on a timely basis.

There is a risk that subsequent events will not be the same as assumed in our original assessment of the ability of a third party to satisfy its obligations. Such credit exposure may also be increased by a number of factors including declines in the financial condition of the counterparty, the value of assets we hold as collateral and the market value of the counterparty instruments and obligations it holds. Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether.

To the extent our credit exposure increases, the increase could have an adverse effect on our business and profitability if material unexpected credit losses occur.

We are also subject to the risk that a counterparty's rights against third parties may not be enforceable in certain circumstances.

Failure to maintain our credit ratings and those of our subsidiaries could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

The credit ratings assigned to us and our subsidiaries by rating agencies are based on an evaluation of a number of factors, including our ability to maintain a stable earnings stream, capital ratios, credit quality and risk management controls, funding sources, and liquidity monitoring procedures. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events. Additionally, a reduction in New Zealand's sovereign credit rating could adversely affect our credit rating.

If we fail to maintain our current credit ratings, this could adversely affect our cost of funds and related margins, our liquidity, our competitive position, existing contractual relations, the willingness of counterparties to transact with us and our ability to access capital markets. It could also trigger our obligations under certain bilateral provisions in some of our trading and collateralized financing contracts.

Credit ratings may be revised, withdrawn or suspended by the relevant credit rating agency at any time.

A weakening of the real estate market in New Zealand would adversely affect us.

Residential and rural property lending, together with property finance, including real estate development and investment property finance, are important to our business. As at September 30, 2010, residential loans represented approximately 50% of our gross loans and advances. During 2008 and early 2009 there was a marked softening in the New Zealand housing market, Housing values have improved since that time although sales volumes remain subdued. The rural property market also remains under pressure with limited sales volumes over recent months despite rising commodity prices.

A decrease in property valuations in New Zealand could decrease the amount of new mortgages we are able to write and increase the losses we may experience from our existing mortgages, which could materially and adversely affect our financial condition and result of operations.

We are subject to operating risk, which may adversely impact our results.

We are subject to operational risk. Operational risk refers to risks arising from day-to-day operational activities which may result in direct or indirect losses. These losses may result from both internal and external events.

Operational risk includes the risks arising from process error or failure, inadequate processes, people or systems, fraud, systems failure, failure and breach of security and physical protection and recovery systems, failure of customer services, staff skills and performance and failure of product development and maintenance, and breaches of our internal policies and of laws and regulations. Similarly, there are operational risks in the management, design and implementation of major projects.

Further, we are exposed to operational failings by third-party providers, including outsourcing, to natural disasters, political, security and social events and to failings in the financial services sector.

Direct or indirect losses that occur as a result of operational failures, breakdowns and omissions or unplanned events could adversely affect our financial results.

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

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

We are highly dependent on information systems and technology and there is a risk that these, or the services they use or are dependent on, might fail. Most of our daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal third-party information technology

systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate planned growth and integrate existing and future acquisitions and alliances.

To manage some of these risks we have disaster recovery and systems continuity plans in place. However, any failure in these systems could result in business interruption, the loss of customers, damaged reputation and weakening of our competitive position and could adversely impact our business and have a material adverse effect on our financial condition and operations. We have experienced certain failures in the past, and there is no assurance we will not experience other failures in the future.

In addition, we must constantly update and implement new information technology systems, in part to assist us with satisfying regulatory demands, ensuring information security, enhancing computer-based banking services for our customers and integrating the various segments of our business. For instance, on November 25, 2010, we announced that we will adopt one core banking system (the Systematics system currently used by The National Bank) across ANZ and The National Bank networks by late 2011, aimed at simplifying our business and delivering better service and better products for customers. We may not organize this and other implementation projects effectively or execute them efficiently, which could lead to increased project costs, delays in our ability to comply with regulatory requirements, failure of information security controls or a decrease in our ability to enhance services to our customers. Further, we rely on ANZBGL to provide us with a number of information technology systems and any failure of ANZBGL systems could directly affect ANZ National.

Litigation and contingent liabilities may adversely impact our results.

We are subject to litigation, regulatory actions and contingent liabilities, which, if they crystallize, may adversely impact our results. Such matters that we consider to be material, or that may become material, and which are not discussed elsewhere in the “Risk Factors”, are set out below. While legal advice has been obtained and provisions as we have deemed necessary have been made and disclosed in our consolidated financial statements for the year ended September 30, 2010, there is a risk that these contingencies may be larger than anticipated or that additional litigation or other contingent liabilities will arise.

New Zealand Commerce Commission proceedings

We are aware that the Commerce Commission is looking at credit contract fees under the Credit Contracts and Consumer Finance Act 2003 (“CCCFA”). In its 2010-2013 Statement of Intent the Commission stated that:

“In CCCFA enforcement, the Commission will continue to focus on unreasonable credit fees, while still being mindful of disclosure issues.”

In particular, we are aware that the Commission is investigating the level of default fees charged on credit cards, the level of currency conversion charges on overseas transactions using credit cards and informal excess arrangements on credit cards under the CCCFA. At this stage the possible outcome of these investigations and any liability or impact on fees cannot be determined with any certainty.

ING (NZ) Limited fund proposal to investors

We market and distribute a range of wealth management products in New Zealand, which are manufactured and managed by our subsidiary, ING (NZ) Holdings Limited (now OnePath Holdings (NZ) Limited) (“ING NZ”). Trading in two of the products, the ING Diversified Yield Fund and the ING Regular Income Fund (the “Funds”), was suspended on March 13, 2008 due to a deterioration in the liquidity and credit markets. Some of the units in the Funds were sold by ANZ National to ANZ National customers.

On June 5, 2009, ING NZ AUT Investments Limited, a subsidiary of ING NZ, made an offer to investors in the Funds. Investors holding approximately 99% of the Funds accepted the offer to purchase their units.

In June 2010, we reached settlements with the Commerce Commission and the Securities Commission in relation to the Commerce Commission’s investigation into the marketing and promotion of the Funds.

As part of the settlement with the Commerce Commission, \$45 million will be paid to eligible investors in the Funds (with the majority of payments having already been made on November 3, 2010), and we paid the Commerce Commission \$1 million towards their investigation costs.

As part of the settlement with the Securities Commission, ING NZ has undertaken to engage an external party to complete, by February 1, 2011, an audit and review of its procedures and processes to the extent they relate to ING NZ's business of developing and offering investment products to the public and to subsequently implement any recommendations of that review. We have undertaken to facilitate and assist with the ING NZ audit, review and implementation.

The Commerce Commission and the Securities Commission have agreed they will not take any further action against us or our affiliates in relation to the Funds.

The ultimate cost to us will depend on the final value of units in the Funds, any recoveries under insurance, the assessment and outcome of customer complaints against us and the results of any litigation that may be brought in connection with the Funds or their sale. We consider we have adequately provided for these matters at this time.

Changes in fiscal and monetary policies may adversely impact our results.

The RBNZ regulates the supply of money and credit in New Zealand. Its policies determine in large part the cost of funds to us for lending and investing and the return we will earn on those loans and investments. Both of these affect our net interest margin, and can materially affect the value of financial instruments we hold, such as debt securities and hedging instruments. The policies of the RBNZ can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in the RBNZ's policies are difficult to accurately predict.

Regulatory actions may adversely impact our results.

We are subject to laws, regulations and codes of practice in New Zealand, Australia and other countries in which we operate, trade, raise funds or in respect of which we have some other connection (including the United Kingdom and the United States). These regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole, not holders of any Notes of any of the Issuers. As a result of the global financial crisis, we continue to expect increased regulatory focus on capital and liquidity requirements, customer relations and other aspects of our business that may impose increased regulatory burdens. For example, the Basel Committee has recently released discussion papers on potential future liquidity, leverage and capital requirements. Some or all of these new requirements may be incorporated into the supervisory standards imposed by the Australian Prudential Regulatory Authority ("APRA") and the RBNZ.

The New Zealand Government and its agencies, including the RBNZ, have supervisory oversight over us. To the extent that we have operations, trade or raise funds in, or have some other connection with, countries other than Australia or New Zealand then such activities may be subject to the laws of, and regulation by agencies in, such countries, such as United States governmental agencies, including the Federal Reserve Board, the U.S. Department of Treasury and the Office of the Comptroller of the Currency, and United Kingdom agencies, including the Financial Services Authority, and other financial industry regulatory bodies in those countries and in other relevant countries. To the extent that these regulatory requirements limit our operations or flexibility they could adversely impact on our profitability and prospects. In addition, our failure to comply with applicable laws, regulations or codes of practice could result in the imposition of sanctions by regulatory agencies, compensatory action by affected persons, and could damage our reputation, in any jurisdiction.

These regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations and policies. Changes to laws, regulations or codes of practice, including changes in interpretation or implementation of laws, regulations or policies, could affect us in substantial and unpredictable ways. These may include increasing required levels of bank liquidity and capital adequacy, requiring changes to systems and processes, limiting the types of financial services and products we may offer and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements. For instance, Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act") was signed into law in the United States in July 2010. Implementation of the Dodd-Frank Act will require many lengthy rulemaking processes that are expected to result in the promulgation of 200 or more new regulations. Once fully implemented, the Dodd-Frank Act will affect many aspects, in the United States and internationally, of the business of banking, including securitization, proprietary trading, investing, OTC derivatives and other activities. The extent of these impacts is uncertain and will depend on the rules United States regulatory agencies develop and implement under the Dodd-Frank Act over the next several years.

ANZ National is registered under the Reserve Bank of New Zealand 1989 Act and supervised by the RBNZ. As part of its registration, ANZ National is subject to Conditions of Registration imposed by the RBNZ. For details of ANZ National's

current Conditions of Registration, see “Regulation and Supervision — Conditions of Registration: ANZ National Bank Limited”. The Conditions of Registration may be changed at any time, though the RBNZ is required to give ANZ National notice and consider submissions made by ANZ National prior to any such change.

ANZ National is required to comply with Condition of Registration 11, which embodies the RBNZ’s policy on outsourcing and requires ANZ National to have the legal and practical ability to control and execute business functions to ensure the performance of certain outcomes relating to clearing and settlement, risk position identification and monitoring, and customer access to payment facilities.

ANZ National has received RBNZ accreditation as an advanced IRB and AMA bank under the principles laid out by the Basel Committee on Banking Supervision in respect of the Capital Accord (widely known as Basel II). That accreditation is subject to conditions and these have been incorporated into the current Conditions of Registration. We will be regularly reviewed by both RBNZ and APRA in terms of maintaining that accreditation.

In the event that the RBNZ were to conclude that we did not satisfy these conditions, sanctions could be imposed on us. These could include increases in our required levels of Tier 1 and Tier 2 capital or additional limitations on the conduct of our business. In addition, the RBNZ could require us to take additional steps and incur additional expense to satisfy the conditions.

We may experience challenges in managing our capital base, which could give rise to greater volatility in capital ratios, and materially impact our business and our ability to obtain funding

Our capital base is critical to the management of our businesses and access to funding. We are required by the RBNZ to maintain adequate regulatory capital.

Under current regulatory requirements, risk weighted assets and expected loan losses increase as a counterparty’s risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses in times of stress. As a result, greater volatility in capital ratios may arise and may require us to hold additional capital.

Application of and changes to accounting policies may adversely impact our results.

The accounting policies and methods that we apply are fundamental to how we record and report our financial position and results of our operations. The accounting policies for the ANZ National Consolidated Financial Statements for the year ended September 30, 2010 are set forth in note 1 to those consolidated financial statements. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that not only do they comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the financial position and results of operations.

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

We are subject to market risk (including foreign exchange risk) and liquidity risk, which may adversely impact our results through exposure to trading positions and management of financial positions.

Market risk relates to the risk of loss arising from changes in interest rates, foreign exchange rates, equity prices and indices, prices of commodities, debt securities and other financial contracts including derivatives. Losses arising from these risks may have a material adverse effect on us.

We are also exposed to liquidity risk, which is the risk that we are unable to raise funds or have insufficient funds or there are unforeseen demands on cash and as a result, we are unable to meet our payment obligations as they fall due, including obligations to repay deposits and maturing wholesale and customer debt. Reduced liquidity could also lead to an increase in cost of our borrowings and possibly constrain the volume of new lending, which in each case could adversely affect our profitability.

As we conduct business in several different currencies, mainly New Zealand dollars, our businesses may be affected by a change in currency exchange rates. Additionally, as our financial statements are prepared and stated in New Zealand dollars any

appreciation in the New Zealand dollar against other currencies in which we earn revenues may adversely affect our reported earnings.

We are subject to contagion and reputation risk which may adversely impact our results.

As we are part of a larger business group, we are vulnerable to financial and reputational damage by virtue of our association with other members of ANZ Group, any of which may suffer the occurrence of a risk event. In our case, the damage may be financial and may impact our results if financial resources are withdrawn by ANZBGL to support us or another member of ANZ Group. Reputation risk may arise as a result of a contagion event or as a result of our own actions. The reputational consequences (including damage to the ANZ Group franchise) of the occurrence of a risk event, for example major operational failure, may exceed the direct cost of the risk event itself and may impact on our results.

We are subject to acquisition risk which may adversely impact our results.

We regularly examine a range of corporate opportunities including material acquisitions and dispositions, with a view to determining whether those opportunities will enhance our financial performance and position. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on our financial condition or results of operations. The successful implementation of our corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to acquired businesses, including OnePath (formerly ING NZ).

Our operating performance or capital structure may also be affected by these corporate opportunities and there is a risk that any of our credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

We are exposed to insurance risk, which may adversely affect our results.

Insurance risk is the risk of loss due to increases in policy benefits arising from variations in the incidence or severity of insured events. Insurance risk exposure arises in insurance business as the risk that claims payments are greater than expected. In the life insurance business this arises through mortality (death) and morbidity (illness and injury) risks being greater than expected. Since the full acquisition of OnePath (formerly ING NZ), we have increased exposure to insurance risk in the life insurance business which may adversely affect our results.

The profitability of our funds management and insurance business is affected by changes in investment markets and weaknesses in global securities markets due to credit, liquidity or other problems which could result in a decline in our revenues from our funds management and insurance business.

We may be exposed to the impact of future climate change, geological, biological and other extrinsic events which may adversely affect our results.

Scientific observations and climate modeling are pointing to changes in the global climate system that may see extreme weather events increase in both frequency and severity. Among the possible effects of climate change are severe storms, cyclones, hurricanes, floods and rising sea levels. Such events, and others like them, pose the risk of inundation and damage to the houses and commercial assets of our customers. In some cases this impact may also adversely affect our collateral position in relation to credit facilities extended to those customers.

While the future impact of climate change is difficult to predict accurately, it should nevertheless be considered among the risks that may adversely impact our financial results in the future.

In addition to climatic events, geological events, such as volcanic or seismic activity, plant or animal diseases or other extrinsic events, such as flu pandemics, could severely disrupt normal business activity and have a negative effect on our customer's ability to pay interest or repay principal on their loans. As a consequence of our large market share in the New Zealand rural sector (particularly the dairy sector), climatic, disease and other risks that can have a large impact on this sector, could adversely impact our financial results.

We may be exposed to the risk of impairment to capitalised software and goodwill that may adversely affect our results.

In certain circumstances, the ANZ National Group may be exposed to a reduction in the value of intangible assets. As at September 30, 2010, the ANZ National Group carried a goodwill balance of \$3,265 million which principally relates to its acquisition of The National Bank. The ANZ National Group is required to assess the recoverability of this goodwill balance on at least an annual basis based on a discounted cash flow calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of a part or all of the goodwill balance. Similarly, as at September 30, 2010, the ANZ National Group carried capitalized software balances and other intangible assets of \$283 million and the recoverability of these assets is assessed at least annually. In the event that software is no longer in use, or that the cash flows generated by the intangible assets do not support the carrying value, an impairment may be recorded, adversely impacting the ANZ National Group's results.

We have not participated in the New Zealand Government Extended Retail Scheme. This may adversely impact our access to funding and liquidity.

On August 25, 2009 the New Zealand Government announced that it would extend the Crown Retail Deposit Guarantee Scheme to December 31, 2011 and change some of its terms and conditions (the "Extended Retail Scheme"). On May 19, 2010 the RBNZ stated that there was no need for banks to partake in the Extended Retail Scheme and ANZ National did not apply to be covered by it. None of the other registered banks in New Zealand has joined the Extended Retail Scheme. However, if conditions change and other banks are permitted to enter the Extended Retail Scheme and we are not permitted to join the scheme for any reason, then our ability to access sources of domestic funds may be adversely impacted and may lead to a decrease in our liquidity position and an increase in our funding costs.

Risks relating to the Notes

The Notes are subject to transfer restrictions.

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered hereby to QIBs in transactions that are either exempt from registration pursuant to Section 4(2) of, and Regulation D and Rule 144A under, the Securities Act, or are not subject to registration in reliance on Regulation S. Accordingly, the Notes are subject to certain restrictions on the resale and other transfer thereof as set forth under "Notice to Purchasers" and "Plan of Distribution". As a result of such restrictions, there can be no assurance as to the existence of a secondary market for the Notes or the liquidity of such market if one develops. Consequently, you must be able to bear the economic risk of an investment in your Notes for an indefinite period of time.

Redemption may adversely affect your return on the Notes.

If the relevant Issuer is obligated to pay additional amounts on the Notes or, in the case of the ANZNIL Notes, ANZ National is obligated to pay additional amounts under the Guarantee, the relevant Issuer may redeem the Notes. The relevant Final Terms may specify other circumstances under which the Notes are redeemable at our option. We may choose to redeem your Notes at times when prevailing interest rates are lower than when you invested. In addition, if your Notes are subject to mandatory redemption, we may be required to redeem your Notes at times when prevailing interest rates are lower than when you invested. As a result, you generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate equal to or higher than that applicable to your Notes being redeemed.

Because Global Notes will be held by or on behalf of DTC and/or an alternative clearing system (including Euroclear and Clearstream, Luxembourg), holders of Notes issued in the form of Global Notes will have to rely on their procedures for transfer, payment and communication with the relevant Issuer.

Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for DTC and/or an alternative clearing system (the "Depositary"). Apart from the circumstances described in this Offering Memorandum and Global Note or any relevant Final Terms, investors will not be entitled to Notes in definitive form. The Depositary, or its nominee, will be the sole registered owner and holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a holder of the Note, but only an indirect owner of an

interest in the Global Note. As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of the Depositary and those of the investor's financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, Luxembourg, if DTC is the Depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of Notes and instead deal only with the Depositary that holds the Global Note. An investor in a Global Note will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes.

See "Description of the Notes and the Guarantee — Payment mechanics for Notes" and "Legal Ownership and Book-Entry Issuance" for further discussion of the risks associated with holding Global Notes.

An investment in Notes linked to an index, exchange rate, securities etc. entails risks not associated with a similar investment in fixed or floating rate debt securities.

An investment in Notes the terms of which provide that the principal, premium, if any, and/or interest payable and/or securities deliverable, is linked to one or more currencies or composite currencies (including exchange rates and swap indices between currencies or composite currencies), commodities, securities, basket of securities or securities indices, interest rates or other indices (each an "index" and together, the "indices"), either directly or inversely (the "indexed Notes"), entails risks that are not associated with investments in a conventional fixed rate or floating rate debt security including:

- the market price of such indexed Notes may be volatile;
- no interest may be payable on the indexed Notes;
- payments of principal or interest on the indexed Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such indexed Notes or even zero;
- an index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if an index is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the index on principal or interest payable will likely be magnified; and
- the timing of changes in an index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the index, the greater the effect on yield.

These risks include the possibility that an index or indices may be subject to significant changes, that the resulting interest rate will be less than that payable on a conventional fixed or floating rate debt security issued by the Issuer at the same time, that the repayment of principal and/or premium, if any, and/or delivery of securities can occur at times other than that expected by the investor, that, in certain circumstances, the indexed Notes may cease to bear interest and that prospective investors could lose all or a substantial portion of their investment, if any, payable at the stated maturity. These risks and their magnitude and longevity depend on a number of interrelated factors, including economic, financial and political events, over which the relevant Issuer has no control. Past experience is not necessarily indicative of what may occur in the future.

Additionally, if the formula used to determine the amount of principal, premium, if any, and/or interest payable and/or securities deliverable with respect to such indexed Notes contains a multiplier or leverage factor, the effect of any change in the applicable index or indices will be magnified. In recent years, values of certain indices have been highly volatile; such volatility in the past is not necessarily indicative, however, of fluctuations that may occur in the future.

Any optional redemption feature of any indexed Notes might affect their market value. Since the Issuer may be expected to redeem indexed Notes when prevailing interest rates are relatively low, prospective investors generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate that is as high as the current interest rate on the indexed Notes.

See “Considerations Relating to Indexed Notes” for further discussion of these and additional risks relating to indexed Notes.

An investment in equity-linked Notes may bear similar market risks to a direct equity investment and investors should take advice accordingly.

In the case of credit linked Notes (whether cash or physically settled), holders may receive in lieu of any payment of principal, certain securities of the reference entities which may have a market value substantially less than that of the initial investment of such holder. Prospective investors should note that they may be required to take delivery of these securities and should ensure that they have the capacity to receive such obligations on purchasing the Notes.

The secondary market, if any, for indexed Notes will be affected by a number of factors independent of the Issuer’s creditworthiness, including the complexity and volatility of the index or indices, the creditworthiness of the specified entity or entities, the fluctuation of exchange rates, the method of calculating the principal, premium, if any, and/or interest in respect of indexed Notes, the time remaining to the stated maturity of such indexed Notes, the outstanding amount of such indexed Notes, any redemption features of such indexed Notes, the amount of other debt securities linked to such index or indices and the level, direction and volatility of market interest rates generally. Such factors also will affect the market value of indexed Notes.

In addition, certain indexed Notes may be designed for specific investment objectives or strategies and, therefore, may have a more limited secondary market and may experience more price volatility than conventional debt securities. Investors may not be able to sell such indexed Notes readily or at prices that will enable them to realize their anticipated yield. Prospective investors should not purchase such indexed Notes unless they understand and are able to bear the risks that such indexed Notes may not be readily saleable, that the value of such indexed Notes will fluctuate over time and that such fluctuations may be significant.

Finally, the Issuer’s credit ratings may not reflect the potential impact of the various risks that could affect the market value of the indexed Notes. Accordingly, prospective investors should consult their own financial and legal advisors as to the risks an investment in the indexed Notes may entail and the suitability of the indexed Notes in light of their particular circumstances.

See “Considerations Relating to Indexed Notes” for further discussion of these and additional risks in relation to indexed Notes.

Variable rate Notes with a multiplier or other leverage factor bear certain risks.

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

Inverse Floating Rate Notes bear certain risks.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Because the Fiscal Agency Agreement contains no limit on the amount of additional debt that we may incur, our ability to make timely payments on the Notes you hold may be affected by the amount and terms of our future debt.

Our ability to make timely payments on our outstanding debt may depend on the amount and terms of our other obligations, including any outstanding Notes. The Fiscal Agency Agreement does not contain any limitation on the amount of indebtedness that we may issue in the future. As we issue additional Notes under the Fiscal Agency Agreement or incur other indebtedness, unless our earnings grow in proportion to our debt and other fixed charges, our ability to service the Notes on a timely basis may become impaired.

Fixed/Floating Rate Notes bear certain risks.

Fixed/floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer’s ability to convert the interest rate will affect the secondary market and the

market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed/floating rate Notes may be less favorable than then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium bear certain risks.

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

Partly-paid Notes bear certain risks.

The Issuer may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment could result in an investor losing all of its investment and not receiving any interest on the Notes.

Modification and waivers and substitution bear certain risks.

The terms of the Notes contain provisions for calling meetings of holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

There may not be any trading market for the Notes; many factors affect the trading and market value of the Notes.

Upon issuance, the Notes may not have an established trading market. Although the Notes may be listed on the London Stock Exchange, we cannot ensure that a trading market for your Notes will ever develop or be maintained if developed. In addition to our creditworthiness, many factors affect the trading market for, and trading value of, the Notes. These factors include but are not limited to:

- the complexity and volatility of the index or formula applicable to the Notes (if any);
- the method of calculating the principal, premium and interest in respect of the Notes;
- the time remaining to the stated maturity of the Notes;
- the outstanding amount of the Notes;
- any redemption features of the Notes;
- the amount of other debt securities linked to the index or formula applicable to the Notes (if any);
- the level, direction and volatility of market interest rates generally;
- investor confidence and market liquidity; and
- our financial condition and results of operations.

There may be a limited number of buyers when you decide to sell the Notes. This may affect the price you receive for such Notes or the ability to sell such Notes at all. In addition, Notes that are designed for specific investment objectives or strategies often experience a more limited trading market and more price volatility than those not so designed. You should not purchase the Notes unless you understand and know you can bear all of the investment risks involving the Notes.

The Notes may be de-listed, which may materially affect your ability to resell.

Any Notes that are listed on the London Stock Exchange or any other listing authority, stock exchange or quotation system may be de-listed. We may, but are not obligated to, seek an alternative listing. However, if such an alternative listing is not available or in our opinion is unduly burdensome, an alternative listing for the Notes may not be obtained. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the London Stock Exchange or other listing authority, stock exchange or quotation system, delisting the Notes from the London Stock Exchange may have a material adverse effect on your ability to resell your Notes in the secondary market.

Notes denominated or payable in or linked to a non-U.S. dollar currency are subject to exchange rate and exchange control risks.

If you invest in a non-U.S. dollar Note, you will be subject to significant risks not associated with an investment in a Note denominated and payable in U.S. dollars, including the possibility of material changes in the exchange rate between U.S. dollars and the applicable foreign currency and the imposition or modification of exchange controls by the applicable governments. We have no control over the factors that generally affect these risks, including economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on non-U.S. dollar Notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between these currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of your payment currency would result in a decrease in the U.S. dollar equivalent yield of your non-U.S. dollar Notes, in the U.S. dollar equivalent value of the principal and any premium payable at maturity or any earlier redemption of your non-U.S. dollar Notes and, generally, in the U.S. dollar equivalent market value of your non-U.S. dollar Notes.

Governmental exchange controls could affect exchange rates and the availability of the payment currency for your non-U.S. dollar Notes on a required payment date. Even if there are no exchange controls, it is possible that your payment currency will not be available on a required payment date for circumstances beyond our control. In these cases, we will be allowed to satisfy our obligations in respect of your non-U.S. dollar Notes in U.S. dollars or delay payment. See “Description of the Notes and the Guarantee — Currency of Notes” and “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency” for further discussion of these risks.

The Notes’ credit ratings may not reflect all risks of an investment in the Notes.

The credit ratings of the Notes may not reflect the potential impact of all risks related to structure and other factors on any trading market for, or trading value of, the Notes. In addition, real or anticipated changes in the credit ratings of the Notes will generally affect any trading market for, or trading value of, the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by an assigning rating agency. Each rating should be evaluated independently of any other information.

The Notes are subject to changes in tax law which could have an adverse affect.

Statements in this Offering Memorandum concerning the taxation of holders of Notes are of a general nature and are based upon current tax law and published practice in the jurisdictions stated. Such law and practice is subject to change, possibly with retrospective effect, and this could adversely affect holders of Notes. In addition, any change in an Issuer’s tax status or in taxation legislation or practice in a relevant jurisdiction could adversely impact the ability of the Issuers to service the Notes and the market value of the Notes.

Use of Proceeds

ANZNIL will on-lend the net proceeds from the sale of all ANZNIL Notes to ANZ National. ANZ National intends to use the net proceeds from the sales of Notes (including Notes issued by ANZNIL) to provide additional funds for operations, for general corporate purposes and such other purposes as may be specified in a supplement hereto. If, in respect of any particular issues, there is a particular identified use of the proceeds, this will be stated in the applicable Final Terms.

Capitalization, Funding and Capital Adequacy

The following table sets out the consolidated capitalization and capital adequacy of the ANZ National Group as at September 30, 2010. This information has been extracted from the audited ANZ National Consolidated Financial Statements as at September 30, 2010, included as part of Annex A to this Offering Memorandum. For more information concerning our capitalization and capital adequacy see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Offering Memorandum and our General Disclosure Statement for the year ended September 30, 2010 attached to this Offering Memorandum as part of Annex A.

	As at September 30, 2010,	
	(US\$ millions, except as indicated) ⁽¹⁾	(NZ\$ millions, except as indicated)
Capitalization and Funding		
Due to other financial institutions	1,333	1,819
Deposits and other borrowings	51,519	70,295
Derivative financial instruments	7,853	10,715
Payables and other liabilities	1,246	1,700
Bonds and notes	13,750	18,761
Due to parent company	0	0
Deferred tax liability	0	0
Provisions		
Credit impairment	1,025	1,398
Other	231	315
Total provisions	1,255	1,713
Loan capital ⁽²⁾	1,764	2,407
Total equity ⁽³⁾	7,656	10,446
Total Capitalization and Funding ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	86,377	117,856
Capital Adequacy		
Tier 1 Capital		
Ordinary share capital	5,089	6,943
Revenue and similar reserves	1,961	2,675
Current year’s profit after tax	606	827
Non-controlling Interests	1	1
Less: Goodwill	2,393	3,265
Other intangible assets	207	283
Future income tax benefits	64	87
Cash flow hedging reserve	75	102
50% Expected loss to the extent lower than total eligible allowances for impairment	36	49
Total Tier 1 Capital	4,881	6,660
Tier 2 Capital-Upper Level Tier 2 Capital-Perpetual subordinated debt		
	868	1,184
Tier 2 Capital-Lower Level Tier 2 Capital-Term subordinated debt ...	896	1,223
Less: 50% Expected loss to the extent lower than total eligible allowances for impairment	36	49
Total Tier 2 Capital	1,728	2,358
Total Capital	6,609	9,018
Risk-weighted exposures		
Capital ratios (%)		
Tier 1 Capital	9.68%	9.68%
Tier 2 Capital	3.43%	3.43%
Total Capital	13.11%	13.11%

(1) For the convenience of the reader, the financial data for year ended September 30, 2010 has been translated from NZ dollars into U.S.

dollars using the noon buying rate on September 30, 2010 of NZ\$1.00=US\$0.7329.

- (2) Certain loan capital issued by ANZ National is subordinated in right of payment to the claims of depositors and all creditors of that bank and constitutes Tier 2 capital as defined by the RBNZ for capital adequacy purposes. This loan capital at September 30, 2010 consisted of the following:

- A\$265.7 million perpetual subordinated floating rate loan;
- A\$43.8 million term subordinated floating rate loan due September 2016;
- A\$169.5 million term subordinated floating rate loan due September 2017;
- NZ\$350 million term subordinated fixed rate bond due September 2016;
- NZ\$250 million term subordinated fixed rate bond due March 2017;
- NZ\$350 million term subordinated fixed rate bond due July 2017; and
- NZ\$835 million perpetual subordinated bond.

- (3) Total equity at September 30, 2010 was comprised as follows (NZ\$ millions):

Ordinary share capital	6,943
Reserves	160
Retained profits	3,342
Non-controlling Interests.....	<u>1</u>
	<u>10,446</u>

All of the ordinary share capital has been issued. The number of issued ordinary shares at September 30, 2010 was 1,700,755,498 of which 1,700,104,786 were fully paid. 650,712 shares were uncalled and unpaid.

- (4) As at September 30, 2010, all funding was unsecured except for secured deposits and other borrowings of \$1,378 million.
- (5) Contingent liabilities and guarantees outstanding as at September 30, 2010 amounted to \$2,741 million.
- (6) Total due to ANZBGL as at September 30, 2010 consisted of (NZ\$ millions):

Due to other financial institutions	8
Bonds and notes	3,605
Related party funding.....	340
Loan capital.....	<u>630</u>
	<u>4,583</u>

The following table sets out the capitalization and funding of ANZNIL as at September 30, 2010 and has been extracted from the ANZNIL Financial Statements as at September 30, 2010, attached as Annex A-1 to this Offering Memorandum.

	As at September 30, 2010,	
	(US\$ millions) ⁽¹⁾	(NZ\$ millions)
Deposits and other borrowings	5,354	7,305
Related party funding ⁽²⁾	2,646	3,610
Payables and other liabilities	75	103
Bonds and notes.....	9,528	13,000
Current tax liabilities	1	1
Total equity ⁽³⁾	<u>5</u>	<u>7</u>
Total Capitalization and Funding ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	<u>17,609</u>	<u>24,026</u>

- (1) Translated from NZ dollars into U.S. dollars using the noon buying rate on September 30, 2010 of NZ\$1.00=US\$0.7329.
- (2) Related party funding is with the ANZBGL, London Branch.

- (3) Total ANZNIL equity at September 30, 2010 was comprised as follows (NZ\$ thousands):

Ordinary share capital	500
Foreign currency translation reserve	3,283
Retained profits.....	<u>3,004</u>
	<u>6,787</u>

All of ANZNIL's ordinary share capital has been issued. The number of issued and paid up ordinary shares as at September 30, 2010 was 500,000.

- (4) As at September 30, 2010 commercial paper of \$7,305 million, bonds and notes of \$13,000 million and related party funding of \$3,610 million issued by ANZNIL were guaranteed by ANZ National.
- (5) As at September 30, 2010 all funding of ANZNIL was unsecured.
- (6) There were no contingent liabilities and guarantees of ANZNIL outstanding as at September 30, 2010.
- (7) As of the date of this Offering Memorandum, there has been no material change in the consolidated capitalization and funding and amount of contingent liabilities and guarantees of ANZNIL since September 30, 2010.

Exchange Rates

The following table sets forth for each of the fiscal years and months indicated:

- the high and low rates of exchange;
- the average rate of exchange based on the last day of each month during each of these periods; and
- the rate of exchange on the last day of each period,

in each case for the New Zealand dollar, expressed in U.S. dollars, based on the noon buying rate in New York City for cable transfers in New Zealand dollars as certified for customs purposes by the Federal Reserve Bank of New York. The New Zealand dollar is convertible into U.S. dollars at freely floating rates and there are currently no restrictions on the flow of New Zealand currency between New Zealand and the United States.

Exchange rates of U.S. dollars per NZ\$1.00

Year ended September 30,	At Period End	High	Low	Period Average⁽¹⁾
2005	0.6938	0.7450	0.6695	0.7065
2006	0.6530	0.7199	0.6259	0.6547
2007	0.7568	0.8089	0.6550	0.7144
2008	0.6690	0.8027	0.6690	0.7591
2009	0.7233	0.7233	0.4926	0.5990
2010	0.7329	0.7567	0.6640	0.7145
June 2010	0.6901	0.7136	0.6640	0.6926
July 2010	0.7261	0.7329	0.6867	0.7145
August 2010	0.6995	0.7350	0.6980	0.7150
September 2010	0.7329	0.7387	0.7128	0.7288
October 2010	0.7624	0.7625	0.7413	0.7512
November 2010	0.7151	0.7470	0.7113	0.7301
December 2010 (through December 3)	0.7625	0.7625	0.7497	0.7561

(1) The period average rates for each year are based on the average closing rate on the last day of each month during such year. The period average rates for each month are based on the average closing rate for all business days of such month.

The following table sets forth for each of the periods indicated, certain information concerning the rate of exchange of the Australian dollar into New Zealand dollars, based on the rates determined by the Reserve Bank of Australia at 4 p.m., Eastern Australian time.

Exchange rates of New Zealand dollars per A\$1.00

Year ended September 30,	At Period End	High	Low	Period Average⁽¹⁾
2005	1.0995	1.1161	1.0572	1.0886
2006	1.1446	1.2436	1.0448	1.1430
2007	1.1662	1.1941	1.0950	1.1342
2008	1.1955	1.2915	1.0967	1.1646
2009	1.2193	1.2878	1.0967	1.2315
2010	1.3131	1.3177	1.2064	1.2610
June 2010	1.2308	1.2448	1.2235	1.2344
July 2010	1.2455	1.2455	1.2179	1.2290
August 2010	1.2727	1.2727	1.2408	1.2595
September 2010	1.3131	1.3131	1.2631	1.2880
October 2010	1.2961	1.3189	1.2959	1.3066
November 2010	1.2924	1.3031	1.2707	1.2832
December 2010 (through December 3)	1.2911	1.2911	1.2833	1.2876

(1) The period average rates for each year are based on the average closing rate on the last day of each month during such year. The period average rates for each month are based on the average closing rate for all business days of such month.

Regulation and Supervision

The supervisory role of the RBNZ

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

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

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

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

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

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

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

The disclosure statements that are required to be issued quarterly by registered banks contain comprehensive corporate details and full financial statements at the full and half year, and interim financial statements at the off-quarters. They are subject to full external audit at the end of each financial year and a limited scope review at the end of each financial half-year. Each bank

director is required to sign his or her bank's disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank's disclosure statement contains information that is held to be false or misleading.

On the November 19, 2010, the RBNZ announced that it had finalised its main policy decisions in its review of disclosure requirements for registered banks, including ANZ National.

The main changes to the existing regime include:

- dropping the quarterly Key Information Summary and Supplemental Disclosure Statement;
- introducing a single quarterly disclosure document aimed at more financially savvy readers;
- cutting by three or four times the size of the half-year disclosure document, by basing it on interim rather than full-year accounting standards; and
- further rationalisation of information across all time periods.

Subject to the RBNZ's Orders in Council process, which is required to bring these changes into effect, the first disclosure statements under the new regime will be for reporting periods ended March 31, 2011.

The RBNZ currently also requires all registered banks to obtain and maintain a credit rating from an approved organization and publish that rating in the quarterly disclosure statements.

In addition, the RBNZ has wide reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information, data, and forecasts be audited. As the global financial crises unfolded, it has become more involved on a day-to-day basis

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

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

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

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

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

The RBNZ requires the ANZ National Group to have a comprehensive Board approved liquidity strategy defining: policy, systems and procedures for measuring, assessing, reporting and managing domestic and foreign currency liquidity. This also

includes a formal contingency plan for dealing with a liquidity crisis. On October 22, 2009, the RBNZ modified the ANZ National Group's conditions of registration with respect to liquidity policy. These revised conditions became effective from March 30, 2010. The ANZ National Group has systems and processes in place to comply with these new regulations..

As part of the RBNZ Review of Disclosure Requirements for Registered Banks released in November 2010 the RBNZ stated "The Basel II capital adequacy framework has now been in place long enough that we think it is time to remove the Basel I framework from our supervisory regime altogether."

At present, New Zealand banking groups applying the Basel II Internal Models Based Approach, including ANZ National, are subject to a condition of registration that imposes a supervisory adjustment to a banking group's Basel II capital ratio where the capital ratio is less than 90% of capital as calculated under Basel I rules, subject to some adjustments. The RBNZ have advised ANZ National that it proposes to remove this condition of registration from the March 2011 quarter onwards and therefore there will no longer be any requirement to calculate capital ratios for the banking group under a Basel I approach.

New Zealand banking groups also have a condition of registration that requires the parent bank to have minimum solo capital ratios calculated under a Basel I approach. The RBNZ have advised that, starting with disclosure for the period to September 30, 2011, solo capital ratios will be required to be calculated on a Basel II basis in place of the existing Basel I basis.

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

Conditions of Registration: ANZ National Bank Limited

Our conditions of registration imposed by the RBNZ ("Conditions of Registration") were revised in October 2010 to amend references to dates in the conditions flowing from certain amendments to the following RBNZ policy documents and regulations: Statement of Principles BS1; Capital Adequacy Framework (Basel I Approach) BS2, (Standardised Approach) BS2A and (Internal Models Based Approach) BS2B; and Connected Exposures Policy BS8. Our Conditions of Registration are as follows:

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

1. That the Banking Group complies with the following requirements:

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

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

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

- (a) 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document "Capital adequacy framework (internal models based approach)" (BS2B) dated October 2010; and

- (b) 12.5 times the greater of: zero; and 90% of adjusted Basel I capital, less adjusted Basel II capital; where
- (i) “adjusted Basel I capital” means 8% of total risk-weighted exposures, plus deductions from tier one capital, plus deductions from total capital, all calculated in accordance with the Reserve Bank of New Zealand document “Capital adequacy framework (Basel I approach)” (BS2) dated October 2010;
 - (ii) “adjusted Basel II capital” means 8% of total Basel II risk-weighted exposures plus deductions from tier one capital, plus deductions from total capital, less any amount included in tier two capital arising from the excess of eligible allowances for impairment over EL (expected losses), all calculated in accordance with the Reserve Bank of New Zealand document “Capital adequacy framework (internal models based approach)” (BS2B) dated October 2010; and
 - (iii) “total Basel II risk-weighted exposures” means scalar x (risk-weighted on and off balance sheet credit exposures) + 12.5 x total capital charge for market risk exposure + 12.5 x total capital requirement for operational risk + 15% of risk-weighted exposures secured by residential mortgages as defined in the Reserve Bank of New Zealand document “Capital adequacy framework (internal models based approach)” (BS2B) dated October 2010.

1A. That:

- (a) the Bank has an internal capital adequacy assessment process (“ICAAP”); that from August 31, 2008 that ICAAP accords with the requirements set out in the document “Guidelines on a Bank’s internal capital adequacy process (“ICAAP”)” (BS12) dated December 2007;
- (b) under its ICAAP the Bank identifies and measures its “other material risks” defined as all material risks of the Banking Group that are not explicitly captured in the calculation of tier one and total capital ratios under the requirements set out in the document “Capital adequacy framework (internal models based approach)” (BS2B) dated October 2010; and
- (c) the Bank determines an internal capital allocation for each identified and measured “other material risk”.

1B. That the Banking Group complies with all requirements set out in the Reserve Bank of New Zealand document “Capital adequacy framework (internal models based approach)” (BS2B) dated October 2010.

1C. That the Bank complies with the following requirements:

The total capital ratio of the Bank is not less than 8%.

The tier one capital ratio of the Bank is not less than 4%.

For the purposes of this condition of registration:

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

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

- 2. That the Banking Group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.
- 3. That the Banking Group’s insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

- (i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disappplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;
- (ii) In measuring the size of the Banking Group's insurance business:
 - (a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:
 - The total consolidated assets of the group headed by that entity;
 - Or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity;
 - (b) otherwise, the size of each insurance business conducted by any entity within the Banking Group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business;
 - (c) the amounts measured in relation to parts a) and b) shall be summed and compared to the total consolidated assets of the Banking Group. All amounts in parts a) and b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993;
 - (d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business.

4. That the aggregate credit exposures (of a non-capital nature and net of any allowances for impairment) of the Banking Group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit Rating¹	Connected exposure limit (% of the Banking Group's Tier 1 capital)
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

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

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

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

5. That exposures to connected persons are not on more favourable terms (*e.g.*, as relates to such matters as credit assessment, tenor, interest rates, amortisation schedules and requirement for collateral) than corresponding exposures to non-connected persons.
6. That the board of the Bank contains at least two independent directors and that alternates for those directors, if any, are also independent. In this context an independent director (or alternate) is a director (or alternate) who is not an employee

of the Bank, and who is not a director, trustee, or employee of any holding company (as that term is defined in section 5 of the Companies Act 1993) of the Bank, or any other entity capable of controlling or significantly influencing the Bank.

7. That the chairperson of the Bank's board is not an employee of the Bank.
 8. That the Bank's constitution does not include any provision permitting a director, when exercising powers or performing duties as a director, to act other than in what he or she believes is the best interests of the company (*i.e.*, the Bank).
 9. That a substantial proportion of the Bank's business is conducted in and from New Zealand.
 10. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of the Bank unless:
 - (a) The Reserve Bank has been supplied with a copy of the curriculum vitae of the proposed appointee, and
 - (b) The Reserve Bank has advised that it has no objection to that appointment.
 11. That the Bank has legal and practical ability to control and execute any business, and any functions relating to any business, of the Bank that are carried on by a person other than the Bank, sufficient to achieve, under normal business conditions and in the event of stress or failure of the Bank or of a service provider to the Bank, the following outcomes:
 - (a) that the Bank's clearing and settlement obligations due on a day can be met on that day;
 - (b) that the Bank's financial risk positions on a day can be identified on that day;
 - (c) that the Bank's financial risk positions can be monitored and managed on the day following any failure and on subsequent days; and
 - (d) that the Bank's existing customers can be given access to payments facilities on the day following any failure and on subsequent days.
- For the purposes of this condition of registration, the term "legal and practical ability to control and execute" is explained in the Reserve Bank of New Zealand document entitled 'Outsourcing Policy' (BS11) dated January 2006.
12. (a) That the business and affairs of the Bank are managed by, or under the direction and supervision of, the board of the Bank.
 - (b) That the employment contract of the chief executive officer of the Bank or person in an equivalent position (together "CEO") is with the Bank, and the terms and conditions of the CEO's employment agreement are determined by, and any decision relating to the employment or termination of employment of the CEO are made by, the board of the Bank.
 - (c) That all staff employed by the Bank shall have their remuneration determined by (or under the delegated authority of) the board or the CEO of the Bank and be accountable (directly or indirectly) to the CEO of the Bank.
 13. That the banking group complies with the following quantitative requirements for liquidity-risk management with effect from April 1, 2010:
 - (a) the one-week mismatch ratio of the banking group is not less than zero per cent at the end of each business day;
 - (b) the one-month mismatch ratio of the banking group is not less than zero per cent at the end of each business day; and
 - (c) the one-year core funding ratio of the banking group is not less than 65 per cent at the end of each business day.

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

14. That, with effect from April 1, 2010, the registered bank has an internal framework for liquidity risk management that is adequate in the registered bank’s view for managing the bank’s liquidity risk at a prudent level, and that, in particular:

- (a) is clearly documented and communicated to all those in the organisation with responsibility for managing liquidity and liquidity risk;
- (b) identifies responsibility for approval, oversight and implementation of the framework and policies for liquidity risk management;
- (c) identifies the principal methods that the bank will use for measuring, monitoring and controlling liquidity risk; and
- (d) considers the material sources of stress that the bank might face, and prepares the bank to manage stress through a contingency funding plan.

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

ANZ National is required to be able to operate on a ‘stand-alone’ basis in terms of governance, core IT systems, risk management and other aspects of day-to-day business.

ANZNIL

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

Prospective investors should read the following discussion of our financial condition and results of operations together with our financial statements and the notes to such financial statements, included in this Offering Memorandum. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including, but not limited to, those set forth under the caption "Risk Factors" and elsewhere in this Offering Memorandum.

The following discussion is based on the ANZ National Consolidated Financial Statements, which have been prepared in accordance with NZ IFRS, which differs from U.S. GAAP in certain significant respects.

Because ANZNIL's operations consist of providing funding to the ANZ National Group and because ANZ National provides the Guarantee with respect to the ANZNIL Notes, we do not believe a discussion of ANZNIL's financial condition and results of operations would be meaningful to investors. However, the audited financial statements of ANZNIL for years ended September 30, 2010, 2009 and 2008 (the "ANZNIL Financial Statements") are attached to this Offering Memorandum as Annex A-1. The ANZNIL Financial Statements have not been prepared in accordance with EU IFRS.

Overview

ANZ National is a leading New Zealand commercial bank serving approximately 2.0 million customers in New Zealand. We are a wholly owned subsidiary of ANZBGL and a member of the ANZ Group, managed by our Board and Chief Executive in compliance with the requirements and regulations of our primary regulator, the RBNZ.

Our business is organized into the following three major business segments: 1) Retail, 2) Commercial (including Rural and UDC Finance Limited, a finance company providing asset finance) and 3) Institutional.

Our operations are affected by government actions such as exchange controls and changes to taxation and government regulations in New Zealand and the New Zealand economy.

We face substantial competition in New Zealand. Competition affects our profitability in terms of reduced interest rate spreads, the volume of new lending and income. See "Overview — ANZ National — Competition" and "Risk Factors" in this Offering Memorandum.

Critical accounting policies

Critical accounting policies under NZ IFRS as at September 30, 2010

The ANZ National Consolidated Financial Statements are prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993. In addition, the ultimate parent company, ANZBGL, defines accounting policy for the ANZ Group. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. All material changes to accounting policy are approved by the ANZ National Group's Audit Committee and ANZBGL's Audit Committee.

A brief discussion of critical accounting policies applicable as at September 30, 2010, and their impact on us, follows.

Credit provisioning

The accounting policy relating to measuring the impairment of loans and advances requires the ANZ National Group to assess impairment at least at each reporting date. The credit provisions raised (individual and collective) represent management's best estimate of the losses incurred in the loan portfolio at balance sheet date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process.

Individual provisioning is applied when the full collectibility of one of the Group's loans is identified as being doubtful. Individual and collective provisioning is calculated using discounted expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in the financial statements.

Quantification of sensitivity

The charge to profit for the provision for credit impairment was 0.51% of average gross loans and advances, or \$436 million, for the year ended September 30, 2010, as compared to 0.93% of average gross loans and advances, or \$874 million, for the year ended September 30, 2009. As at September 30, 2010, the balance of the collective provision was \$793 million, or 1.15% of risk-weighted exposures, as compared to \$798 million, or 1.12% of risk weighted exposures, as at September 30, 2009.

Derivatives and hedging

The ANZ National Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions.

A hedging instrument is a designated derivative whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. A hedged item is an asset, liability, firm commitment or highly probable forecast transaction that (a) exposes the ANZ National Group to the risk of changes in fair value or future cash flows and (b) is designated as being hedged.

Judgement is required by management in selecting and designating hedging relationships and assessing hedge effectiveness. NZ IAS 39 *Financial Instruments: Recognition and Measurement* does not specify a single method for assessing hedge effectiveness prospectively or retrospectively. The ANZ National Group adopts the hypothetical derivative approach to determine hedge effectiveness in line with current risk management strategies. Hedge ineffectiveness can arise for a number of reasons, and whilst a hedge may pass the effectiveness tests above it may not be perfectly effective, thus creating volatility within the income statement through recognition of this ineffectiveness.

Goodwill

The carrying value of goodwill is subject to an impairment test to ensure that the current carrying value does not exceed its recoverable value at the balance sheet date. Any excess of carrying value over recoverable amount is taken to the income statement as an impairment writedown.

Goodwill has been allocated for impairment purposes to the cash generating units at which the goodwill is monitored for internal reporting purposes. Each of these cash generating units is represented by an individual reporting segment – Retail, Commercial and Institutional.

Impairment testing of purchased goodwill is performed annually, or more frequently where there is an indication that the goodwill may be impaired, by comparing the recoverable value of each cash generating unit with the current carrying amount of its net assets, including goodwill.

The recoverable amount is based on value-in use calculations. These calculations use cashflow projections based on financial budgets approved by management covering a three year period. Cashflows beyond the three year period are extrapolated using a 3% growth rate.

These cashflow projections are discounted using a capital asset pricing model. The main variables in the discount rate used are the risk free rate, the beta rate and the market risk premium. The risk free rate is based on the 10 year Government Bond Rate. The beta rate and the market risk premium are consistent with observable and comparative market rates applied in the Australia

and New Zealand banking sector. Market observable information is not readily available at the segment level therefore management performed stress tests for key sensitivities in each operating segment. Management believes any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the ANZ National Group's carrying amount to exceed its recoverable amount.

As at September 30, 2010, the balance of goodwill recorded as an asset on our consolidated balance sheet as a result of acquisitions was \$3,265 million, of which \$3,217 million relates to the acquisition of the National Bank Group in December 2003.

Reclassification of fee income

In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was re-classified as interest income to more accurately reflect the nature of the income. Comparative data for the year ended September 30, 2009 has been restated accordingly. For the year ended September 30, 2009, this reclassification increased interest income for the ANZ National Group by \$99 million from \$7,246 million to \$7,345 million and reduced other operating income by \$99 million from \$762 million to \$663 million. There was also an impact on other items as illustrated in the table below and described in this Offering Memorandum.

	2009 (reclassified)	2009
	(NZ\$ millions)	
Interest income	7,345	7,246
Net interest income	2,453	2,354
Other operating income	663	762
Net interest margin (%)	2.34	2.20
Net interest spread(%)	1.88	1.63
Non-interest income as a percentage of assets (%)	0.55	0.63
Non-interest income as a percentage of total income (%)	21.28	24.45
Gross earnings rate (%)	7.00	6.90

Results of operations

On November 26, 2010, we issued our audited financial statements for the year ended September 30, 2010, which are included in the ANZ National Consolidated Financial Statements attached to this Offering Memorandum as Annex A. The table below sets forth our results for the 2010 year and our results for the years ended September 30, 2009 and September 30, 2008.

	Year ended September 30,			
	2010 ⁽¹⁾	2010 ⁽²⁾	2009 ⁽²⁾	2008 ⁽²⁾
	(US\$ millions)	(NZ\$ millions)		
Summary Income Statement				
Interest income ⁽³⁾	4,307	5,876	7,345	9,857
Interest expense	2,534	3,457	4,892	7,568
Net interest income ⁽³⁾	1,773	2,419	2,453	2,289
Other operating income ⁽³⁾	545	744	663	1,124
Total operating income	2,318	3,163	3,116	3,413
Operating expenses	1147	1,565	1,477	1,444
Profit before provision for credit impairment and income tax	1,171	1,598	1,639	1,969
Provision for credit impairment	320	436	874	302
Profit before income tax	852	1,162	765	1,667
Income tax expense	246	335	467	504
Profit after income tax	606	827	298	1,163

(1) For the convenience of the reader, the financial data for the year ended September 30, 2010 has been translated from NZ dollars into US dollars using the noon buying rate for September 30, 2010 of NZ\$1.00 = US\$ 0.7329.

(2) Source: ANZ National Bank Limited Group audited financial statements.

- (3) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was re-classified as interest income to more accurately reflect the nature of the income. Comparative data for the year ended September 30, 2009 has been restated accordingly. For the year ended September 30, 2009, this reclassification increased interest income for the ANZ National Group by \$99 million from \$7,246 million to \$7,345 million and reduced other operating income by \$99 million from \$762 million to \$663 million. As a result of this reclassification, interest income, net interest income and other operating income for 2008, 2007 and 2006 are not comparable to those items for 2010 and 2009. There was no impact on total operating income or net profit after taxation. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical accounting policies” in this Offering Memorandum.

Year ended September 2010 compared with year ended September 2009 (consolidated result)

- Profit after income tax increased \$529 million to \$827 million. Non-core impacts on the 2010 result included:
 - The 2009 result included the initial estimate of costs (\$148 million after tax) of settling with investors in the ING Diversified Yield Fund (DYF) and the ING Regular Income Fund (RIF). The result for 2010 included a gain of \$43 million after tax from the mark-to-market of ANZ National’s 49% interest in the DYF/RIF funds prior to November 30, 2009 and realised earnings on the funds since acquisition of ING Group’s interest and subsequent full consolidation.
 - Agreement to acquire the ING Group’s 51% interest in ING NZ was settled in November 2009, resulting in ING NZ (now OnePath) becoming a fully owned subsidiary of ANZ National, effective November 30, 2009. As a result of the transaction, the value of ANZ National’s then 49% interest in ING NZ was re-measured with reference to the purchase price, resulting in a write-down of \$82 million in 2010. Integration costs of \$22 million (after tax) were also incurred.
 - Consolidation of the results of ING NZ (now OnePath) following acquisition of ING Group’s 51% interest on November 30, 2009 contributed an additional \$13 million profit after tax to the 2010 result.
 - A \$240 million provision was raised in September 2009 in relation to conduit transactions that had been disputed by the Inland Revenue Department (“IRD”). In 2010, ANZ National reached agreement with the IRD to settle the disputed transactions. The net cost was less than the provision raised, resulting in a \$48 million release to earnings in 2010.
 - Recently announced changes to tax legislation have required the revaluation of deferred tax balances, resulting in a \$45 million charge to profit. The legislative changes included a reduction in the corporate tax rate from 30% to 28% applying from the 2012 financial year, as well as changes to property depreciation.
- Net interest income declined 1%. The principal driver was the sale of mortgage portfolios to the New Zealand branch of ANZBGL in February 2009 (\$4.9 billion) and July 2009 (\$5.0 billion), and subsequent “top-up” sales to maintain the New Zealand branch portfolio at approximately \$10 billion. These transactions resulted in reductions to net interest income of \$207 million in 2010 and \$122 million in 2009. Net interest income from derivative and liquidity positions was \$7 million lower, offset by higher trading income of \$7 million. These factors were moderated by the impact of margin improvement (10 basis points) in the non-Institutional businesses, largely reflecting the lagged benefit from repricing the fixed rate lending portfolio.
- Other operating income increased 12%, with the following items being key factors in the result: provision and settlement of the ING NZ DYF/RIF funds (\$252 million higher); write-down of the original 49% interest in ING NZ (now OnePath) (\$82 million lower due to step acquisition accounting provisions of NZ IFRS); and consolidation of 100% ownership of ING NZ (now OnePath) (\$74 million higher). Excluding these items and the change in composition of the derivative and liquidity results referred to above, other operating income decreased \$170 million. This mainly reflects a lower contribution from Markets (\$163 million) with the exceptional performance in 2009, which benefited from favorable market conditions in the form of strong directional rate movements, not being repeated. Retail fees were \$57 million lower, reflecting the negative impact from the restructure of exception fees

(i.e., fees which may be charged when there are insufficient funds to cover a transaction, resulting in a dishonor or an approval to overdraw the account, when a credit card limit is exceeded or when a credit card payment is late) and customers opting for lower fee products; partly offset by higher fees earned for managing the mortgage portfolio of the New Zealand branch of ANZBGL (\$15 million). The contribution from OnePath increased \$37 million, with the result recovering from the low of 2009 and benefiting from favourable valuations on policyholder liabilities.

- Excluding the increase from consolidation of ING NZ (now OnePath) (\$77 million), operating expenses increased \$11 million (1%). This mainly reflected the ongoing benefits from business transformation strategies implemented during 2009, and strong control of discretionary expenditure.
- Provision for credit impairment charge reduced \$438 million as risk levels improved. The individual provision charge decreased \$168 million, with loss rates falling in Commercial and Retail. The charge in Rural increased \$32 million, with the agricultural recovery slightly lagging other sectors. The charge in Institutional decreased \$46 million, largely reflecting recoveries on a single name exposure that was provisioned in 2009. The collective provision charge decreased \$270 million, with risk levels moderating across the businesses. Credit cycle adjustments booked in 2009 (with smaller top-ups in 2010) contributed \$123 million to the lower year on year charge. The total loss rate (total provision charge as a percentage of average net advances) for 2010 was 0.51%, down from 0.93% for 2009.

Net interest income

The following table shows our net interest income for the years ended September 30, 2010 and 2009.

(NZ\$ millions)	Year ended September 30,	
	2010	2009
Interest income	5,876	7,345
Interest expense	3,457	4,892
Net interest income	2,419	2,453

Net interest income totalled \$2,419 million for 2010, a decrease of \$34 million or 1%. Key influences on the result include the following:

- Sale of mortgage portfolios to the New Zealand branch of ANZBGL in February 2009 (\$4.9 billion) and July 2009 (\$5.0 billion), and subsequent 'top-up' sales to maintain the New Zealand branch portfolio at approximately \$10 billion.
- Volume/rate analysis of the decrease in net interest income attributed a \$118 million decrease due to reduced volume and a \$84 million increase to improved net yields or interest spread.
- The volume decrease was particularly driven by a decrease in average mortgage, commercial and rural lending volumes in 2010. However, net interest income margin increased from re-pricing and customers switching from fixed to variable lending products. This increase was partially offset by significant margin pressure from deposit competition and wholesale funding costs.

Movements in average margin

The overall net interest average yield increased 11 basis points from 2.30% to 2.41%. During 2010, the average year-on-year OCR decreased by 94 basis points. The interest spread increased 28 basis points from 1.73% in 2009 to 2.01% in 2010. Key influences on the result include the following:

- The average yield on loans and advances decreased by 112 basis points from 7.05% in 2009 to 5.93% in 2010. This was primarily due to repricing activity in 2009 impacting a full year in 2010.

- The average cost of deposits and short-term borrowings decreased 143 basis points from 5.00% in 2009 to 3.57% in 2010, primarily due to decreases in short term domestic interest rates.

Movements in average volume

- Average interest earning assets decreased \$6,385 million or 6% during 2010. Gross loans and advances decreased by \$7,530 million. Average Retail lending decreased by \$6,107 million mainly due to the full year impact of the transfer of mortgages to the New Zealand branch of ANZBGL during the second half of 2009. Average Commercial and Institutional lending decreased \$1,422 million as customers continued to repay debt.
- Average other interest earning assets decreased \$2,262 million in 2010 due to a \$2,464 million decrease in certificate of deposits held for liquidity purposes.
- Average trading securities increased by \$3,406 million in 2010 due to increased holdings of government and AAA rated Kauri Bonds in response to the RBNZ's introduction of its liquidity Policy (BS13/B13A).
- Average interest bearing liabilities decreased by \$4,980 million during 2010. Deposits and short term borrowings decreased by \$2,770 million, mainly driven by decreases in certificates of deposit (\$2,187 million) and corporate and rural demand deposits (\$530 million). The remainder of the reduction related to repayment of term funding due to our immediate parent company and the roll-off of repurchase agreements under the Term Auction facility with the RBNZ (included in due to other financial institutions).
- Decreases in non interest bearing other assets and other liabilities were primarily driven by a decrease in revaluation gains and losses on derivatives due primarily to more stability in interest rates and less currency volatility in comparison to 2009.

Other operating income

The following table shows our other operating income for the years ended September 30, 2010 and 2009.

(NZ\$ millions)	Year ended September 30,	
	2010	2009
Net fee income	451	480
Funds management and insurance income	218	97
Net gain on foreign exchange trading	123	201
Net gain on trading securities/derivatives	(84)	(14)
Share of profit of equity accounted associates and jointly controlled entities	42	13
Other income.....	(6)	(114)
Other operating income.....	<u>744</u>	<u>663</u>

Other operating income totaled \$744 million for 2010, an increase of \$81 million over 2009, or 12%. Key influences on the result included the following:

- Net fee income declined \$29 million. Retail fees declined \$57 million, reflecting the restructure of exception fees (i.e., fees which may be charged when there are insufficient funds to cover a transaction, resulting in a dishonor or an approval to overdraw the account, when a credit card limit is exceeded or when a credit card payment is late) implemented in December 2009 (impact, \$43 million), as well as the impact of customers switching from high fee-yielding products (including products with 'pay as you go' pricing structures) to lower fee products (including flat fee options). These reductions were partly offset by increases in a number of items, including higher fees earned from managing the mortgage portfolio in the New Zealand branch of ANZBGL (\$15 million).
- Funds management and insurance income increased \$121 million. This mainly comprised an increased contribution from ING NZ (now OnePath), both as a result of our 100% ownership of it after November 30, 2009 (\$74 million),

and from a recovery in performance from the low of 2009 (\$37 million) that was partly assisted by favourable revaluations of policyholder liabilities.

- Net foreign exchange trading gains and gains on trading securities/derivatives in 2010 in aggregate declined \$148 million. This mainly reflected a lower Markets result, with the strong 2009 result that benefited from exceptionally favourable trading conditions not repeated in 2010. This was partly offset by favourable revaluations on the liquidity portfolio.
- Equity-accounted earnings from associates and jointly controlled entities increased by \$29 million. This increase related to ANZ National's interest in the ING DYF/RIF funds prior to ING becoming 100% owned. The increased share of earnings reflected the favourable revaluation of the ING DYF/RIF funds.
- Other income increased \$108 million. The 2010 result includes an \$82 million write-down of the original 49% investment in ING NZ (now OnePath) becoming a fully owned subsidiary in November 2009. The value of the interest was re-measured with reference to the purchase price for the remaining 51%. The 2009 result included remediation costs relating to the ING funds that were treated as an offset to income (\$211 million).

Operating expenses

The following table shows our operating expenses for the years ended September 30, 2010 and 2009.

(NZ\$ millions)	Year ended September 30,	
	2010	2009
Personnel costs.....	870	853
Premises and equipment costs	173	161
Other costs	522	463
Operating expenses	1,565	1,477

Operating expenses totaled \$1,565 million for 2010, an increase of \$88 million or 6% over 2009. Key influences on the result included the following:

- Personnel costs increased by \$17 million, with the result including a \$33 million increase as a result of the consolidation of 100% ownership in ING and a decrease of \$16 million in ANZ National's costs. This sub-trend growth in costs reflects the benefits from business transformation strategies implemented during 2009, and strong control of discretionary spending. This provided scope for additional spending on business initiatives in the latter part of the year.
- Premises and equipment costs increased \$12 million or 7%, with the result including higher repairs and maintenance costs (\$5 million), largely reflecting programs for the upgrade and refresh of bank branches.
- Other costs increased \$59 million or 13%. The increase mainly reflected the impact of 100% ownership of ING NZ (now OnePath) (\$38 million) from November 30, 2009. Other increases were in higher marketing spend (\$20 million), and higher computer costs (\$11 million) driven by projects. These increases were partly offset by lower costs in the Radiola business following the wind-up of that business in March 2010.
- The cost to income ratio increased by 208 basis points to 49.48%, driven by the lower Institutional revenues and the consolidation of the ING NZ (now OnePath) results from November 30, 2009, with the insurance businesses typically having higher cost structures.

Provision for credit impairment

Provision for credit impairment charge totaled \$436 million for 2010, a reduction of \$438 million or 50% compared with 2009.

Provision for credit impairment charge reduced \$438 million as risk levels improved. The individual provision charge decreased \$168 million, with loss rates falling in Commercial and Retail. The charge in Rural increased \$32 million, with the agricultural recovery slightly lagging other sectors. The charge in Institutional decreased \$46 million, largely reflecting recoveries on a single name exposure that was provisioned in 2009. The collective provision charge decreased \$270 million, with risk levels moderating across the businesses. Credit cycle adjustments booked in 2009 (with smaller top-ups in 2010) contributed \$123 million to the lower year on year charge. The total loss rate (total provision charge as a percentage of average net advances) for 2010 was 0.51%, down from 0.93% for 2009.

	As at September 30,			
	2010 ⁽¹⁾	2010	2009	2008
(US\$ millions)				(NZ\$ millions)
Summary Balance Sheet				
Assets				
Liquid assets	1,640	2,238	2,762	4,838
Due from other financial institutions	2,562	3,496	4,514	5,032
Trading securities	4,952	6,757	4,166	2,624
Derivative financial instruments	7,598	10,367	11,408	7,533
Available-for-sale assets	1,620	2,210	1,513	109
Net loans and advances	62,966	85,913	88,259	97,679
Investments relating to insurance business	21	28	-	-
Insurance policy assets	101	138	-	-
Due from parent company ⁽²⁾	4	6	-	-
Shares in associates and jointly controlled entities	106	144	464	363
Current tax assets	18	25	65	57
Other assets	707	965	1,137	1,000
Deferred tax assets	229	312	-	121
Premises and equipment	228	311	278	242
Goodwill and other intangibles	2,600	3,548	3,325	3,317
Total assets	85,352	116,458	117,891	122,915
Liabilities				
Due to other financial institutions	1,333	1,819	3,725	3,312
Due to Parent Company ⁽²⁾	-	-	930	404
Deposits and other borrowings	51,519	70,295	71,764	77,136
Derivative financial instruments	7,853	10,715	10,762	6,710
Payables and other liabilities	1,246	1,700	1,809	1,841
Deferred tax liabilities	-	-	17	-
Provisions	231	315	283	190
Bonds and notes	13,750	18,761	15,917	20,695
Loan capital	1,764	2,407	2,596	2,820
Total liabilities	77,696	106,012	107,803	113,108
Total equity	7,656	10,446	10,088	9,807

Other Banking Data:

	September 30, 2010	September 30, 2009	RBNZ Minimum
Capital adequacy ratios under Basel II			
Tier One Capital	9.68%	9.03%	4.00%
Total Capital	13.11%	12.67%	8.00%

Risk weighted exposure (NZ\$ million)⁽³⁾ 68,779 71,401

(1) For the convenience of the reader, the financial data for the year ended September 30, 2010 have been translated from NZ dollars into US dollars using the noon buying rate September 30, 2010 of NZ\$1.00 = US\$0.7329.

(2) Represents amounts due from/to ANZ National (Holdings) Limited, the immediate parent company of ANZ National Bank Limited.

(3) Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by the RBNZ.

Total assets at September 30, 2010 declined \$1,433 million, or 1%, from \$117,891 million to \$116,458 million.

Due from other financial institutions balances decreased by \$1,018 million and trading securities increased by \$2,591 million at September 30, 2010 compared to September 30, 2009. These changes reflect the impact of the new RBNZ liquidity policy resulting in holding a higher proportion of liquid assets in government and AAA securities, and a lower proportion of liquid assets in bank securities.

The balances of derivative financial instruments reflect the revaluation of these instruments to market value. The net balance of asset and liability positions decreased \$994 million from a net asset of \$646 million as at September 30, 2009 to a net liability of \$348 million as at September 30, 2010. This reflected reductions in net paid collateral positions with bank counterparties as forwards and currency losses reverse in a more stable USD/NZD environment and as interest rate swap contracts move closer to maturity or have matured.

Net loans and advances declined \$2,346 million, or 3%, to \$85,913 million at September 30, 2010 compared to \$88,259 million at September 30, 2009. Gross loans and advances declined \$1,855 million during this period, of which \$876 million related to housing loans, and \$1,052 million related to non-housing loans. These were partly offset by an increase of \$73 million related to other lending (credit cards, overdrafts and finance leases). Lending growth was constrained by the economic downturn that has seen households and businesses de-leveraging their balance sheets, seeking more diversified funding streams and delaying investment decisions. Volumes were also affected by the sale of mortgages to the New Zealand branch of ANZBGL in 2010 in 'top-ups' of the branch portfolio. The provision for credit impairment increased by \$126 million to \$1,398 million at September 30, 2010, compared to \$1,272 million at September 30, 2009.

Total liabilities declined by \$1,791 million, or 2%, from \$107,803 million at September 30, 2009 to \$106,012 million at September 30, 2010.

Balances due to other financial institutions declined \$1,906 million, or 51%, mainly due to the roll-off of repurchase agreements under the Term Auction facility with the RBNZ.

Deposits and other borrowings declined \$1,469 million, or 2%, at September 30, 2010 compared to September, 2009. Certificates of deposit declined \$1,192 million, reflecting a transition to longer term funding under the RBNZ's new liquidity policy. Customer deposits declined \$188 million, reflecting intensified competition as a result of the increased cost of wholesale funding, and businesses de-leveraging their balance sheets.

Balances with the parent company moved from a liability of \$930 million at September 30, 2009 to an asset of \$6 million at September, 2010. The main drivers related to the repayment of US\$350 million of term funding and payments made under cross currency swaps, driven by a strengthening in the NZD/USD exchange rate.

Bonds and notes increased \$2,844 million, reflecting the overall funding program and strategy to increase the term of wholesale funding.

Year ended September 2010 compared with year ended September 2009 (results by segment)

For the year ended September 30, 2010, results are reported based on three segments: Retail (Retail and Wealth), Commercial (Commercial, UDC and Rural) and Institutional. These segments are consistent with those reported in General Disclosure Statements under NZ IFRS 8 *Operating Segments* and those used internally for evaluating operating segment performance and deciding how to allocate resources. Reporting for the 2009 results was based on the following segments: Retail, Corporate & Commercial Banking, Rural Banking, Wealth, Institutional and UDC.

The 2009 results have been re-aligned to conform with 2010 segments for purposes of comparability. Segment disclosures for prior periods have not been restated to this format.

The following table shows the results of our business segments for the year ended September 30, 2010:

(NZ\$ millions)	Year ended,	
	September 30, 2010	September 30, 2009
Retail	177	30
Commercial	242	121
Institutional	351	352
Other	57	(205)
ANZ National Group	827	298
-		

“Other” includes treasury and back office support functions, none of which constitutes a separately reportable segment.

Retail

(NZ\$ millions)	Year ended,	
	September 30, 2010	September 30, 2009
Net interest income	1,002	1,065
Other operating income	541	281
Operating expenses	1,085	951
Profit before provision for credit impairment and income tax	458	395
Provision for credit impairment	204	359
Profit before income tax	254	36
Tax expense	77	6
Profit after income tax	177	30
Loans and advances	43,605	44,706
Deposits	38,980	38,349

Retail profit after income tax of \$177 million for the 2010 year increased 490% compared to the 2009 year.

In February and July 2009, Retail sold mortgage portfolios of \$4.9 billion and \$5.0 billion, to the New Zealand branch of ANZBGL. Subsequent sales of mortgages to the New Zealand branch were made in order to maintain the New Zealand branch portfolio at approximately \$10 billion. These transactions resulted in reductions in Retail profit after tax of \$116 million and \$70 million, respectively, in 2010 and 2009.

The Retail result also reflected a number of non-core impacts relating to ING NZ (now OnePath):

- The 2009 result included provisioning for remediation costs relating to ING Funds of \$211 million (\$148 million after tax).
- The 2010 full year result included:
 - A gain from the mark-to-market of ANZ National’s 49% interest in the DYF/RIF funds prior to November 30, 2009 and realised earnings on funds since acquisition of ING Group’s interest and subsequent full consolidation from November 30, 2009 (\$43 million after tax).
 - Agreement to acquire the ING Group’s interest in ING NZ was settled in November 2009, resulting in ING NZ (now OnePath) becoming a fully owned subsidiary of ANZ National. As a result of the transaction, the value of ANZ National’s prior 49% interest in ING NZ was re-measured with reference to the purchase price, resulting in a write-down of \$82 million. Integration costs of \$29 million were also incurred. The total after tax impact on the 2010 result was a loss of \$104 million.

The consolidation of ANZ National’s 100% ownership of ING NZ (now OnePath) for the 10 months since acquisition resulted in additional profit after tax of \$13 million being earned in 2010.

Excluding the non-core ING NZ impacts noted above, and the impact of sale of mortgages portfolios to the New Zealand branch of ANZBGL, profit before provisions declined 1% with revenue growth of 1% being offset by a 2% increase in costs. Net interest income increased 1%, reflecting the lagged benefit from re-pricing the fixed rate mortgages book that partially offset higher funding costs, including the cost of deposits due to intensified competition. Lending mix was favourable, with customers opting for the lower interest rates on variable rate mortgages. Break costs on mortgages also increased. Other operating income declined 1%, impacted by the removal and restructure of certain exception fees (i.e., fees which may be charged when there are insufficient funds to cover a transaction, resulting in a dishonor or an approval to overdraw the account, when a credit card limit is exceeded or when a credit card payment is late) during the March 2010 half year. The result was assisted by a recovery in the ING NZ result from 2009.

Excluding the impact of one-offs items noted above, operating costs increased 2%. The impact from annual salary rate increases was offset by ongoing benefits from business transformation strategies implemented during 2009, and strong control of discretionary expenditure. Loans and advances were flat (excluding the impact of the New Zealand branch), reflecting weaker housing activity, and de-leveraging by households. Deposit growth was modest at 2%, driven by intense competition for customer funding as a result of increased wholesale spreads.

The provision for credit impairment charge declined \$155 million. The individual charge declined \$69 million. The collective charge declined \$86 million, reflecting lower delinquencies and flat lending volumes.

Commercial

(NZ\$ millions)	Year ended,	
	September 30, 2010	September 30, 2009
Net interest income	858	798
Other operating income	50	65
Operating expenses	270	273
Profit before provision for credit impairment and income tax	638	590
Provision for credit impairment	292	419
Profit before income tax	346	171
Tax expense	104	50
Profit after income tax	242	121
Loans and advances	35,400	35,926
Deposits	9,501	10,365

Commercial profit after income tax of \$242 million increased 100% compared to 2009, with the 2010 result including a \$127 million (\$89 million after tax) decrease in credit impairment charge.

Profit before provisions increased 8%, reflecting a strong net interest income result. Net interest income increased 8%, with net interest margin increasing 18 basis points from re-pricing of the fixed rate lending book, and increased margins on new lending. Loans and advances declined 1%, with the commercial and rural sectors impacted by de-leveraging and delayed business investment. Lending volumes in UDC recovered strongly from the depressed levels of 2009 (\$140 million higher), mainly reflecting the rebound in motor vehicle sales. Deposits declined 8%, largely in the commercial and UDC sectors, driven by intensified competition, and customers de-leveraging. Other operating income declined 23% to \$50 million, with the contribution from subsidiary company Radiola declining \$13 million as a result of the wind-up of the business in March 2010. Operating expenses declined 1% to \$270 million, assisted by lower costs in Radiola (\$8 million) due to the wind-up of that business. The provision for credit impairment charge declined \$127 million. The individual charge declined \$56 million, with loss rates declining in the Commercial and UDC books, partly offset by a \$32 million deterioration in Rural. The collective charge declined \$71 million with risk levels moderating across the businesses, and lending growth remaining subdued. Credit cycle adjustments booked in 2009 contributed \$30 million to the year on year decline in the collective charge.

Institutional

(NZ\$ millions)	Year ended,	
	September 30, 2010	September 30, 2009
Net interest income	478	500
Other operating income	119	257
Operating expenses	165	167
Profit before provision for credit impairment and income tax	432	590
Provision for credit impairment	(60)	96
Profit before income tax	492	494
Tax expense	141	142
Profit after income tax	351	352
Loans and advances	6,909	7,623
Deposits	11,187	11,142

Institutional profit after income tax of \$351 million for 2010 declined \$1 million compared to 2009, with the result including a \$156 million (\$109 million after tax) reduction in credit impairment expense and \$6 million after tax reduction in profits from discontinued businesses. Revenue declined 21%. Markets revenues declined from the high levels of 2009 that benefited from favourable market conditions in the form of strong directional rate movements. These conditions have not been repeated in 2010. The treasury revenue result was \$14 million lower, comprising lower earnings from the management of interest rate risks, partly offset by favourable revaluations of liquidity assets. Revenues from customer businesses increased 3%, mainly driven by improved lending margins from re-pricing in Relationship & Specialised Lending. Total operating expenses declined 1% to \$165 million, assisted by lower performance payments and tight management of discretionary expenditure. The provision for credit impairment charge declined \$156 million. The individual charge declined \$44 million, mainly driven by recoveries on a single name exposure that was provisioned during 2009. The collective charge declined \$112 million, reflecting reduced risk exposures and account upgrades, as well as a \$48 million reduction from changes in credit cycle and concentration risk provisions.

Other

(NZ\$ millions)	Year ended,	
	September 30, 2010	September 30, 2009
Profit after income tax	57	(205)

Other businesses mainly comprise support and treasury functions that are centrally managed, with costs substantially charged to the operating business units; the shareholder functions unit, which holds the group's equity, including subordinated debt; certain significant items including the costs of organizational restructuring; and non core items, including volatility related to derivatives entered into to manage interest rate and foreign exchange risk that are not designated in accounting hedge relationships but are considered to be economic hedges.

The higher profit after tax in 2010 mainly reflected tax provisioning on conduits (\$240 million) booked in 2009. Subsequent settlement with the New Zealand Inland Revenue Department on the disputed transactions enabled the release of surplus provision (\$48 million) in 2010. The result in 2010 also included the impact of revaluation of deferred tax balances (\$45 million charge to profit) resulting from recently announced changes to tax legislation. These legislative changes related to a reduction in the corporate tax rate from 30% to 28% to apply from the 2012 financial year; and changes to property depreciation.

Year ended September 2009 compared with year ended September 2008 (consolidated result)

Profit after income tax decreased by \$865 million to \$298 million, with the result including a \$572 million before tax and \$400 million after tax increase in provision for credit impairment expense driven by credit cycle impacts, as described below.

The 2009 result was also impacted by tax provisioning on conduit transactions of \$240 million. This related to an industry wide review by the New Zealand Inland Revenue Department ("IRD") of a number of structured finance transactions. Similar transactions by other financial institutions in New Zealand have recently been brought before the courts with decisions in favour

of the IRD. As a result, we recognized a further provision of \$240 million net of indemnities provided by Lloyds Banking Group plc.

The 2009 results also included a \$211 million provision (or \$148 million after tax) reflected as a reduction in “other operating income” relating to the offer of remediation to investors in ING New Zealand’s Diversified Yield Fund and Regular Income Fund. See “Risk Factors—Litigation and contingent liabilities may adversely impact our results”. The result for 2008 included the gain on allocation of shares in Visa (\$83 million).

Adjusting for the cost of remediation on the ING funds and the gain on Visa shares, profit before provisions decreased \$36 million or 2%. The economic slowdown has impacted revenue growth. The Retail businesses in particular were affected, with net operating income declining \$234 million or 14%, reflecting constrained balance sheet growth and net interest margin contraction. The Institutional business however, delivered a 36% increase in revenue, with Markets taking advantage of opportunities presented by global volatility particularly during the first half of 2009.

As discussed under “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical accounting policies” in this Offering Memorandum, prior to the year ended September 30, 2010 some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was reclassified as interest income to more accurately reflect the nature of the income and comparative data for the year ended September 30, 2009 was restated accordingly. For purposes of comparing data for the year ended September 30, 2009 with data for the year ended September 30, 2008, these reclassifications are not reflected.

Key influences on the result include:

- Net interest income of \$2,354 million for 2009 increased by \$65 million or 3% over the 2008 year. After adjusting for an increase in net interest income from derivative and liquidity positions (\$226 million higher, with the offset in other operating income), the result was \$161 million lower. This reflected a reduced result in the non-institutional business segments of \$244 million that was partly due to the sale of mortgage portfolios (\$10 billion) to the New Zealand branch of ANZBGL which reduced net interest income by \$118 million. These businesses were further impacted by net interest margin contraction of 30 basis points. Margin contraction reflected intensified competition for deposits driven by increased wholesale funding spreads, and the delay in passing these costs on due to the predominance of fixed rate mortgages in the lending book, as well as adverse break costs on mortgages as customers have taken advantage of falling interest rates. The underlying decline in the ANZ National Group’s net interest income result was moderated by favourable impacts from earnings on higher levels of retained capital, and a favourable result from positioning ANZ National’s balance sheet and interest rate risk position.
- Other operating income of \$762 million for 2009 declined by \$362 million or 32% over 2008. This result reflected the impact of a number of significant factors as referred to above, including: in 2009, the provision for ING remediation costs (\$211 million), the offset referred to above from net interest income from derivative and liquidity results (\$226 million); and in the 2008 year the gain on the allocation of shares in Visa (\$83 million). Excluding these items, 2009 other operating income increased \$158 million or 14%. Markets contributed strongly, taking advantage of trading opportunities from global volatility, particularly in the first half. Other 2009 contributions were mark-to-market revaluations relating to hedging volatility (\$34 million higher), profit from the sale and leaseback of bank branches (\$17 million), income of \$18 million from Radiola Corporation Limited (a subsidiary acquired in 2008), and fees earned from managing the New Zealand branch of ANZBGL mortgage portfolio (\$10 million). These increases were partly offset by the loss on sale of mortgage portfolios to the New Zealand branch of ANZBGL (\$10 million), lower equity-accounted ING JV results (\$10 million) and the write-down of the investment in a mortgage originator (\$7 million). Retail fees were generally weak with a fall off in transactional volumes driven by lower consumer spend in a slowing economy.
- Operating expenses increased by \$33 million, or 2%, from \$1,444 million to \$1,477 million in 2009. This increase included higher costs in 2009 due to the consolidation of Radiola Corporation Limited (\$10 million) and the write-off of an abandoned software development program (\$10 million). Savings from business transformation related to restructuring, offshoring back office functions to Bangalore and business process re-engineering have largely offset inflationary increases and moderate investment spend in technology.
- Provision for credit impairment charge to the Income Statement increased by \$572 million from \$302 million to

\$874 million in 2009, reflecting credit cycle impacts across the businesses. The individual provision charge increased \$420 million from general deterioration across the book, with the largest increases in the Corporate & Commercial and Rural businesses, albeit from relatively low levels in 2008. An increase of \$52 million in Institutional largely related to a single name exposure. The collective provision charge increased \$152 million with the largest increases in the Corporate & Commercial and Rural businesses (\$111 million in total) as a result of the economic cycle and concentration risk adjustments booked in the second half of 2009. The result included a \$19 million increase due to the impact of implementing Basel II.

Net interest income

The following table shows our net interest income for the years ended September 30, 2009 and 2008.

(NZ\$ millions)	Year ended September 30,	
	2009 ⁽¹⁾	2008
Interest income	7,246	9,857
Interest expense	4,892	7,568
Net interest income	2,354	2,289

- (1) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010 this income was reclassified as interest income to more accurately reflect the nature of the income, which had the effect of increasing interest income by \$99 million. However, for purposes of comparing the 2009 results with 2008 results, the reclassification is not reflected.

Net interest income totalled \$2,354 million for 2009, an increase of \$65 million or 3%. Key influences on the result include the following:

- Volume/rate analysis of the increase in net interest income attributed a \$124 million increase to increased volume and a \$59 million decrease to reduced yields, including increased income related to management by ANZ National of its balance sheet and interest rate risk position as well as favorable Derivatives/FX positioning in Institutional. The average Official Cash Rate (“OCR”), being the interest rate set by the RBNZ to meet its inflation target, decreased by 458 basis points for 2009 to 3.58%. Significant reductions in the OCR occurred in the first half of 2009.
- The volume increase was particularly driven by an increase in average mortgage, commercial and rural lending volumes in 2009. However, net interest income was impacted by margin pressure from deposit competition and wholesale funding costs coupled with slower re-pricing of the lending portfolio.
- Management of ANZ National’s balance sheet and interest rate risk position increased net interest income by \$98 million.

Movements in average margin

The overall net interest average yield remained constant between 2008 and 2009 at 2.20%. During 2009, the average year-on-year OCR decreased by 458 basis points. The interest spread increased 18 basis points from 1.45% in 2008 to 1.63% in 2009. Key influences on the result include the following:

- The average yield on loans and advances decreased by 264 basis points from 9.59% in 2008 to 6.95% in 2009. This was less than the 458 basis point average decrease in OCR due to a large proportion of the mortgage lending book being fixed and a favorable product mix with customers switching from fixed rate to variable rate mortgages.
- The average yield on deposits and short-term borrowings decreased 278 basis points from 7.78% in 2008 to 5.00% in 2009, due to decreases in short term domestic interest rates. The greater decline in deposit yields is reflective of significant competitive pressure.

Movements in average volume

- Average interest earning assets increased \$2,594 million or 2% during 2009. Gross loans and advances increased by \$1,017 million. Growth in Rural Banking of \$2.6 billion, due in part to underlying system growth in the rural market, National Bank Retail (\$825 million) and Corporate and Commercial (\$735 million) was offset by the transfer of mortgages to the New Zealand branch of ANZBGL.
- Average other interest earning assets increased \$1,154 million in 2009 due to a \$1.5 billion increase in certificate of deposits held for liquidity purposes. This was partially offset by a decrease in other interbank lending.
- Average trading securities in 2009 increased \$423 million due to increased holdings of AAA rated Kauri Bonds (NZ\$ bonds issued by foreign entities into the New Zealand market) as a higher yielding substitute for liquid assets and a reduction in bonds in other areas due to credit costs associated with holding bonds.
- Average interest bearing liabilities increased \$431 million during 2009. Deposits and short term borrowings increased by \$1,044 million, primarily driven by increases in retail deposits (\$1.6 billion) and wholesale deposits (\$1.6 billion) that were offset by a decrease in commercial paper held of \$2.1 billion in response to RBNZ requirements to alter our wholesale funding profile.
- Average bonds, notes and long term borrowings decreased \$1,306 million as a result of a reduction in external long-term funding. Less long term funding was required due to the sale of mortgages to the New Zealand branch of ANZBGL.
- Average subordinated notes increased as \$835 million issued during April 2008 was represented for a full 12 month period.
- Other financial liabilities increased as a result of increases in funding with RBNZ, this being partially offset by the unwind of a structured transaction.
- Large increases in non interest bearing other assets and other liabilities were primarily driven by a significant increase in revaluation gains and losses on derivatives due to the decline in 1-5 year interest rates and currency volatility throughout the year.

Other operating income

The following table shows our other operating income for the years ended September 30, 2009 and 2008.

(NZ\$ millions)	Year ended September 30,	
	2009 ⁽¹⁾	2008
Net fee income	674	646
Net gain on foreign exchange trading	201	166
Net gain on trading securities/derivatives	(14)	105
Share of profit of equity accounted associates and jointly controlled entities	13	111
Other income	(112)	96
Other operating income	762	1,124

- (1) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010 this income was reclassified as interest income to more accurately reflect the nature of the income, which had the effect of reducing other operating income by \$99 million. However, for purposes of comparing the 2009 results with the 2008 results, the reclassification is not reflected.

Other operating income totaled \$762 million for 2009, a decrease of \$362 million over 2008, or 32%. Key influences on the result include the following:

- Net fee income increased \$28 million, with growth largely from lending.
 - Lending fee income increased \$28 million. Institutional contributed growth of \$20 million, largely in the Relationship & Specialised Lending businesses driven by re-pricing in the loan book, income from loan restructures, and increased focus on fees from commitments and funding lines. Lending fees in Corporate and Commercial increased \$6 million, primarily in line, implementation, and quarterly monitoring fees.
 - Non-lending fee income growth was flat. Management/advisory fee income increased \$14 million, including \$10 million earned from managing the mortgage portfolio in the New Zealand branch of ANZBGL and higher income from an increased level of off-balance sheet managed funds in the Wealth business. This was offset by reduced retail transactional fee income due to lower volume in the slowing economy (\$11 million lower, relating to current account), and higher card interchange fees expense driven by increased rates and volumes (\$4 million higher).
- Net foreign exchange trading gains and gains on trading securities/derivatives in 2009 taken together decreased \$84 million, reflecting a smaller proportion of the derivative and liquidity results earned as trading income (\$226 million, offset by higher net interest income). Adjusting for this, the result increased \$142 million, largely from a strong performance in Markets which benefited from volatility particularly in the first half.
- Equity-accounted earnings from associates and jointly controlled entities decreased by \$98 million. In March 2008, the ANZ National Group, via its associate, Cards NZ Limited, acquired shares in Visa, resulting in an equity accounted profit of \$83 million being recognized on the sale of the shares at fair value by Cards NZ Limited. In addition, the result from the ING JV was \$10 million lower in 2009.
- Other income decreased \$208 million, largely reflecting the impact of the \$211 million provision on ING funds which was treated as an offset to income.

Operating expenses

The following table shows our operating expenses for the years ended September 30, 2009 and 2008.

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Personnel costs.....	852	856
Premises and equipment costs	161	156
Other costs	464	432
Operating expenses	1,477	1,444

Operating expenses totaled \$1,477 million for 2009, an increase of \$33 million or 2% over 2008. Key influences on the result include the following:

- Personnel costs reduced by \$4 million, reflecting the impact of lower staff numbers from business restructuring, offshoring back office functions to Bangalore and business process re-engineering, which have more than offset the cost of annual salary rate rises.
- Premises and equipment costs increased \$5 million or 3%, mainly driven by rental increases, property rates, and higher repair and maintenance expenses.
- Other costs increased \$32 million or 7%, mainly reflecting the full year impact of costs from Radiola Corporation Limited (\$7 million higher), which was acquired in 2008, and higher computer expenses (largely project driven).

The 2008 result also benefited from the release of warranty provisions related to the sale of Truck Leasing Limited (\$5 million); and refund of Goods & Services Tax (\$3 million).

- The cost to income ratio increased by 509 basis points to 47.40%, driven by revenue weakness and higher costs.

Provision for credit impairment

Provision for credit impairment charge totaled \$874 million for 2009, an increase of \$572 million versus 2008.

- Provision for credit impairment increased \$572 million from \$302 million in 2008. The individual provision charge increased \$420 million from general deterioration across the book, with the largest increase in the Corporate & Commercial and Rural businesses, albeit from relatively low levels in 2008. An increase of \$52 million in Institutional largely related to a single name exposure. The collective provision charge increased \$152 million with the largest increases in the Corporate & Commercial and Rural businesses (\$111 million in total) as a result of economic cycle and concentration risk adjustments booked in the second half of 2009. The result included a \$19 million increase due to the impact of implementing Basel II.

Year ended September 2009 compared with year ended September 2008 (results by segment)

Reporting of 2009 and 2008 results was based on the following segments, which differs from segment reporting of the 2010 results above.

- Retail
- Corporate & Commercial
- Rural Banking
- Wealth
- Institutional
- UDC

The following table shows the net profit after tax of our business segments for the years ended September 30, 2009 and 2008:

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Retail.....	170	421
Corporate & Commercial.....	60	182
Rural Banking.....	61	128
Wealth.....	(137)	29
Institutional.....	357	279
UDC.....	(2)	19
Other.....	(211)	105
ANZ National Group.....	298	1,163

“Other” includes treasury and back office support functions, none of which constitutes a separately reportable segment.

Retail

(NZ\$ millions)	Year ended September 30,	
	2009	2008

Net interest income	1,028	1,256
Other operating income	473	479
Operating expenses	915	928
Profit before provision for credit impairment and income tax	586	807
Provision for credit impairment	345	178
Profit before income tax	241	629
Income tax expense	71	208
Profit after income tax	170	421
Loans and advances	43,738	52,701
Deposits	33,661	32,674

Retail profit after income tax of \$170 million for the 2009 year declined by 60% over the 2008 year, with the result including a \$167 million (\$117 million after tax) increase in credit impairment charge. During February and July 2009, Retail sold mortgage portfolios of \$4.9 billion and \$4.8 billion, respectively, to the New Zealand branch of ANZBGL. This resulted in a reduction in profit of \$62 million in 2009.

Profit before provisions declined by 27%, driven by revenue weakness. Excluding the impact of the sale of mortgages to the New Zealand branch of ANZBGL, loans and advances declined 1% during the year, reflecting weaker housing activity and de-leveraging in the consumer sector. Deposit growth was modest at 3%, driven by intensified competition for customer funding as a result of widening wholesale spreads. Net interest margin declined by 35 basis points due to deposits competition, and higher mortgage break costs with customers moving to take advantage of lower interest rates. This margin compression was partly due to timing factors, with the deposits book re-pricing more quickly than the lending book due to the predominance of fixed rate loans in the portfolio. Other operating income declined 1% to \$473 million, driven by lower transaction fee volumes as a result of lower consumer spend in a slowing economy. This was partly offset by the \$10 million fee earned for managing the New Zealand Branch of ANZBGL mortgage portfolio. Operating expenses declined by 1% to \$915 million, with the impact from the annual salary rate increases and project expenditure being more than offset by reduced staff numbers and control of discretionary expenditure. The provision for credit impairment charge increased by \$167 million, largely in the individual provision charge as a result of credit cycle impacts.

Corporate & Commercial

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Net interest income	418	429
Other operating income	89	69
Operating expenses	160	148
Profit before provision for credit impairment and income tax	347	350
Provision for credit impairment	261	78
Profit before income tax	86	272
Income tax expense	26	90
Profit after income tax	60	182
Loans and advances	14,730	15,505
Deposits	6,599	7,065

Corporate & Commercial profit after income tax of \$60 million for the 2009 year declined by 67% over 2008, with the result including a \$183 million (\$128 million after tax) increase in credit impairment charge. Excluding the contribution from subsidiary company Radiola Corporation Limited (acquired during the second half of 2008 as part of a debt restructure), profit before provisions declined by 3%. Net interest income declined 3%, reflecting margin contraction of 17 basis points driven by deposits competition. This was partly offset by stronger lending margins. Excluding the impact of Radiola Corporation Limited (\$18 million), other operating income increased 3%. Adjusting for Radiola Corporation Limited (\$10 million) operating expenses increased 1% as a result of the annual salary rate rise and an increase in the number of frontline staff. The provision

for credit impairment charges increased \$183 million. The individual charge was up \$138 million as a result of the economic downturn, with an increase in loss rate to 119 basis points from the relatively low level of 29 basis points in 2008. The collective charge increased by \$45 million, largely reflecting an economic cycle risk adjustment booked in the second half to reflect the adverse outlook for the sector. Loans and advances declined by 5% to \$14.7 billion, reflecting de-leveraging underway in the corporate sector, and the impact of tightened lending criteria in the current environment. Deposits declined by 7% to \$6.6 billion due to intensified competition for customer deposits.

Rural Banking

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Net interest income	283	275
Other operating income	9	10
Operating expenses	83	85
Profit before provision for credit impairment and income tax	209	200
Provision for credit impairment	122	8
Profit before income tax	87	192
Income tax expense	26	64
Profit after income tax	61	128
Loans and advances	19,383	17,950
Deposits	2,228	2,718

Rural profit after income tax of \$61 million for the 2009 year declined by 52% over the 2008 year, with the result including a \$114 million (\$80 million after tax) increase in credit impairment charge. Profit before provisions increased by 5%, driven by revenue growth of 3%. This reflected increased net interest income from lending growth, moderated by a 19 basis point contraction in net interest margin that was driven by deposits competition. Lending growth was robust at 8%. However, deposits declined 18%, largely market-driven. Rural activity (farm sales) was well down on the previous year and farmers' cash flows have been impacted by the down turn in commodity prices. For example, the payout by Fonterra (New Zealand's largest milk processor) to suppliers fell from a record \$7.68 per kilogram of milk solids in the year ending May 31, 2008 to \$5.20 per kilogram of milk solids in the year ending May 31, 2009.

Operating expenses declined 2%, with the cost of the annual salary rate rises being more than offset by savings from a reduction in staff numbers and control of discretionary expenditure. The provision for credit impairment expense increased \$114 million from low levels in 2008, with customers impacted by weak commodity prices. The increase included a \$36 million concentration risk adjustment booked in the second half to reflect the adverse outlook in the rural sector.

Wealth

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Net interest income	13	24
Other operating income	(169)	50
Operating expenses	41	41
Profit before provision for credit impairment and income tax	(197)	33
Provision for credit impairment	5	-
Profit before income tax	(202)	33
Income tax expense	(65)	4
Profit after income tax	(137)	29
Loans and advances	967	883
Deposits	4,688	4,315

The Wealth business largely comprises Private Banking and ANZ National's interest in the ING NZ joint venture.

The Wealth result for 2009 was impacted by provisioning for remediation costs relating to the ING Funds of \$211 million (\$148 million after tax).

Excluding the ING remediation costs, Wealth profit after income tax was \$11 million for 2009 down by 62% versus 2008, with the result including a \$5 million (\$4 million after tax) increase in credit impairment expense. Profit before provisions declined by 58% after the ING remediation costs, driven by revenue weakness. Net interest income declined \$11 million, reflecting a 28 basis point contraction in net interest margin that was driven by intensified competition for customer deposits. Other operating income declined 16% excluding the ING remediation costs, with the contribution from the ING NZ JV being \$10 million lower as a result of market impacts on funds management performance. Private Banking, however, grew other operating income by \$4 million, with growth in fees from customers switching funds from low yielding deposits into managed funds; and from stronger FX earnings driven by volatility in the NZD. The provision for credit impairment charge increased by \$5 million from low levels in 2008 due to credit cycle impacts.

Institutional

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Net interest income	460	153
Other operating income	307	414
Operating expenses	172	156
Profit before provision for credit impairment and income tax	595	411
Provision for credit impairment	95	13
Profit before income tax	500	398
Income tax expense	143	119
Profit after income tax	357	279
Loans and advances	7,671	8,794
Deposits and short term borrowings	15,581	16,100

Institutional profit after income tax of \$357 million for the 2009 year increased 28% over the 2008 year, with the result including an \$82 million (\$57 million after tax) increase in credit impairment charge. Profit before provisions increased 46%. The main contributions to this growth came from increases in Markets (57%), with the business taking advantage of trading opportunities from global market volatility during the first half; Mismatch (i.e. management of ANZ National's balance sheet and interest rate risk position) (\$93 million), with the balance sheet favorably positioned for falling interest rates; and Relationship & Specialized Lending (6%) achieving a strong fee result. The strong performance was moderated by reduced results in Transaction Banking (4%) due to narrowing margins in the deposit businesses, and volumes declining as a result of the strengthening NZD; and exited businesses contained in Balance Sheet Management (59%).

The provision for credit impairment charge increased \$82 million in 2009. The individual provision charge increased \$52 million, largely reflecting a single name exposure. The collective provision charge increased \$30 million, with the main component being a concentration risk adjustment of \$18 million to reflect the adverse outlook.

UDC

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Net interest income	63	78
Other operating income	-	3
Operating expenses	31	35
Profit before provision for credit impairment and income tax	32	46
Provision for credit impairment	36	22
Profit before income tax	(4)	24
Income tax expense	(2)	5
Profit after income tax	(2)	19
Loans and advances	1,829	2,002
Deposits	1,537	1,683

The UDC result after income tax for the 2009 year was a loss of \$2 million compared with a profit of \$19 million in the 2008 year, with the result including a \$14 million (\$10 million after tax) increase in credit impairment expense. Profit before provisions declined 30%, driven by revenue weakness. Balance sheet growth was negative, with deposit growth impacted by a number of factors, including: continued negative investor sentiment towards finance companies following a number of company collapses in the industry; an uneven playing field created by the Crown Retail Deposit Guarantee Scheme; and increased price competition from registered banks. Lower lending volumes reflected impacts of the economic slow down, and lending strategy in light of the increased cost of funding. Net interest margin declined 62 basis points, largely driven by deposits competition. Operating expenses declined 11% to \$31 million, reflecting the roll-off of warranty provisions (\$4 million) relating to the sale of Truck Leasing Limited, and savings in discretionary expenditure. The provision for credit impairment charge increased \$14 million, largely in the individual provision charge from the deterioration in credit conditions.

Other

(NZ\$ millions)	Year ended September 30,	
	2009	2008
Profit after income tax	(211)	105

Other businesses mainly comprise support and treasury functions which are centrally managed, with costs substantially re-charged to the operating business units; the shareholder functions unit which holds the group's equity, including subordinated debt; certain significant items including the costs of organizational restructure; and non core items, including volatility related to derivatives entered into to manage interest rate and foreign exchange risk that are not designated in accounting hedge relationships but are considered to be economic hedges.

The loss in 2009 mainly reflected the impact of tax provisioning on conduits (\$240 million) booked in the 2009 year. 2008 also benefited from the gain on allocation of shares in Visa (\$83 million).

Average balance sheet and interest income/expense

The following table shows the major categories of interest earning assets and interest bearing liabilities and the respective interest rates that we earned or paid for the periods indicated. Average balances used are predominantly daily averages for interest bearing items and monthly averages for non-interest bearing items. Interest income figures include interest income on non-accrual loans to the extent cash payments in the nature of interest have been received. Non-accrual loans are included under the interest earning asset category "Gross loans, advances and other receivables".

		Year ended September 30,							
		2010				2009			
(NZ\$ millions, except as indicated)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)	Average Balance	Interest	Average Rate (%)
Assets									
Interest earning assets									
Trading securities	6,557	346	5.28	3,151	187	5.93	2,728	220	8.06
Gross loans, advances and other receivables	87,170	5,172	5.93	94,700	6,678	7.05	93,683	8,984	9.59
Other interest earning financial assets	6,759	358	5.30	9,021	480	5.32	7,867	653	8.3
Total interest earning assets	100,486	5,876	5.85	106,871	7,345	6.87	104,278	9,857	9.45
<i>Non-interest earning assets</i>									
Provision for impairment	(1,387)	-	-	(855)	-	-	(527)	-	-
Property, plant and equipment	302	-	-	252	-	-	241	-	-
Other assets	15,146	-	-	20,087	-	-	9,629	-	-
Total non-interest earning assets	14,061	-	-	19,484	-	-	9,343	-	-
Total assets	114,547	-	-	126,355	7,345	-	113,621	9,857	-
Liabilities									
<i>Interest bearing liabilities</i>									
Deposits and short term borrowings	67,650	2,415	3.57	70,420	3,520	5.00	69,376	5,394	7.78
Bonds, notes and long term borrowings	16,944	701	4.14	16,136	819	5.08	17,442	1,532	8.78
Subordinated notes	3,006	180	5.99	2,840	207	7.29	2,458	207	8.42
Other interest bearing financial liabilities	2,400	161	6.71	5,584	346	6.20	5,273	435	8.25
Total interest bearing liabilities	90,000	3,457	3.84	94,980	4,892	5.15	94,549	7,568	8
<i>Non-interest bearing liabilities</i>									
Other liabilities	14,028	-	-	21,142	-	-	9,748	-	-
Total non-interest bearing liabilities	14,028	-	-	21,142	-	-	9,748	-	-
Total liabilities	104,028	3,457	-	116,122	4,892	-	104,297	7,568	-
Net assets	10,519	2,419	-	10,234	2,453	-	9,324	2,289	-

Volume and rate analysis

The following table attributes variances in our interest income and interest expense to changes in volume and rate for the year ended September 30, 2010 compared with the year ended September 30, 2009 and for the year ended September 30, 2009 compared with the year ended September 30, 2008. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

(NZ\$ millions)	Year ended September 30, 2010			Year ended September 30, 2009		
	v.			v.		
	Year ended September 30, 2009			Year ended September 30, 2008		
	Increase (Decrease) due to:			Increase (Decrease) due to:		
	Change in	Change in	Net	Change in	Change in	Net
	Volume	Rate	Change	Volume	Rate	Change
Interest Earning Assets						
Trading securities	180	(21)	159	25	(58)	(33)
Gross loans, advances and other receivables	(447)	(1,059)	(1,506)	72	(2,378)	(2,306)
Other interest earning financial assets	(120)	(2)	(122)	61	(234)	(173)
Change in interest income	(387)	(1,082)	(1,469)	158	(2,670)	(2,512)
Interest Bearing Liabilities						
Deposits and short term borrowings	(99)	(1,006)	(1,105)	52	(1,926)	(1,874)
Bonds, notes and long term borrowings	34	(152)	(118)	(66)	(647)	(713)
Subordinated notes	10	(37)	(27)	28	(28)	0
Other interest bearing financial liabilities	(214)	29	(185)	19	(108)	(89)
Change in interest expense	(269)	(1,166)	(1,435)	33	(2,709)	(2,676)
Change in net interest income	(118)	84	(34)	125	39	164

Liquidity and funding

General

Our liquidity policies are designed to ensure that we maintain sufficient cash balances and liquid asset holdings to meet our obligations as they fall due, in both ordinary market conditions and during periods of stress. These obligations include the repayment of deposits on-demand or at their contractual maturity dates, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and taxation, the payment of dividends to shareholders, and the ability to fund new and existing loan and contractual commitments.

Our funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, jurisdiction, currency and concentration, on a cost effective basis.

Liquid assets are defined by the willingness of the RBNZ to accept them as collateral.

Our principal sources of liquidity are:

- the maturity of marketable securities;
- interest and principal repayments received from customer loans;
- customer deposits;
- proceeds from bonds, notes, and subordinated debt issues;
- fee income;
- interest and dividends from investments;
- security repurchase agreements with the RBNZ;
- related party loans and asset sales, particularly involving the New Zealand branch of ANZBGL; and
- standby facilities.

Conditions in the international debt markets deteriorated significantly from the middle of 2007 until the middle of 2009 and slowly improved during 2009 and early 2010. The Greek crisis in mid 2010 and the Irish crisis in late 2010 have highlighted the fragile condition of the global financial markets. Although these crises are unrelated to events in New Zealand, we have been exposed to them due to our requirement to fund regularly in the offshore market. There have been periods since the middle of 2007 when short and/or long term funding markets have been virtually illiquid. While we have continued to fund in both short and long term markets at costs prevailing at the time, we have taken a number of actions to manage our short and long term funding risks effectively in this environment, including:

- increased minimum holdings of liquid assets to improve our ability to manage periods of market illiquidity;
- established an “in-house” RMBS structure in October 2008 to generate securities that meet the RBNZ criteria for eligible collateral for repurchase transactions, which significantly increases our funding ability from the RBNZ; As at September 30, 2010, ANZ National held \$6,184 million of bonds which could be used for repurchase transactions with the RBNZ generating \$5,011 million of funding.
- ANZBGL has established a New Zealand branch which was registered on January 5, 2009. The ANZ National Board has approved the sale, from time-to-time, into the New Zealand branch of ANZBGL a maximum of \$15 billion of residential loans and mortgages. Such sales facilitate access by the New Zealand businesses to funding from ANZBGL and partially reduce ANZ National’s funding and capital requirements. As at September 30, 2010, ANZBGL New Zealand branch held approximately \$10 billion of mortgages.
- ensuring that the impact of increased funding costs is passed on to our businesses, which is reflected in pricing to customers; and
- actively managing our maturity profile in line with our established policies and the RBNZ liquidity policy. For example the Core Funding Ratio (CFR) is derived from customer deposits, as determined by RBNZ, plus term debt with remaining life beyond 1 year divided by Total Loans and Advances. Currently the RBNZ CFR minimum requirement is 65% and is expected to move to greater than 75% over the next two years.
- For the 2011 year, offshore term funding is expected to be approximately \$5.1 billion (excluding inter-group rollovers). As part of this, ANZ National expects to term out approximately \$2 billion of USCP/ECP. ANZ National expects modest net asset growth and expects to issue covered bonds as part of the 2011 funding programme.

The following table sets forth an analysis of our contractual obligations as at September 30, 2010.

(NZ\$ millions)	As at September 30, 2010				
	Due within 1 year	Due between 1 and 2 years	Due between 2 and 5 years	Due beyond 5 years	Total
Long-term debt	3,263	4,757	10,276	2,507	20,803
Lease rental commitments	91	69	97	29	286
Total contractual cash obligations.....	3,354	4,826	10,373	2,536	21,089

Our current borrowing programs as at September 30, 2010, other than borrowings from our parent, ANZBGL, are summarized in the table below. In addition to these programs, from time to time we issue subordinated debt securities in the New Zealand market that are subject to APRA and RBNZ approval.

Active borrowing programs	Program size (millions)	Amount Outstanding (millions)	Issuing Entity	Principal Market	Governing Law
Euro Commercial Paper Programme-short term.....	US\$10,000	US\$140	ANZNIL(1)	Offshore non US-based	English

U.S. Commercial Paper Program-short term	US\$10,000	US\$5,239	ANZNIL(1)	Offshore US-based	New York
Domestic Term Note Programme	NZ\$ 5,000	NZ\$1,715	ANZ National	On shore	New Zealand
Euro Medium-Term Note Programme	US\$10,000	US\$2,699	ANZ National and ANZNIL(1)	Offshore non US-based	English
U.S. Medium-Term Note Program	US\$10,000	US\$6,900	ANZ National and ANZNIL(1)	Offshore US-based	New York
Domestic Registered Certificate of Deposits Programme	Unlimited	NZ\$4,462	ANZ National	On shore	New Zealand

(1) Borrowing obligations guaranteed by ANZ National.

For an analysis of our borrowings by maturity, please see “Additional Financial and Statistical Information — Maturity distribution of borrowings” included elsewhere in this Offering Memorandum and Note 29 to the General Disclosure Statement for the year ended September 30, 2010 attached to this Offering Memorandum.

Our liquidity policies are adopted by ANZ National’s Board to ensure that we have sufficient funds available to meet all our known and potential commitments.

Based on the level of resources within our businesses and our ability to access wholesale money markets and to issue debt securities should the need arise, we consider that our overall liquidity is sufficient to meet our current obligations to customers, policyholders and bondholders. Our business complies with the current liquidity requirements of the RBNZ.

Within our business, liquidity relates to our ability to make interest payments and to repay deposits. Our current policy is to ensure that liquid assets and funding capabilities are sufficient to meet expected cash flows under different scenarios. Our primary source of funding is from retail deposits, either on-demand or short-term deposits and term deposits. Although substantial portions of retail accounts are contractually repayable within one year, on-demand, or a short notice, customer deposit balances have traditionally provided a stable source of our core long-term funding.

We also access the New Zealand and international debt capital markets under our various funding programs. As at September 30, 2010, we had on issue \$21,168 million of term debt securities (bonds, notes and subordinated debt).

The cost and availability of our senior unsecured financing is influenced by credit ratings. As at December 10, 2010, credit ratings and outlook for our short-term and long-term senior unsecured debt were as follows:

	Short-term Debt	Long-term Debt	Outlook
S&P	A-1+	AA	Stable
Moody’s	P1	Aa2	Stable
Fitch.....	F1+	AA–	Positive

Credit ratings are neither a rating of securities nor a recommendation to buy, hold or sell securities and may be revised or withdrawn at any time.

The ability to sell assets quickly is also an important source of our liquidity. We hold sizeable balances of government securities and other eligible debt securities which could be sold or used as collateral for borrowing from the RBNZ to provide additional funding should the need arise.

As at September 30, 2010, the ANZ National Group had the following standby facilities in place to assist with managing liquidity requirements.

Provider	Amount	Effective From
----------	--------	----------------

Citibank N.A.....	US\$200 million	September 2, 2010
Royal Bank of Canada.....	US\$200 million	July 27, 2010
The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch	US\$100 million	September 2, 2010
Commerzbank Aktiengesellschaft	EUR150 million	September 15, 2010
JPMorgan Chase Bank, N.A.	US\$250 million	August 6, 2010

All of these standby facilities are for a term of 364 days and were unutilized as at September 30, 2010.

Securitization

In May 2008, the RBNZ expanded the range of acceptable collateral that banks can pledge and borrow against as part of changes to its liquidity management arrangements designed to help ensure adequate liquidity for New Zealand financial institutions in the event that global market disruption were to intensify. From July 31, 2008, acceptable collateral includes RMBS that satisfy RBNZ criteria.

On October 10, 2008, ANZ National established an in-house RMBS facility that can issue securities meeting the RBNZ criteria. The establishment of this facility increased our funding capability from the RBNZ. It also resulted in ANZ National's financial statements recognizing a payable and receivable of equal amount totaling \$6,531 million as at September 30, 2010 to Kingfisher NZ Trust 2008-1, a consolidated entity. The ANZ National's consolidated financial statements do not change as a result of establishing this facility.

Sale of Residential Mortgage Assets

As at September 30, 2010 the New Zealand branch of ANZBGL held approximately \$10 billion of residential mortgage assets purchased from ANZ National. These assets qualify for derecognition as ANZ National does not retain a continuing involvement in the transferred assets.

Off-balance sheet financial instruments

By their nature, our activities are principally related to the use of financial instruments including derivatives. We accept deposits from customers at both fixed and floating rates, and for various periods, and seek to earn an interest margin by investing these funds in high quality assets. We seek to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

We also seek to raise interest margins through lending to commercial and retail borrowers with a range of credit standings. Such exposures involve not just on-balance sheet loans and advances; we also enter into guarantees and other commitments such as letters of credit and performance, and other, bonds.

We also trade in financial instruments where we take positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in debt securities and in currency and interest rate prices. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Derivatives

Derivatives, except for those that are specifically designated as effective hedging instruments, are classified as held for trading. The held for trading classification includes two categories of derivative instruments, those used in sales and market making activities (trading positions) and those used for our own risk management purposes that do not meet specific qualifying criteria for hedge accounting and therefore must be classified as trading. Derivatives are subject to the same types of credit and market risk as other financial instruments, and we manage these risks in a consistent manner.

The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate

future gains or losses, but rather the unrealized gains and losses arising from marking to market all derivatives at a particular point in time.

Under NZ IFRS, all derivative financial instruments, including those used as hedging instruments, are measured at fair value and recognized in the balance sheet.

(NZ\$ millions)	As at September 30,								
	2010			2009			2008		
	Face or Contract Value	Fair Value Gain	Fair Value Loss	Face or Contract Value	Fair Value Gain	Fair Value Loss	Face or Contract Value	Fair Value Gain	Fair Value Loss
Derivatives held for trading									
<i>Foreign exchange derivatives</i>									
Spot and forward contracts.....	36,249	465	925	30,475	687	1,582	37,914	1,079	684
Swap agreements.....	101,489	1,788	3,155	69,971	2,900	3,831	68,158	3,129	1,802
Options purchased.....	1,563	48	-	1,018	42	-	1,828	58	-
Options sold.....	1,505	1	58	953	-	52	1,813	-	61
<i>Commodity derivatives</i>									
Swap agreements.....	68	2	2	36	2	2	36	4	4
<i>Interest rate derivatives</i>									
Forward rate agreements.....	46,736	7	7	32,498	2	3	40,536	22	17
Swap agreements.....	410,238	7,766	7,340	390,183	7,400	7,275	347,394	3,565	3,631
Futures contracts.....	25,494	3	22	20,647	45	2	20,328	15	6
Options purchased.....	524	21	-	2,026	23	-	2,158	11	-
Options sold.....	2,630	-	15	2,034	-	23	2,164	-	11
<i>Equity derivatives</i>									
Options purchased.....	-	-	-	-	-	-	-	-	-
Derivatives held for trading	626,496	10,101	11,524	549,841	11,101	12,770	522,329	7,883	6,216
Derivatives held for hedging									
(a) Designated as cash flow hedges									
<i>Foreign exchange derivatives</i>									
Spot and forward contracts.....	-	-	-	-	-	-	-	-	-
<i>Interest rate derivatives</i>									
Swap agreements.....	9,082	227	80	15,910	140	111	12,160	161	142
Futures contracts.....	6,226	-	13	-	-	-	-	-	-
(b) Designated as fair value hedges									
<i>Foreign exchange derivatives</i>									
Swap agreements.....	53	3	-	18	-	-	58	1	-
<i>Interest rate derivatives</i>									
Swap agreements.....	18,656	397	340	22,366	282	789	31,299	74	622
Derivatives held for hedging	34,017	627	433	38,294	422	900	43,517	236	764
Total Derivatives	660,513	10,728	11,957	588,135	11,523	13,670	565,846	8,119	6,980

Collateral of \$361 million was received as at September 30, 2010 in relation to derivative financial instruments (September 30, 2009: \$115 million; September 30, 2008: \$586 million).

Collateral of \$1,242 million was paid as at September 30, 2010 in relation to derivative financial instruments (September 30, 2009: \$2,908 million; September 30, 2008: \$270 million).

Contingent liabilities and credit related commitments

We guarantee the performance of customers by issuing standby letters of credit and guarantees to third parties, including ANZBGL. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The gross value of the instruments and facilities reflects the level of our activity in the various products and not the much smaller net risk exposure. As we do not believe that any irrecoverable liability will arise from the settlement of these types of transactions, they are not recorded as on-balance sheet financial instruments.

We do not disclose fair value information in respect of off-balance sheet financial instruments, other than derivatives, as we do not believe the estimated fair value is material. Under NZ IFRS, the fair value of derivatives is already reflected in the financial statements.

The estimated face or contract values and credit equivalent amount for our off-balance sheet financial instruments are as follows:

	2010	As at September 30,	
	Face or	2009	2008
(NZ\$ millions)	Contract	Face or	Face or
	Value	Contract	Contract
		Value	Value
Contingent liabilities			
Financial guarantees	1,686	1,753	2,017
Standby letters of credit	60	341	401
Transaction related contingent items	898	982	1,090
Trade related contingent liabilities.....	97	89	118
Contracts for outstanding capital expenditure			
Commitments with certain drawdown due within one year	17	19	26
Credit related commitments			
Commitments with certain drawdown due within one year	493	735	659
Commitments to provide financial services	20,289	22,094	23,150

Other contingent liabilities

See “Risk factors—Litigation and contingent liabilities may adversely impact our results” in this Offering Memorandum.

Other

There are other outstanding court proceedings, claims and possible claims against us, the aggregate amount of which cannot readily be quantified or which is not considered material. Legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made and are disclosed in our consolidated financial statements.

Capital adequacy

The following table provides details of our Tier 1 and Tier 2 capital position as at September 30, 2010, 2009 and 2008:

(NZ\$ millions, except as indicated)	As at September 30,		
	2010 Basel II	2009 Basel II	2008 Basel II
Tier 1 Capital			
Ordinary share capital.....	6,943	6,943	5,943
Revenue and similar reserves	2,675	2,847	2,701
Profit after tax	827	298	1,163
Non-controlling interests	1	-	-
Less deductions from Tier 1 Capital			
Goodwill	3,265	3,265	3,265
Other intangible assets.....	283	60	52
Equity investment in ING (NZ) Holdings Limited.....	-	248	212
Future income tax benefits	87	47	-
Cash flow hedging reserve	102	23	24
50% of total expected loss to the extent greater than total eligible allowances for impairment	49	-	117
Total Tier 1 Capital.....	6,660	6,445	6,137
Tier 2 Capital – Upper Level Tier 2 Capital			
Perpetual subordinated debt.....	1,184	1,159	1,152
Tier 2 Capital – Lower Level Tier 2 Capital			
Term subordinated debt	1,223	1,437	1,668
Plus additions to Tier 2 Capital			
Expected loss to the extent lower than total eligible allowances for impairment.....	-	3	-
Less deductions from Tier 2 Capital			
50% of total loss to the extent greater than total eligible allowances for impairment.....	49	-	117
Total Tier 2 Capital	2,358	2,599	2,703
Total Capital	9,018	9,044	8,840

Basel II

ANZ National, which is subject to regulation by the RBNZ, was accredited to adopt the internal ratings based approach under the Basel II Accord for calculating capital adequacy ratios with effect from March 31, 2008. The objective of the Basel II Accord is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profiles of banks. The RBNZ sets minimum capital requirements that ANZ National must comply with that are specified in ANZ National's Conditions of Registration. The Conditions of Registration require capital adequacy ratios for ANZ National to be calculated under Basel II in accordance with the RBNZ document entitled "Capital Adequacy Framework (Internal Models Based Approach)" (BS2B) dated March 2008. In prior periods, risk weighted exposures for ANZ National were calculated under Basel I in accordance with the RBNZ document entitled "Capital Adequacy Framework" (BS2) dated March 2007.

The RBNZ defines total regulatory capital as Tier 1 capital plus Tier 2 capital less deductions from total capital. Previously, Tier 1 capital consisted of equity less prescribed deductions such as goodwill. Tier 2 capital consisted of subordinated loan capital less any prescribed deductions. Following the implementation of Basel II, additional deductions from Tier 1 and Tier 2 capital are now required where total expected loss (using RBNZ credit risk assumptions) exceeds the total eligible allowances for impairment.

ANZ National's internal capital adequacy assessment process ("ICAAP") incorporates overall capital policies and objectives, capital management policies and plans, allocation of capital to business units and stress testing of both risk and capital positions.

ANZ National's ICAAP policy outlines the core capital management principles that must be maintained to demonstrate that its capital levels consider all material risks; are consistent with its overall risk appetite and profile, current operating environment and stage in business cycle; and that forward-looking stress testing of capital requirements is performed.

ANZ National's core capital objectives are to:

- protect the interests of depositors, creditors and shareholders;
- ensure the safety and soundness of ANZ National's capital position; and
- ensure that the capital base supports ANZ National's risk appetite, and strategic business objectives, in an efficient and effective manner.

The ANZ National Board of Directors holds ultimate responsibility for ensuring that capital adequacy is maintained. This includes setting, monitoring and obtaining assurance for ANZ National's ICAAP policy and framework, standardized risk definitions for all material risks, materiality thresholds, capital adequacy targets, internal economic risk capital principles and risk appetite.

The Board of Directors has set trigger levels and minimums for both Tier 1 and total capital that ensure sufficient capital is maintained to:

- meet minimum prudential requirements as defined in ANZ National's Conditions of Registration;
- ensure consistency with ANZ National's overall risk profile and financial positions, taking into account its strategic focus and business plan;
- support the economic risk capital requirements of the business; and
- meet capital requirements consistent with an AA credit rating from each of the leading international credit rating agencies.

ANZ National's Asset & Liability Committee and its related Capital Management forum are responsible for developing, implementing and maintaining ANZ National's ICAAP framework including ongoing monitoring, reporting and compliance.

ANZ National's ICAAP is subject to independent and periodic review, conducted by internal and external audit as appropriate.

ANZ National has complied with all externally imposed capital requirements to which it is subject during the year ended September 30, 2010.

Capital Adequacy Ratios Under The Basel II Internal Models Based Approach

	As at September 30,	
	RBNZ Minimum ratios	
	2010	2009
Tier 1 Capital	4.00%	9.68
Total Capital	8.00%	13.11
Capital of the Banking Group (NZ\$ millions)		
Tier 1 Capital		
Ordinary share capital	6,943	6,943
Revenue and similar reserves	2,675	2,847
Current period's profit after tax	827	298
Non-controlling Interests	1	-
Less deductions from Tier 1 Capital		
-Goodwill	3,265	3,265
-Other intangible assets	283	60
-Equity investment in ING NZ	-	248
- Future income tax benefits	87	47
-Cash flow hedging reserve	102	23
-50% of total expected loss to the extent greater than total eligible allowances for impairment	49	-
Total Tier 1 Capital	6,660	6,445
Tier 2 Capital-Upper Level Tier 2 Capital		
Perpetual subordinated debt	1,184	1,159
Tier 2 Capital-Lower Level Tier 2 Capital		
Term subordinated debt	1,223	1,437
Less deductions to Tier 2 Capital		
- 50% of total expected loss to the extent greater than total eligible allowances for impairment	49	-
Additions to Tier 2 Capital		
- Expected loss to the extent lower than total eligible allowances for impairment	-	3
Total Tier 2 Capital	2,358	2,599
Total Capital	9,018	9,044

The New Zealand primary prudential supervisor is the RBNZ, which imposes capital adequacy requirements on banks, the prime objective of which is to ensure that an adequate level of capital is maintained, thereby providing a buffer to absorb unanticipated losses from activities. The RBNZ's approach to assessing capital adequacy of banks focuses on the credit risk associated with a bank's exposures and the form and quantity of a bank's capital. Under Basel II, banks are also now required to hold capital for market and operational risks.

Off-balance sheet activities giving rise to credit risk are categorized as follows: undrawn committed facilities; direct credit substitutes such as financial guarantees and standby letters of credit; trade and performance-related contingent items such as performance bonds, warranties, and documentary letters of credit; and market-related transactions such as foreign exchange contracts, currency and interest rate swaps and forward rate agreements.

The credit equivalent amount of market related transactions is calculated in accordance with the RBNZ's capital adequacy guidelines. It combines the aggregate gross replacement cost with an allowance for the potential increase in value over the remaining term of the transaction should market conditions change.

Capitalization

ANZ National's Tier 1 ratio as at September 30, 2010 was 9.68% . The numerator of this ratio, being the eligible capital, is comprised of ordinary equity and retained earnings. The denominator being Risk Weighted Assets (RWA) is calculated according to RBNZ BS2B rules. These rules are not equivalent to comparable rules issued by the other regulators, e.g., APRA and the United Kingdom Financial Services Authority (FSA). The RBNZ rules are in a number of cases more conservative than both APRA and FSA. The impact of this conservatism is to increase calculated RWA compared to equivalent calculations made

under the APRA and FSA rules. This reduces the Tier 1 and Total Capital ratios when these are calculated according to the RBNZ rules compared to those of APRA and FSA.

Regulatory change (Basel III)

The Basel Committee on Banking Supervision has released a series of consultation papers (Basel III) containing a number of proposals to strengthen the global capital and liquidity framework to improve the banking sector's ability to absorb shocks arising from financial and economic stress.

The consultation papers propose to increase the quality, quantity, consistency and transparency of the capital base, whilst strengthening the risk coverage of the capital framework by:

- Increasing the minimum level of capital, with new minimum capital targets for Core Tier 1 (4.5%), Tier 1 (6.0%) and Total Capital (8.0%) to be phased in between 2013 and 2015;
- Increasing the capital buffers that banks would be required to hold for stress scenarios and to dampen the impact of pro-cyclical elements of the prudential regulations. A capital conservation buffer of 2.5% and a counter-cyclical buffer of 0.0% to 2.5% would be phased in between 2016 and 2019. Failure to maintain the full capital buffers would result in limitations on the amount of current year earnings that could be paid as discretionary bonuses and to Tier 1 and Tier 2 investors as coupons and capital returns;
- Increasing Tier 1 deductions;
- Increasing the focus on Fundamental Tier 1 capital and tightening the regulations for Residual Tier 1 and Tier 2 capital instruments including a proposal that at the time of 'non-viability', these instruments would be written off, with any potential compensation for investors limited to an issuance of ordinary shares. Existing Tier 1 and Tier 2 instruments that do not have these requirements would be phased out between 2013 and 2022. These proposals would be supplemented, by yet to be released details around 'contingent capital' and 'bail in' instruments, which may not initially be prudential capital, but would converted in part or in full into Fundamental Tier 1 capital at predetermined trigger points;
- Supplementing the risk adjusted capital ratio targets with the introduction of a minimum leverage ratio (Tier 1 capital divided by Adjusted Total Assets including off balance sheet exposures) of 3.0% between 2013 and 2018;
- Introducing measures (yet to be released) to address the impact of systemic risk and inter connectedness risk;
- Improving transparency of reporting capital ratio calculations in the financial statements; and
- Increasing the capital requirements for traded market risk, credit risk, and securitization transactions.

The Basel Committee is yet to release details of:

- The methodology for calculating the countercyclical buffer;
- The final requirements for Tier 1 and Tier 2 Capital instruments;
- Contingent and 'bail-in' capital requirements; and
- Any capital overlays for systemically important banks.

The Basel Committee is expected to finalize the majority of the reforms by the end of calendar year 2010, for implementation between 2012 and 2019. Following the release of the final reforms by the Basel Committee, ANZ National expects the RBNZ to engage the New Zealand banking and insurance industry ahead of the development and implementation of revised New Zealand prudential standards. It is not possible to accurately determine the impacts associated with these reforms on ANZ National until the RBNZ's position is finalized.

Risk weighted exposures

Credit Risk

Under Basel II credit risk requirements are more accurately aligned with the individual risk profile of exposures. Under the Internal Ratings Based Approach ("IRB"), banks use their own internal risk measures, subject to certain RBNZ impositions, for calculating the level of credit risk associated with customers and exposures, by way of the primary components of:

Probability of Default ("PD") – as estimation of the level of risk of borrower default graded by way of rating models used both at loan origination and for ongoing monitoring. For retail mortgage exposures only, New Zealand banks have adopted the RBNZ prescribed exposure weighted minimum PD of 1.25%;

Exposure at Default ("EAD") – the expected facility exposure at default; and

Loss Given Default ("LGD") – an estimate of the potential economic loss on a credit exposure, incurred as a result of obligor default and expressed as a percentage of the facility's EAD. For retail mortgage exposures New Zealand banks apply downturn LGDs according to Loan to Value ("LVR") prescribed bands as set out in BS2B. For Rural banking exposures within the Corporate asset class ANZ National has adopted RBNZ prescribed downturn LGDs which are more conservative than internal estimates.

For exposures classified under Specialized Lending, banks use slotting tables prescribed by the RBNZ rather than internal estimates to determine risk weighted exposures.

Under the IRB approach credit exposures (both on and off-balance sheet) are allocated to an asset class (sovereign, bank, corporate, retail mortgage and other retail) depending on borrower type. In addition equity exposures and other assets such as premises and equipment, cash and claims on the RBNZ are separately identified and risk weighted according to the requirements of BS2B.

For a minor number of portfolios the IRB approach is not adopted as, due to systems constraints or other reasons, determining IRB estimates is not currently feasible or appropriate. Risk weights for these exposures are calculated under a standardized methodology set out in the RBNZ document entitled "Capital Adequacy Framework (Standardised Approach)" (BS2A).

Under Basel I, in order to provide a broad indication of the relevant credit risk, all assets were risk weighted according to five categories (0%, 10%, 20%, 50% and 100%). Off-balance sheet transactions were converted to balance sheet equivalents, using a credit conversion factor, before being allocated to a risk weighted category.

Operational Risk

Under Basel II, banks are required to hold capital against operational risks associated with their business. ANZBGL uses the Advanced Measurement Approach for determining its regulatory capital requirement for operational risk in accordance with BS2B. Operational Risk capital is modeled at a New Zealand divisional level and then distributed and adjusted for the business environment and internal controls down to the business units using the Risk Scenario Methodology. The Risk Scenario Methodology is a risk based methodology that ensures that there is sufficient operational risk capital held as a buffer for rare and severe unexpected operational loss events that may impact the New Zealand business. The Methodology applies a combination of expert judgment, business unit risk profiles, audit findings and internal and external loss events to derive a series of business specific Risk Scenarios that are applied to the capital model. The Risk Scenario approach:

- Assesses the level of ANZBGL's exposure to specified drivers of risk;
- Assesses the scope and quality of ANZBGL's internal control environment, key operational processes and risk

mitigants; and

- Directly links these assessments to operational risk capital.

ANZ National's operational risk capital is calculated using the ANZBGL methodology, but with standalone New Zealand inputs to ensure there are no diversification benefits, as required by the RBNZ. The calculation does not incorporate any insurance mitigation impact.

Under Basel I, there was no requirement to hold capital against operational risk.

Market Risk

Under Basel II, banks are required to hold capital against interest rate, foreign currency and equity risks (together "market risk"). Under Basel I, this requirement was a disclosure item only and no capital was required to be held against these risks. ANZ National uses a standardized methodology for the calculation of market risk as prescribed by the RBNZ's BS2A/BS2B Capital Adequacy Framework.

Pillar II

Under the Basel II framework, and in accordance with the RBNZ's Conditions of Registration, ANZ National is also required to maintain an internal economic capital allocation for other material risks not covered by regulatory capital requirements. The measurement and management of any other material risks is covered in ANZ National's Economic Capital model which is used within its ICAAP. Economic capital is assessed as the unexpected loss measured to a 99.97% confidence level, which is consistent with ANZ National's risk appetite of maintaining its AA rating. The internal capital allocation for ANZ National's other material risks as at September 30, 2010 was \$120 million, comprising premises and equipment risk and capitalized origination fees risk. Other material risks outside of credit, operational and market risks that ANZ National measures and manages are generally already deducted from Tier 1 capital.

Regulatory Capital

For regulatory purposes, capital comprises two elements, eligible Tier 1 capital (Tier 1 capital, net of any deductions) and Tier 2 capital. Further deductions may be made from total capital. The resultant amount of capital forms the capital base. Eligible Tier 1 capital must constitute at least 50% of the capital base. Tier 1 capital includes fully paid ordinary capital, fully paid non-cumulative irredeemable preference shares, reserves (other than asset revaluation reserves), retained profits less deductions including goodwill, other intangible assets, defined benefit schemes surpluses (net of tax), cash flow hedging reserves and credit enhancements (including equity investments) to affiliated insurance groups. In addition, where recognized future income tax benefits are greater than deferred income tax liabilities, the net future income tax benefit is deducted from Tier 1 capital. Tier 2 capital includes asset revaluation reserves, certain hybrid debt/equity instruments, and certain subordinated long-term debt. Under Basel II, additional deductions from Tier 1 and Tier 2 capital are now required where expected loss (using RBNZ credit risk assumptions) exceeds the total eligible allowances for impairment. This deduction is made equally from Tier 1 and Tier 2 capital. Conversely, an addition to Tier 2 capital can be made where the expected loss is less than the total eligible allowances.

As the measure of capital adequacy, New Zealand banks are required to maintain a minimum ratio of capital base to total risk weighted assets of 8%, of which a minimum of 4% must be held in Tier 1 capital. The numerator of the ratio is the capital base. The denominator of the ratio is the total risk weighted asset exposure.

Under the guidelines issued by the RBNZ, where life insurance activities exceed 1% of total consolidated assets of the registered bank they are excluded from the calculation of risk weighted assets, and the related controlled entities are deconsolidated for the purposes of calculation of capital adequacy. The same applies to general insurance activities. Investments by the bank in non-consolidated controlled entities are deducted from the capital base. The intangible component of the investment in controlled entities (i.e., the difference between the book value of the investment and net tangible assets) is deducted from Tier 1 capital.

Risk Weighted Assets

	Exposure at default \$m	Risk weighted exposure or implied risk weighted exposure ² \$m	Total capital requirement \$m
Total required capital of the ANZ National Banking Group as at September 30, 2010 (Unaudited)			
Internal ratings based approach	119,767	49,522	3,963
Specialized lending subject to the slotting approach.....	6,647	6,429	515
Exposures subject to standardized approach.....	444	375	31
Equity exposures.....	224	950	76
Other exposures	2,685	907	73
Total credit risk.....	129,767	58,183	4,658
Operational risk	n/a	5,178	414
Market risk.....	n/a	3,900	312
Supervisory adjustment ⁽¹⁾	n/a	1,518	121
Total capital requirement	129,767	68,779	5,505

- (1) The supervisory adjustment includes an adjustment of 15% of risk-weighted retail mortgages and an adjustment, if required, in order to maintain the Basel II Minimum Capital Requirements at no less than 90% of the Basel I Minimum Capital Requirements, in accordance with the ANZ National's Conditions of Registration. No adjustment was required to maintain the Basel II Minimum Capital Requirements at no less than 90% of the Basel I Minimum Capital Requirements at September 30, 2010.
- (2) Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank's Conditions of Registration.

Capital Ratios

	As at September 30,		
	2010 Basel II	2009 Basel II	2008 Basel I
	(%)		
Tier 1	9.68	9.03	8.13
Tier 2	3.43	3.64	3.59
Deductions	-	-	-
Total Capital ⁽¹⁾	13.11	12.67	11.72

- (1) Total capital base as a percentage of risk weighted assets.

Risk management policies

We recognize the importance of effective risk management to our business success. We are committed to achieving strong control and a distinctive risk management capability that enables ANZ National's business units to meet their performance objectives.

We approach risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk management function is independent of the business with clear delegations from the Board and operates within a comprehensive framework comprising:

- The Board, providing leadership, setting risk appetite/strategy and monitoring progress;

- A strong framework for development and maintenance of ANZ National’s risk management policies, procedures and systems, overseen by an independent team of risk professionals;
- The use of risk tools, applications and processes to execute the global risk management strategy across ANZ National;
- Business Unit level accountability, as the “first line of defense”, and for the management of risks in alignment with our strategy; and
- Independent oversight to ensure Business Unit level compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

We manage risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports, including the effectiveness of the risk management systems, discussions covering our response to emerging risk issues and trends, and that the requisite culture and practices are in place across ANZ National, are conducted within ANZ National and also by ANZBGL. The Board has responsibility for reviewing all aspects of risk management.

The Board has ultimate responsibility for overseeing the effective deployment of risk management frameworks, policies and processes within New Zealand. Our Risk Committee, which is a sub-committee of the Board, assists with this function. The role of the Committee is to assist the Board in the effective discharge of its responsibilities for business, market, credit, capital, financial, operational, compliance, liquidity, product and reputational risk management, and to liaise and consult with the ANZBGL Risk Committee as required. We have an independent risk management function, which, via the Chief Risk Officer, coordinates risk management directly between Business Unit risk functions and ANZBGL Risk Management functions.

The risk management process is subject to oversight by the Risk Committee of the ANZBGL Board. This includes the review of risk portfolios and the establishment of prudential policies and controls.

Our risk management policies are essentially the same as ANZBGL but are tailored where required to suit the local New Zealand regulatory and business environment.

The Audit Committee, which is a sub-committee of the Board, has responsibility for reviewing all aspects of published financial statements and internal and external audit processes. The Committee has a quorum of two directors, both of whom must be non-executive directors. It meets at least four times a year, and reports directly to the Board.

Credit Risk

We have an overall lending objective of sound growth for appropriate returns. The credit risk management framework exists to provide a structured and disciplined process to support this objective.

This framework is top down, being defined firstly by our Vision and Values and secondly, by Credit Principles and Policies. We also maintain a bank-wide risk appetite framework and business writing strategies for each of our major business units which give practical effect to the credit and risk appetite frameworks. These papers are reviewed by the appropriate management committees and the Board. The effectiveness of the credit risk management framework is validated through compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organization and staff.

Risk Management’s responsibilities for credit risk policy and management are executed through dedicated departments, which support our business units. All major Business Unit credit decisions require approval from both business writers and independent risk personnel.

Credit risk includes concentrations of credit risk, intra day credit risk, credit risk to bank counterparties and related party credit risk, and is the potential loss arising from the non-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off-balance sheet instruments. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit risk policy and management is executed through the Chief Risk Officer who has various dedicated areas within the Risk Management division. Wholesale Risk services ANZ National’s commercial, investment banking and rural lending activities through dedicated teams.

Retail Distribution and Banking Operations service ANZ National's small business and consumer customers with monitoring undertaken by Retail Risk. The Portfolio Reporting team within Risk Management provides an independent overview of credit risk across ANZ National at a portfolio level. We allow discretion for transaction approvals at the business unit level in both the retail and wholesale lending sectors, with transactions beyond these discretion levels approved by Retail Risk and Wholesale Risk.

Market Risk

We have a structured market risk management and control framework, to support trading and non-trading activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading and non-trading books. This approach, along with related analysis, identifies the range of possible outcomes that can be expected over a given period of time, and establishes the relative likelihood of those outcomes.

Traded market risk is the risk of loss from changes in value of financial instruments due to movements in price factors for both physical and derivative trading positions. These risks are monitored daily against a comprehensive limit framework that includes Value at Risk ("VaR"), aggregate market position and sensitivity, product and geographic thresholds. The principal risk components of this monitoring process are:

- **Currency risk** is the potential loss arising from the decline in the value of a financial instrument, due to changes in foreign exchange rates or their implied volatilities.
- **Interest rate risk** is the potential loss arising from the change in the value of a financial instrument, due to changes in market interest rates or their implied volatilities.
- **Credit Spread risk** is the potential loss arising from a decline in value of an instrument due to a deterioration in the creditworthiness of the issuer of the instrument.

VaR Methodology: All the above risks are measured using a VaR methodology. The VaR methodology is a statistical estimate of the maximum daily decrease in market value with a 97.5% confidence. Conversely, there is a 2.5% probability of the decrease in market value exceeding the VaR estimate on any given day. We have adopted the historical simulation methodology as the standard for the calculation of VaR. This methodology is based on assessing the change in value of portfolios each day against historical prices.

Within overall strategies and policies, control of market risk exposures at ANZ National level is the responsibility of Market Risk, who work closely with the Markets and Treasury business units.

The Traded Market risk function provides specific oversight of each of the main trading areas and is responsible for the establishment of a VaR framework and detailed control limits. In all trading areas we have implemented models that calculate VaR exposures, monitor risk exposures against defined limits on a daily basis, and "stress test" trading portfolios. The Asset and Liability Committee ("ALCO"), comprising executive management, provides monthly oversight of Market Risk.

The Chief Risk Officer is responsible for daily review and oversight of Traded market risk reports. The Chief Risk Officer has the authority for instructing the business to close exposures and withdraw limits where appropriate.

Balance Sheet Risk Management embraces the management of non-traded interest rate risk, liquidity and the risk to capital and earnings as a result of exchange rate movements. A specialist balance sheet management unit manages these, and is overseen by Risk Management and our Asset and Liability Committee.

- **Interest rate risk** management's objective is to produce strong and stable net interest income over time. We use simulation models to quantify the potential impact of interest rate changes on earnings and the market value of the balance sheet. Interest rate risk management focuses on two principal sources of risk: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Non-traded interest rate risk is managed to both value and earnings at risk limits.
- **Currency risk** relates to the potential loss arising from the decline in the value of foreign currency positions due to

changes in foreign exchange rates. For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions is actively managed. The total amounts of unmatched foreign currency assets and liabilities and consequent foreign currency exposures, arising from each class of financial asset and liability, whether recognized or unrecognized, within each currency are not material.

- **Liquidity risk** is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. We maintain sufficient liquid funds to meet commitments based on historical and forecasted cash flow requirements. Liquidity risk is measured through cash flow modeling, with profiles produced for both normal business and short-term crisis conditions. The RBNZ has introduced a new Liquidity Policy (BS13 and BS13A) covering the management of liquidity risk by registered banks in New Zealand which took effect from March 30, 2010. A description of these requirements is covered under “Regulation and Supervision — Conditions of Registration”.
- **Equity risk** is the potential loss arising from the decline in the value of equity instruments held by us due to changes in their equity market prices or implied volatilities.
- **Prepayment risk** is the potential risk to earnings or market value from when a customer prepays all or part of a fixed rate mortgage and where any customer fee charged is not sufficient to offset the loss in value to the ANZ National Group of this financial asset due to movements in interest rates and other pricing factors. As far as possible the true economic cost is passed through to customers in line with their terms and conditions and relevant legislation.
- **Basis risk** is the potential risk to earnings or market value from differences between customer pricing and wholesale market pricing. This is managed through active review of product margins.

Operational Risk

Operational risk is the risk arising from day to day operational activities which may result in direct or indirect loss. These losses may result from failure to comply with policies, procedures, laws and regulations, from fraud or forgery, from a breakdown in the availability or integrity of services, systems and information, or damage to the Bank’s reputation.

Examples include failure to comply with policy and legislation, human error, natural disasters, fraud and other malicious acts. Where appropriate, risks are mitigated by insurance.

Risk Management is responsible for establishing our operational risk framework and associated Banking Group-level policies. Business Units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

Business Units have primary responsibility for the identification and management of operational risk with executive oversight provided by the relevant Retail and Wholesale Risk Committees. ANZ National’s Operational Risk Executive Committee (“OREC”) undertakes the governance function through the monthly monitoring of operational risk performance across the Banking Group. The Board and Risk Management conduct effective oversight through the approval of operational risk policies and frameworks and monitoring key operational risk metrics.

Compliance

We conduct our business in accordance with all relevant compliance requirements in each point of representation. In order to assist us to identify, manage, monitor and measure our compliance obligations, we have a comprehensive regulatory compliance framework in place, which addresses both external (regulatory) and internal compliance.

Risk Management, in conjunction with business unit staff, ensures we operate within a compliance infrastructure and framework that incorporates new and changing business obligations and processes.

The compliance policies and their supporting framework seek to minimize material risks to our reputation and value that could arise from non-compliance with laws, regulations, industry codes and internal standards and policies. Business units have primary responsibility for the identification and management of compliance. Our Risk Management division provides policy

and framework, monitoring and reporting, as well as leadership in areas such as anti-money laundering procedures and matters of prudential compliance. OREC, the Chief Risk Officer, the ANZ National Board and the Risk Committee of the ANZBGL Board conduct Board and Executive oversight.

Internal Audit

Our internal audit function conducts independent reviews that assist the Board of Directors and management to meet their statutory and other obligations.

Internal Audit reports directly to the Chairman of the ANZ National Audit Committee and through to the Group General Manager Internal Audit ANZBGL. Under its Charter, Internal Audit conducts independent appraisals of:

- The continued operation and effectiveness of the internal controls in place to safeguard and monitor all material risks to ANZ National;
- Compliance with Board policies and management directives;
- Compliance with the requirements of supervisory regulatory authorities;
- The economic and efficient management of resources; and
- The effectiveness of operations undertaken by ANZ National.

In planning the audit activities, Internal Audit adopts a risk-based approach that directs and concentrates resources to those areas of greatest significance, strategic concern and risk to the business. This encompasses reviews of major credit, market, technology and operating risks within the ANZ National Group. Significant findings are reported quarterly to the Audit Committee.

The Internal Audit Plan is approved by our Audit Committee and endorsed by the ANZBGL Audit Committee.

All issues and recommendations reported to management are tracked and monitored internally to ensure completion and agreed actions are undertaken where appropriate.

Additional Financial and Statistical Information

Set out below is additional financial and statistical information for our business for the periods indicated.

Assets and liabilities

The following table sets forth the assets and liabilities of our business as at the dates indicated:

(in NZ\$ millions)	As at September 30,		
	2010	2009	2008
Assets			
Liquid assets	2,238	2,762	4,838
Due from other financial institutions	3,496	4,514	5,032
Trading securities	6,757	4,166	2,624
Derivative financial instruments	10,367	11,408	7,533
Available-for-sale assets	2,210	1,513	109
Net loans and advances	85,913	88,259	97,679
Investments relating to insurance business	28	-	-
Insurance policy assets	138	-	-
Due from immediate parent company	6	-	-
Shares in associates and jointly controlled entities	144	464	363
Current tax assets	25	65	57
Other assets	965	1,137	1,000
Deferred tax assets	312	-	121
Premises and equipment	311	278	242
Goodwill and other intangible assets	3,548	3,325	3,317
Total assets	116,458	117,891	122,915
Liabilities			
Due to other financial institutions	1,819	3,725	3,312
Deposits and other borrowings	70,295	71,764	77,136
Derivative financial instruments	10,715	10,762	6,710
Payables and other liabilities	1,700	1,809	1,841
Deferred tax liabilities	-	17	-
Provisions	315	283	190
Bonds and notes	18,761	15,917	20,695
Due to parent company	-	930	404
Loan capital	2,407	2,596	2,820
Total liabilities	106,012	107,803	113,108
Net assets	10,446	10,088	9,807

Credit risk concentration

The following table sets forth total lending risk by industry, including impaired assets, specific provisions and write-offs, as at September 30, 2010:

As at September 30, 2010

(NZ\$ millions)	Total Lending	Impaired Assets	Specific Provision	Write-offs	Recoveries	Net Write-off
Agriculture, Forestry, Fishing & Mining	19,012	720	88	28	-	28
Business & Property Services	8,354	377	111	34	-	34
Construction	999	35	14	16	-	16
Entertainment, Leisure & Tourism	1,099	50	23	7	-	7
Financial & Insurance	1,793	55	33	2	-	2
Government & Local Authority	1,425	-	-	-	-	-
Manufacturing	3,093	108	61	12	-	12
Retail Trade	1,438	34	22	7	-	7
Wholesale Trade	1,218	53	15	2	-	2
Transport & Storage	1,791	19	6	3	-	3
Personal	45,535	532	220	158	(21)	137
Other	1,554	21	12	3	-	3
Total lending	87,311	2,004	605	272	(21)	251

Mortgagee Sales

Under New Zealand property law, holders of registered mortgages are able exercise their right of power of sale when the customer has breached the terms of their loan or mortgage. Before any mortgagee sale can be initiated, a notice under the Property Law Act 2007 (“PLA Notice”) must be issued. The PLA Notice is the formal legal notice of default and advises the customer that unless ANZ National is repaid in full by a set date then ANZ National may exercise its right of power of sale.

The table below shows the actual PLA Notices issued and mortgagee sales concluded in 2009 and 2010.

	Jan 2009	Feb 2009	Mar 2009	Apr 2009	May 2009	June 2009	July 2009	Aug 2009	Sept 2009	Oct 2009	Nov 2009	Dec 2009
PLA Issued	124	90	151	117	95	105	125	67	39	108	76	20
Mortgage sale concluded	10	11	16	32	21	30	47	37	17	17	19	23

	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	June 2010	July 2010	Aug 2010	Sept 2010
PLA Issued	71	57	78	81	112	126	109	111	94
Mortgage sale concluded	16	12	19	10	25	15	19	26	28

Interest rate exposures

The interest rate sensitivity analysis of on-balance sheet financial assets and liabilities has been prepared on the basis of contractual maturity or next repricing date, whichever is the earlier, except where the contractual terms are not considered to be reflective of interest rate sensitivity, for example, those assets and liabilities priced at the ANZ National Group’s discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Interest rate exposure is monitored by an independent function to ensure that aggregate risk is managed within Board determined policy. The policy ensures that we are not exposed to unpalatable variations in economic value and net interest income due to interest rates. Simulation modeling and net gap analysis are undertaken, taking into account the projected change in asset and liability levels and mix. The aggregate interest rate exposure of the balance sheet, including net interest income at risk over the next two years, and the present value sensitivity of the net gap, are reviewed on a monthly basis, under various interest rate scenarios.

Our repricing “gap position” as at September 30, 2010 is shown in the following table:

(NZ\$ millions)	As at September 30, 2010						
	Balance Sheet Total	0 to 3 Months	4 to 6 Months	7 to 12 Months	1 to 5 Years	Over 5 Years	Non-Interest Bearing
Financial assets							
Liquid assets	2,238	2,079	-	-	-	-	159
Due from other financial institutions	3,496	1,932	-	-	-	-	1,564
Trading securities	6,757	836	26	133	5,618	144	-
Derivative financial instruments	10,367	-	-	-	-	-	10,367
Available-for-sale assets	2,210	762	1,061	246	33	30	78
Net loans and advances	85,913	56,780	4,694	8,654	15,164	24	597
Other financial assets	882	34	-	-	-	-	848
Total financial assets	111,863	62,423	5,781	9,033	20,815	198	13,613
Non-financial assets	4,595	-	-	-	-	-	4,595
Total assets	116,548	62,423	5,781	9,033	20,815	198	18,208
Financial liabilities							
Due to other financial institutions	1,819	1,762	-	-	25	-	32
Deposits and short-term borrowings	70,295	43,696	13,223	6,414	1,998	-	4,964
Derivative financial instruments	10,715	-	-	-	-	-	10,715
Payables and other liabilities	1,282	97	-	-	-	-	1,185
Bonds and notes	18,761	7,982	150	457	10,172	-	-
Loan capital	2,407	-	630	350	1,427	-	-
Total financial liabilities	105,279	53,537	14,003	7,221	13,622	-	16,896
Non-financial liabilities	733	-	-	-	-	-	733
Equity	10,446	-	-	-	-	-	10,446
Total liabilities and equity	116,458	53,537	14,003	7,221	13,622	-	28,075
On-balance sheet net mismatch	-	8,886	(8,222)	1,812	7,193	198	(9,867)
Unrecognized financial instruments	-	5,222	(2,208)	(992)	(1,873)	(149)	-
Net mismatch	-	14,108	(10,430)	820	5,320	(49)	(9,867)
Cumulative mismatch	-	14,108	3,678	4,498	9,818	9,867	-

General banking statistics

The following table provides ratio information relating to our business:

(% , except as indicated)	As at September 30,				
	2010	2009	2008	2007	2006
					NZ IFRS
Cost to income ratio ⁽¹⁾	49.48	47.40	42.31	42.78	45.14
Cost to average total banking assets ratio ⁽²⁾	1.34	1.23	1.27	1.30	1.43
Capital adequacy ratio ⁽³⁾	13.11	12.67	11.72	10.08	10.14
Risk-weighted exposures (NZ\$ millions) ⁽⁴⁾	68,779	71,401	80,717	71,311	64,383
Return on average risk-weighted exposures ⁽⁵⁾	1.18	0.40	1.53	1.73	1.75
Net interest margin ⁽⁶⁾⁽¹⁰⁾	2.43	2.34	2.20	2.40	2.51
Net interest spread ⁽⁷⁾⁽¹⁰⁾	2.00	1.88	1.45	1.66	1.76
Non-interest income as a percentage of assets ⁽⁸⁾⁽¹⁰⁾	0.63	0.55	0.99	0.84	0.87
Non-interest income as a percentage of total income ⁽⁹⁾⁽¹⁰⁾	23.52	21.28	32.93	27.68	27.36

(1) Operating expenses of the banking business divided by total income from ordinary banking activities.

(2) Operating expenses of the banking business divided by average total banking assets as shown in the average banking assets and liabilities statement.

(3) Capital base divided by total assessed risk, as defined by the RBNZ.

(4) For September 30, 2008 and subsequent periods, information is calculated under the Basel II framework. Comparatives for 2006 and 2007 are calculated under Basel I framework.

- (5) Banking operating profit after tax divided by average risk weighted exposures. Averages are based on quarterly balances. The ratio is annualized. The risk weighted exposures for the fiscal year 2007 quarters were calculated using the Basel I framework. For the quarter ended December 31, 2007 risk weighted exposures have been recalculated under the Basel I framework. For the other 2008 quarters onwards the Basel II framework has been applied.
- (6) Net interest income divided by average interest earning assets.
- (7) The difference between the average interest rate on average interest earning assets and the average interest rate on average interest bearing liabilities.
- (8) Total income from ordinary banking activities less net interest income divided by average banking assets.
- (9) Total income from ordinary banking activities less net interest income divided by total income from ordinary banking activities.
- (10) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was reclassified as interest income to more accurately reflect the nature of the income. Comparative data for the year ended September 30, 2009 has been restated accordingly. For the year ended September 30, 2009, this reclassification increased net interest margin from 2.20% to 2.34%, increased net interest spread from 1.63% to 1.88%, reduced non-interest income as a percentage of assets from 0.63% to 0.55% and reduced non-interest income as a percentage of total income from 24.45% to 21.28%. As a result of this reclassification, net interest margin, net interest spread, non-interest income as a percentage of assets and non-interest income as a percentage of total income for 2008, 2007 and 2006 are not comparable to those items for 2010 and 2009. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical accounting policies” in this Offering Memorandum.

Loans and advances by category

Our portfolio by category of loans and advances is set forth in the following table. The statistics reflect our gross loan advances including provisions and net of unearned income.

(NZ\$ millions)	As at September 30,		
	2010	2009	2008
Overdrafts	2,131	2,087	2,140
Credit card outstandings.....	1,388	1,402	1,434
Term Loans - Housing	43,887	44,763	53,350
Term Loans – Non Housing.....	39,179	40,231	40,583
Finance Lease receivables	726	683	777
Total lending	87,311	89,166	98,284
Provision for impairment	(1,398)	(1,272)	(666)
Unearned finance income	(273)	(262)	(346)
Fair value hedge adjustment.....	279	615	353
Deferred fee revenue and expenses	(49)	(51)	(55)
Capitalized brokerage/mortgage origination fees	43	63	109
Total net loans and advances.....	85,913	88,259	97,679

Performance statistics

The following table sets forth our average interest earning assets, net interest income, gross earnings rate, net interest spread and net interest margin for the periods indicated:

(NZ\$ millions, except as indicated)	As at September 30,		
	2010	2009	2008
Average interest earning assets.....	99,578	104,976	103,658
Net interest income ⁽⁴⁾	2,419	2,453	2,289
Gross earnings rate% ⁽¹⁾⁽⁴⁾	5.90	7.00	9.51
Net interest spread% ⁽²⁾⁽⁴⁾	2.00	1.88	1.45
Net interest margin% ⁽³⁾⁽⁴⁾	2.43	2.34	2.20

- (1) Average interest rate received on interest earning assets.
- (2) Average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities.

- (3) Net interest income as a percentage of average interest earning assets.
- (4) In years prior to the year ended September 30, 2010, some fee income integral to the effective interest rate of financial assets was presented in other operating income. For the year ended September 30, 2010, this income was reclassified as interest income to more accurately reflect the nature of the income. Comparative data for the year ended September 30, 2009 has been restated accordingly. For the year ended September 30, 2009, this reclassification increased net interest income \$99 million from \$2,354 million to \$2,453 million, increased the gross earnings rate from 6.78% to 7.00%, increased the net interest spread from 1.63% to 1.88% and increased the net interest margin from 2.20% to 2.34%. As a result of this reclassification, net interest income, gross earnings rate, net interest spread and net interest margin for 2008 are not comparable to those items for 2010 and 2009. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical accounting policies” in this Offering Memorandum.

On-balance sheet and off-balance sheet exposures subject to internal ratings based approach.

The following table sets forth our on-balance sheet and off-balance sheet exposures under the internal ratings based approach:

As at September 30, 2010						
	Total exposure or principal amount	Exposure at default	Exposure-weighted LGD used for the capital calculation	Exposure-weighted risk weight	Risk weighted exposure ⁽¹⁾	Total capital requirement
On-balance sheet exposures	NZ\$ millions	NZ\$ millions	%	%	NZ\$ millions	NZ\$ millions
Corporate	35,287	35,287	36	66	24,644	1,972
Sovereign	7,948	7,948	5	1	70	6
Bank	5,055	3,322	60	15	511	41
Retail mortgages	40,963	40,963	20	22	9,613	769
Other retail	4,344	4,344	61	80	3,703	296
Total on-balance sheet exposures	93,597	91,864	28	40	38,541	3,084
Off-balance sheet exposures						
Corporate	12,010	10,209	48	47	5,114	409
Sovereign	56	56	5	-	-	-
Bank	702	606	50	17	108	9
Retail mortgages	5,252	4,891	20	21	1,114	89
Other retail	4,568	4,599	75	50	2,434	195
Total off-balance sheet exposures	22,588	20,361	47	41	8,770	702
Marketed related contracts						
Corporate	58,616	1,838	56	53	1,035	83
Sovereign	9,000	492	5	1	5	-
Bank	591,156	5,212	65	21	1,171	94
Total market related contracts	658,772	7,542	59	28	2,211	177
Total credit risk exposures subject to the internal ratings based approach	774,957	119,767	33	39	49,522	3,963

- (1) Total credit risk-weighted exposures include a scalar of 1.06 in accordance with the Bank’s Conditions of Registration.

Impaired assets

The following table sets forth details of our impaired assets for the periods indicated:

(NZ\$ millions, except as indicated)	2010	As at September 30,			
		2009	2008	2007	2006
		NZ IFRS			
Gross balances of impaired assets					
with individual provisions set aside.....	1,987	1,173	304	107	144
without individual provisions set aside.....	17	5	23	8	7
Gross impaired assets	2,004	1,178	327	115	151
Individual provision for credit impairment.....	605	474	132	44	58
Net impaired assets	1,399	704	195	71	93
Details of size of gross impaired assets					
Less than one million.....	600	558	186	41	45
Greater than one million but less than ten million	540	293	87	21	15
Greater than ten million	864	327	54	53	91
	2,004	1,178	327	115	151
Past due loans not shown as impaired assets					
Impaired assets do not include loans accruing interest which are in arrears 90 days or more where the loans are well secured. Interest revenue continues to be recognized in the balance sheet. The value of past due loans	292	435	309	102	86
Interest income forgone on impaired assets					
Net interest charged but not recognized as revenue in the income statement during the year	60	60	18	8	8
Interest income on impaired assets recognized in the income statement					
Net interest charged and recognized as revenue in the income statement during the year	59	8	6	4	7
Analysis of movements in impaired assets					
Balance at the beginning of the year.....	1,178	327	115	151	213
Recognition of new impaired assets and increases in previously recognized impaired assets	2,081	1,703	453	169	190
Impaired assets written off during the year.....	(272)	(278)	(113)	(84)	(77)
Impaired assets which have been realized or restated as performing assets and impaired assets where the value of the security held has been realized.....	(983)	(574)	(128)	(121)	(175)
Balance at the end of the year	2,004	1,178	327	115	151
Gross impaired assets as a percentage of gross loans and advances (%).....	2.28	1.32	0.33	0.13	0.19
Gross Impaired Assets & 90 Days past due as a percentage of gross loans and advances (%)	2.62	1.81	0.65	0.24	0.30

Non-Performing Loans

The Retail portfolios are showing general signs of improvement with delinquency trends showing a steady reduction over 2010. Retail product delinquencies peaked in mid 2009 and delinquency levels are now largely back at the levels prevailing in early 2008 before the domestic recession took effect. Despite recent improvements, Retail impaired loans remain at elevated levels as we work through debt repayment options with customers and seek evidence of a sustained improvement in servicing before loans are returned to a productive status.

The commercial portfolio remains under some stress as the weak economic recovery maintains pressure on the business sector. Consumers continue to de-leverage so that sales volumes and turnover levels have yet to recover across most industries. Commercial property values remain subdued as vacancy levels rise, particularly for the lower quality properties. While the rural sector has generally benefited from improved commodity prices over 2010, farmers remain cautious over the outlook and are maintaining a focus on debt reduction. As is the case for commercial property, farm sales remain at very low levels with prices below the peak levels of 2007 and 2008.

Impaired loans have risen by 70% over the year from \$1,178 million at September 30, 2009 to \$2,004 million at September 30, 2010. That increase was experienced across all business sectors. A small number of large customer exposures were downgraded to an impaired status during 2010 but these exposures were often well secured against farm or property assets so that the accompanying provisions were relatively small. Provision coverage ratios reflect the highly secured nature of most of our asset portfolios. In relation to these impaired exposures we have maintained a strategy of working with customers to return them to a productive status or to achieve maximum recoveries for us and the customer. Given subdued sales volumes across most asset markets, this strategy can involve extended work-outs for some customers but is achieving good levels of assets realised or repaid, or provisions recovered. Bad debts written-off reduced by \$6 million from the \$278 million written-off in 2009.

The total provision charge reduced by almost 50% from \$874 million at September 30, 2009 to \$436 million at September 30, 2010. The individual provision charge fell by 27.7% from \$610 million to \$441 million over the year recognising the more highly secured nature of the exposures becoming impaired while the collective provision charge involved a release of \$5 million compared to the \$264 million charged to collective provisions in 2009. That turnaround in the collective provision reflected the underlying improvement in the Retail portfolio quality, a stabilising Wholesale credit portfolio quality, as well as a release of some of the management overlays added in 2008 and 2009 as portfolios deteriorated.

Provision for credit impairment

The following table sets forth details of our provisions for impaired assets for the periods indicated:

ANZ National's lending portfolio is largely secured against residential property, rural land, commercial property and other business assets. 68% of gross lending assets are fully secured while approximately 15% of total assets are unsecured. The balance of ANZ National's lending assets have a range of security coverage ratios.

Reflecting that collateral backing, approximately 70% of ANZ National's impaired assets are covered by collateral security generally comprising real estate assets. While provision charges and impaired asset totals have grown over the two years to September 30, 2010 ANZ National's write-off ratios have grown at much lower rate. ANZ National adopts loan recovery processes that aim to maximize the realizable value of these securities in order to reduce write-offs and increase the recoveries achievable for ANZ National and its customers. Individual recovery strategies are reviewed regularly to ensure they remain appropriate for the current and forecast business environment and the respective property markets.

(NZ\$ millions, except as indicated)	2010	As at September 30,			
		2009	2008	2007	2006
Collective Provision					
Balance at the beginning of the year	798	534	422	402	568
Adjustment on adoption of NZ IAS 39	-	-	-	-	(154)
Transfer to held for sale assets	-	-	-	-	(2)
Charge (credit) to income statement.....	(5)	264	112	20	(10)
Transfer to individual provision.....	-	-	-	-	-
Recoveries	-	-	-	-	-
	793	798	534	422	402
Individual Provision					
Balance at the beginning of the year	474	132	44	58	98
Adjustment on adoption of NZ IAS 39	-	-	-	-	(6)
Transfer to held for sale assets	-	-	-	-	(1)
Charge to income statement.....	441	610	190	54	29
Recoveries.....	21	20	17	20	22
Bad debts written off.....	(272)	(278)	(113)	(84)	(77)
Discount unwind	(59)	(10)	(6)	(4)	(7)
Transfer from collective provision	-	-	-	-	-
Balance at the end of the year	605	474	132	44	58
Total provision for credit impairment	1,398	1,272	666	466	460
The provisions for impairment expressed as a percentage of gross impaired assets less interest reserved are:					
Individual provisions	30.19%	40.24%	40.37%	38.26%	38.41%
Total provisions	69.76%	108%	203.67%	405.22%	304.64%

Collective provision for impairment expressed as a percentage of credit risk-weighted exposures	1.36%	1.32%	0.71%	0.59%	0.62%
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Maturity distribution of borrowings

As at September 30, 2010, maturities of our total borrowings were as follows:

(NZ\$ millions)	As at September 30, 2010			Total
	Extend 1 Year or less	After 1 Year through 5 Years	After 5 Years through 10 Years	
NZ\$ Subordinated Notes	-	-	1,777	1,777
A\$ Subordinated Notes.....	-	-	630	630
Euro Floating Rate Notes.....	-	-	-	-
NZ\$ Fixed Rate Notes	200	1,085	-	1,285
NZ\$ Floating Rate Notes	732	140	-	872
HK\$ Fixed Rate Notes.....	-	53	-	53
HK\$ Floating Rate Notes.....	-	80	-	80
US\$ Floating Rate Notes	1,181	2,387	-	3,568
US\$ Fixed Rate Notes	1,616	7,813	-	9,429
JPY Floating Rate Notes.....	-	257	-	257
JPY Fixed Rate Notes	-	117	-	117
GBP Floating Rate Notes.....	-	2,130	-	2,130
US\$ Commercial Paper	7,117	-	-	7,117
Other Euro Commercial Paper.....	190	-	-	190
Registered Certificates of Deposit	3,245	-	-	3,245
Other Bonds and Notes.....	-	970	-	970
Other Borrowings	-	-	-	-
Gross Wholesale Borrowings	14,281	15,032	2,407	31,720

Loan quality

We maintain a systematic, continuous approach to the collection of loan arrears, and we issue notices of arrears or defaults in terms detailed in policies and procedures. For purposes of loan quality, we distinguish between commercial loans and other (including residential mortgage) loans. We generally classify commercial loans and housing loans as either performing, impaired or, in some cases, restructured assets.

We monitor consumer loan quality by independently verifying arrears and producing and distributing detailed credit performance reports to management. In addition, we closely examine the trends on arrears of various products within the portfolio to ensure measures are taken to correct and control any adverse trends that may be identified. We manage commercial loans through a watch and control list process pursuant to detailed policies and procedures. Secured impaired assets and larger

unsecured impaired assets are managed individually and are subject to continuous review of recovery strategy and the adequacy of provisioning levels.

Impaired assets are credit exposures where there is doubt as to whether the full contractual amount (including interest) will be received, and/or where a material credit obligation is 90 days past due but not well secured, or is a portfolio managed facility that can be held for up to 180 days past due, or where concessional terms have been provided due to the financial difficulties of the customer.

Prior to September 30, 2005, cash receipts on past due loans are, in the absence of a contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where the cash receipt relates to proceeds from the sale of security. From October 1, 2005, cash receipts on past due loans are initially applied as a reduction in principal in all cases.

Our individual provisioning policy varies depending on the category of lending provided. We raise an individual provision on non-accrual loans based on expected security realization values less selling costs.

Non-accrual loans

The following table sets forth our impaired assets and details of individual provisions for credit impairment for the dates indicated:

(NZ\$ millions, except as indicated)	2010	As at September 30,			
		2009	2008	2007	2006
Gross impaired assets with individual provisions set aside.....	1,987	1,173	304	107	144
Gross impaired assets without individual provisions set aside	17	5	23	8	7
Gross impaired assets	2,004	1,178	327	115	151
Individual provision for impairment.....	605	474	132	44	58
Net impaired assets	1,399	704	195	71	93
Net impaired assets as a percentage of gross loans and advances (%)	1.60	0.79	0.20	0.08	0.12

Past due loans

The following table shows the net amount of our past due loans, which are loans where repayment of the facility was contractually 90 days or more in arrears for the dates indicated. Interest on these past due loans is accrued and brought to account in the income statement.

(NZ\$ millions, except as indicated)	2010	As at September 30,			
		2009	2008	2007	2006
NZ Residential	292	435	309	102	86
Non NZ residential.....	-	-	-	-	-
Gross loans past due not subject to individual provision ⁽¹⁾	292	435	309	102	86
Gross impaired assets	2,004	1,178	327	115	151
Total	2,296	1,613	636	217	237

- (1) Despite the arrears of such loans, an assessment of the value of the security, including mortgage insurance in the case of residential loans, indicates that principal and interest should be recovered in full.

Provision for credit impairment

The tables set forth below provide details of our provision for credit impairment on our loan portfolio and other assets for the periods indicated:

(NZ\$ millions, except as indicated)	2010	Year ended September 30,			
		2009	2008	2007	2006
Balance at start of period.....	1,272	666	466	460	666
Adjustment on adoption of NZ IAS 39	-	-	-	-	(160)
Transfer to held for sale assets	-	-	-	-	(3)
Net increase in provisions (see (i) below)	436	874	302	74	19
Bad debts recovered	21	20	17	20	22
Reversal of individual provisions as a result of bad debt write-offs (see (ii) below)	(272)	(278)	(113)	(84)	(77)
Discount unwind	(59)	(10)	(6)	(4)	(7)
Total provisions for credit impairment at end of period.....	1,398	1,272	666	466	460

(NZ\$ millions, except as indicated)	2010	Year ended September 30,			
		2009	2008	2007	2006
(i) Net increase in provision by industry category:					
Collective provision	(5)	264	112	20	(10)
Agriculture, Forestry, Fishing & Mining.....	80	41	3	1	(2)
Business services.....	42	12	6	-	-
Construction	15	16	3	1	-
Entertainment Leisure & Tourism.....	18	11	-	1	-
Financial services	(23)	53	3	2	(2)
Government and local authorities.....	0	1	-	1	-
Manufacturing	9	75	19	2	7
Property Services	63	53	13	1	-
Retail trade	9	17	10	-	-
Wholesale Trade.....	14	6	-	-	-
Transport & Storage	4	5	2	-	-
Personal.....	205	315	126	36	30
Other	5	5	5	9	(4)
Total provision increases.....	436	874	302	74	19
(ii) Reversal of individual provisions as a result of bad debt write-offs by industry category:					
Agriculture, Forestry, Fishing & Mining.....	28	22	1	3	4
Business services	18	10	1	-	-
Construction	16	3	-	-	1
Entertainment Leisure & Tourism.....	7	3	-	1	1
Financial services	2	1	1	1	2
Government and local authorities.....	-	-	-	-	-
Manufacturing	12	44	1	6	3
Property Services	16	20	-	2	2
Retail trade	7	8	3	-	-
Wholesale Trade.....	2	1	-	-	-
Transport & Storage	3	1	1	-	-
Personal.....	158	164	105	64	53
Other	3	1	-	7	11
Total reversal of provisions.....	272	278	113	84	77

The following table provides a breakdown by category of our total provisions for doubtful debts on loans and receivables as at September 30, 2010.

	As at September 30, 2010	
	(NZ\$ millions)	(%)
Collective provision.....	793	56.7
Agriculture, Forestry, Fishing & Mining	88	6.3
Business services	29	2.1
Construction	14	1.0
Entertainment Leisure & Tourism	23	1.6
Financial services	33	2.4
Government and local authorities	0	0.0
Manufacturing	61	4.4
Property Services.....	82	5.9
Retail Trade	22	1.6
Wholesale Trade	15	1.1
Transport & Storage	6	0.4
Personal	218	15.6
Other.....	12	0.9
Total provisions	1,398	100.0

Average deposits

Details of our average deposits and balances due to other banks for each of the years ended September 30, 2010, 2009 and 2008 are provided in the following table. Averages are daily averages.

(NZ\$ millions, except as indicated)	2010		2009		2008	
	Average Balance	Average Rate Paid (%)	Average Balance	Average Rate Paid (%)	Average Balance	Average Rate Paid (%)
Call deposits ⁽¹⁾	20,079	2.42%	22,471	3.43	20,904	6.40
Term deposits ⁽²⁾	38,724	4.12%	39,035	5.56	37,170	8.23
Commercial paper.....	8,847	3.00%	8,896	6.30	11,302	8.82
	67,650	3.47%	70,402	5.00	69,376	7.78

(1) Call deposits include call accounts and deposits for which interest is paid at market rates.

(2) Term deposits include quoted rate term deposits, negotiable certificates of deposit and floating rate certificates of deposit.

Certificates of deposit and other time deposit maturities

The following table shows the maturity profile of our certificates of deposit and other time deposits as at September 30, 2010:

(NZ\$ millions)	As at September 30, 2010			
	3 Months or Less	Over 3 Months through 12 Months	Over 12 Months	Total
Certificates of deposit	3,091	154	0	3,245
Other time deposits	15,476	17,848	1,363	34,687
Total.....	18,567	18,002	1,363	37,932

Trading securities

The following table shows the book value and market value of our holdings of trading securities as at the dates indicated:

(NZ\$ millions)	As at September 30,		
	2010	2009	2008
Trading securities at book value			
Government and semi-government securities.....	3,917	1,389	252
Bank bills, certificates of deposits and other short term negotiable securities.....	32	191	926
Promissory notes	64	28	39
Other interest bearing securities	2,744	2,558	1,407
Total trading securities at book value	6,757	4,166	2,624
Trading securities at market value (net of hedges)			
Government and semi-government securities.....	3,917	1,389	252
Bank bills, certificates of deposits and other short term negotiable securities.....	32	191	926
Promissory notes	64	28	39
Other interest bearing securities	2,744	2,558	1,407
Total trading securities at market value	6,757	4,166	2,624

The following table summarizes the market value of our holdings of trading securities as at September 30, 2010 according to their maturity dates:

(NZ\$ millions)	Market Value
Maturing in 1 year or less	519
Maturing in over 1 year through 5 years.....	6,080
Maturing in over 5 years through 10 years	158
Total.....	6,757

The following table provides the maturities and weighted average yields (based on yield rates for fixed interest and discount securities) of our holdings of trading securities at book value as at September 30, 2009:

	As at September 30, 2009				
	1 Year or Less	Over 1 Year through 5 Years (NZ\$ millions)	After 5 Years	Total	Average Rate (%)
Securities of local and government owned authorities.....	34	3,618	87	3,739	4.66
Other securities	485	2,462	71	3,150	5.88
Total trading securities	519	6,080	158	6,757	5.21

Funding

The following table sets forth our funding as at September 30, 2010, 2009 and 2008:

(NZ\$ millions)	As at September 30,		
	2010	2009	2008
Deposits and short term borrowings			
Unsecured			
Call deposits.....	23,678	26,327	26,417
Term deposits.....	37,932	37,438	36,787
US and Euro commercial paper	7,307	7,392	12,653
Total unsecured deposits and short term borrowings	68,917	71,157	75,857
Secured			
Debenture stock	1,378	1,537	1,683
Deposits	-	-	-
Total secured deposits and short term borrowings	1,378	1,537	1,683
Bonds, notes and long term borrowings			
Unsecured			
Domestic	3,934	3,301	2,902
Offshore	17,234	15,212	20,613
Total bonds, notes and long term borrowings	21,168	18,513	23,515
Total Funding.....	91,463	91,207	101,055
Represented by:			
Retail.....	59,743	59,931	58,956
Wholesale	31,720	31,276	42,099
Total Funding.....	91,463	91,207	101,055

The following table sets forth our return on assets, return on equity and equity to assets ratio for the periods indicated:

	Year ended September 30,				
	2010	2009	2008	2007	2006
	(%)				
Return on assets ⁽¹⁾	0.71	0.24	1.02	1.14	1.15
Return on equity after goodwill ⁽²⁾	11.81	2.91	12.47	13.34	12.78
Equity to assets ratio ⁽³⁾	8.76	8.1	8.21	8.51	8.98

(1) Return on assets is net profit before dividends divided by average total assets.

(2) Return on equity is net profit less preference share dividends and capital note distributions divided by adjusted average ordinary shareholders' equity. The ordinary shareholders' equity excludes preference shares and converting capital notes.

(3) Equity to assets ratio is average ordinary shareholders' equity divided by average total assets.

Short-term borrowings (U.S. and Euro Commercial Paper)

The following table sets forth details of our U.S. and Euro commercial paper short-term borrowings as at the dates indicated:

(NZ\$ millions, except as indicated)	As at September 30,		
	2010	2009	2008
Balance at end of year(including accrued interest)	7,307	7,392	12,653
Weighted average interest rate at end of year(%)	3.35	2.81	8.28
Maximum amount outstanding at any month end during year.....	11,350	11,328	13,270
Average amount outstanding during year	8,847	8,896	11,302
Weighted average interest rate during year (%).....	3.00	4.63	8.82

Australia and New Zealand Banking Group Limited

The following information regarding our parent, ANZBGL, is presented solely for your reference. ANZBGL is not providing a guarantee or any other type of credit support of the ANZ National Notes or the ANZNIL Notes.

Introduction

ANZBGL is one of the four major banking groups headquartered in Australia. ANZBGL began its Australian operations in 1835 and its New Zealand operations in 1840. ANZBGL is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on July 14, 1977. ANZBGL's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia. The Australian Company Number is ACN 005 357 522.

As at the close of trading on September 30, 2010, ANZBGL had a market capitalisation of approximately A\$61 billion. As at September 30, 2010, ANZBGL had total assets of A\$531.7 billion and shareholders' equity of A\$34.2 billion. ANZBGL's principal ordinary share listing and quotation is on the Australian Stock Exchange (ASX). Its ordinary shares are also quoted on the New Zealand Stock Exchange ("NZX").

ANZBGL provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZBGL conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. It also operates in a number of other countries including the United Kingdom and the United States. As at September 30, 2010, ANZBGL had approximately 1,394 branches and other points of representation worldwide, excluding ATMs.

ANZBGL's primary strategy is to become a super regional bank focusing on the Australia, New Zealand and Asia Pacific region. Consistent with this, one aim is to increase Asia Pacific's profit contribution to the ANZBGL to around 20% by 2012. While there is a strong focus on organic growth, ANZBGL continues to explore appropriate acquisitions throughout the region where opportunities arise.

Principal Activities of Regions/Divisions

ANZBGL is managed along the geographic regions of (i) Australia, (ii) Asia Pacific, Europe & America and (iii) New Zealand, as well as our global institutional client business, which is viewed as a separate division but also impacts each geographic region. The results of the Institutional division are separately tracked and reported but are allocated to the geographic regions to which the Institutional division results relate for ANZBGL segment reporting purposes.

The principal activities of ANZBGL's regions are outlined below, although as ANZBGL continuously reviews its business structure this description is subject to change from time to time.

Australia

The Australia region consists of (i) Retail, (ii) Commercial, (iii) Institutional, (iv) Wealth and (v) Group Centre.

Retail

Retail is comprised of two business units: (i) Retail Distribution and (ii) Product Strategy and Marketing.

- Retail Distribution operates the Australian branch network, Australian call centre, specialist businesses (including ATMs, retail foreign exchange centres, specialist mortgage sales staff, mortgage brokerage and franchisees and direct channels), online banking and distribution services.
- Product Strategy and Marketing is responsible for delivering a range of products including:
 - Mortgages, providing housing finance to consumers in Australia for both owner-occupied and investment purposes.
 - Consumer Cards and Unsecured Lending, providing a range of unsecured financial products to customers in Australia.

- Transaction banking and savings products, including term deposits and cash management accounts.

Commercial

Commercial is comprised of four business units: (i) Esanda, (ii) Regional Commercial Banking, (iii) Business Banking and (iv) Small Business Banking Products.

- Esanda provides motor vehicle and equipment finance and investment products.
- Regional Commercial Banking provides a full range of banking services to retail customers and to small business and agribusiness customers in rural and regional Australia.
- Business Banking provides a full range of banking services, including risk management, to metropolitan-based small to medium sized business clients with a turnover of up to A\$40 million.
- Small Business Banking Products provides a full range of banking services to small business clients.

Institutional

Institutional provides a full range of financial services to institutional customers within Australia along the product lines of Transaction Banking, Markets and Specialised Lending. It also provides balance sheet management, relationship and infrastructure services.

Wealth

Wealth is comprised of three business units: (i) Private Bank, (ii) Investments and Insurance Products and (iii) OnePath.

- Private Bank specialises in assisting high net worth individuals and families to manage, grow and preserve their family assets.
- Investments and Insurance Products is responsible for ANZ's wealth management products and services including E*Trade (online broker) and Investment Lending.
- On August 5, 2010 OnePath replaced ING Australia Limited ("INGA") as the name and brand for ANZBGL's specialist funds management and life insurance businesses in Australia. INGA was previously a joint venture between ANZBGL and the ING Group. ANZBGL owned 49% of INGA and received proportional equity accounted earnings. On November 30, 2009, ANZBGL acquired the remaining 51% share held by ING Group.

Group Centre

Group Centre includes the Australian portion of (i) Operations, Technology and Shared Services, (ii) Financial Management, (iii) Risk, (iv) Strategy, M&A, Marketing and Innovation, (v) Human Resources, (vi) Corporate Communications and (vii) Corporate Affairs.

- Operations, Technology and Shared Services was split into two separate divisions during the half year to March 31, 2010. The two divisions are (i) Global Services and Operations which is the ANZ Group's core support division comprising Operations, Global Shared Services (responsible for the overall design and delivery of scalable processes and professional services to the ANZ Group globally) and Property and (ii) Technology which is responsible for the ANZ Group's information technology solutions and infrastructure, including the development, maintenance and support of technology solutions for staff and customers globally.
- Financial Management comprises Group Finance, Finance Professional Services, Group Legal and Company Secretary's Office, Internal Audit, Group Taxation, Group Treasury and Investor Relations.

- Risk has global responsibility for the effectiveness of the ANZ Group's risk management framework and risk strategies, policies and processes. Divisional Risk teams (Risk Australia, Risk Asia Pacific, Europe and America, Risk New Zealand, Risk Institutional, and Risk Global Services and Operations) provide an active business partnership to embed and manage the ANZ Group Risk Framework within the divisions. Central Risk teams (Governance, Risk Infrastructure, Credit & Market Risk, and Risk Chief of Staff) provide common governance and capabilities intended to enable effective enterprise-wide risk management.
- Strategy, M&A, Marketing and Innovation is responsible for the ANZ Group's global business strategy, including the expansion and re-shaping of the ANZ Group's businesses, mergers, acquisitions and divestments. It is also responsible for the ANZ Group's global brand positioning and marketing strategy and for overseeing the ANZ Group's strategic productivity.
- Human Resources delivers global human resources capabilities, including developing and managing strategies, policies, processes and initiatives relating to the employment and development of staff.
- Corporate Communications is responsible for all external communication between the ANZ Group, the media and other constituents, as well as internal communication across the ANZ Group and geographies.
- Corporate Affairs manages key external relationships within Community, Corporate Responsibility, Government and Regulatory Affairs. This includes leadership and governance of the ANZ Group's Corporate Responsibility agenda.

Asia Pacific, Europe & America

The Asia Pacific, Europe & America region includes (i) Retail, (ii) Asia Partnerships, (iii) Wealth, (iv) Institutional and (v) Operations and Support.

- Retail provides retail and small business banking services to customers in the Asia Pacific region.
- Asia Partnerships is a portfolio of strategic retail partnerships in the Asia Pacific Region. This includes partnerships or joint venture investments in Indonesia with PT Panin Bank; in the Philippines with Metrobank; in China with Bank of Tianjin and Shanghai Rural Commercial Bank ('SRCB'), China's largest rural commercial bank; in Malaysia with AMMB Holdings Berhad; and in Vietnam with Sacombank and Saigon Securities Incorporated ('SSI').
- Wealth includes investment and insurance products and services across the Asia Pacific region and under the Private Bank banner assisting customers in the Asia Pacific region to manage, grow and preserve their assets.
- Institutional Asia Pacific, Europe and America provides a full range of financial services to institutional customers within Asia Pacific, Europe & America.
- Operations & Support provides central support functions for the region and includes operations, technology and shared services support services across all geographic regions.

New Zealand

For information on ANZBGL's New Zealand operations, please see "Overview — ANZ National" in this Offering Memorandum.

Operations and Support

Operations and Support includes the back-office processing, customer account maintenance and central support areas including Treasury and capital funding.

Institutional

The Institutional division, which impacts each regional segment and the results of which are allocated to the appropriate geographic regions for segment reporting purposes, consists of (i) Transaction Banking, (ii) Global Markets, (iii) Specialised and Relationship Lending, and (iv) Relationship and Infrastructure.

The Institutional division provides a full range of financial services to institutional customers in Australia, New Zealand, Asia Pacific, Europe and the United States of America. Multinationals, institutions and corporates with sophisticated needs and multiple relationships are served globally. Institutional has a major presence in Australia and New Zealand and also has operations in the Asia Pacific, Europe & America.

- Transaction Banking provides working capital solutions including lending and deposit products, cash transaction banking management, trade finance, international payments, securities lending, clearing and custodian services, principally to institutional and corporate customers.
- Global Markets provides risk management services to corporate and institutional clients in relation to foreign exchange, interest rates, credit and commodities markets. This includes the business of providing origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Global Markets also manages the ANZ Group's interest rate risk position.
- Specialised and Relationship Lending provides complex financing and advisory services, structured financial products, leasing, project finance, leveraged finance and investment products to the ANZ Group's global clients.
- Relationship and Infrastructure includes client relationship teams for global institutional customers and corporate customers in Australia, and central support functions.

Restrictions on ANZBGL's ability to provide material financial support

In accordance with the requirements issued by APRA pursuant to its Prudential Standards, ANZBGL, as our ultimate parent, may not provide material financial support to us contrary to the following:

- ANZBGL should not undertake any third party dealings with the prime purpose of supporting our business;
- ANZBGL must not hold unlimited exposures to us (e.g., not provide a general guarantee covering any of our obligations);
- ANZBGL must not enter into cross default clauses whereby a default by us on an obligation (whether financial or otherwise) is deemed to trigger a default of ANZBGL in its obligations;
- the Board of ANZBGL in determining limits on acceptable levels of exposure to us should have regard to:
- the level of exposure that would be approved to unrelated third parties of broadly equivalent credit status; and
- the impact on ANZBGL's stand alone capital and liquidity positions and its ability to continue operating in the event of a failure by us; and
- ANZBGL must ensure that the level of exposure to us does not exceed the following limits (unless otherwise approved by APRA):
- on an individual exposure basis, - 50% of ANZBGL's Level 1 capital base; and
- on an aggregate exposure basis (being exposures to all authorized deposit taking institutions (as defined by the Banking Act 1959 of Australia) (including overseas-based equivalents) related to ANZBGL) - 150% of ANZBGL's Level 1 capital base.

ANZBGL has not provided material financial support to us contrary to any of the above requirements and will not provide financial or other support with respect to the Notes.

Additionally, the provision of any support by ANZBGL is subordinated to other obligations or debts required to be preferred by law, including without limitation the rights of holders of protected accounts pursuant to a statutory priority given to such accounts by the Banking Act of Australia 1959 (the “Banking Act”). The Banking Act requires APRA to exercise its powers and functions for the protection of the depositors of the several Australian “authorized deposit-taking institutions” (“ADIs”), of which ANZBGL is one, and for the promotion of financial system stability in Australia.

Section 13A(3) of the Banking Act provides that if an ADI becomes unable to meet its obligations or suspends payment, the assets of the ADI in Australia are available to meet the ADI’s liabilities in the following order:

- (a) first, the ADI’s liabilities (if any) to APRA in respect of the repayment of any amounts which APRA has paid to that ADI’s depositors under the financial claims scheme (the “Financial Claims Scheme”) established under the Banking Act;
- (b) second, the ADI’s debts (if any) to APRA in reimbursement of APRA’s costs incurred in exercising its powers and performing its functions under the Financial Claims Scheme in respect of the ADI;
- (c) third, the ADI’s liabilities in Australia in relation to protected accounts that account-holders keep with the ADI;
- (d) fourth, the ADI’s debts (if any) to the Reserve Bank of Australia;
- (e) fifth, the ADI’s liabilities (if any) under an industry support contract that is certified under section 11CB of the Banking Act; and
- (f) sixth, the ADI’s other liabilities in the order of their priority apart from paragraphs (a) to (e) above.

Section 16 of the Banking Act provides that APRA’s costs (including costs in the nature of remuneration and expenses) of being in control of an ADI’s business, or of having an administrator in control of an ADI’s business, are payable from the ADI’s funds and are a debt due to APRA. Subject to subsection 13A(3) of the Banking Act, such debts due to APRA by an ADI have priority in a winding-up of the ADI over all other unsecured debts.

Further, under section 86 of the Reserve Bank Act 1959 of the Commonwealth of Australia, debts due by a bank (such as ANZBGL) to the Reserve Bank of Australia shall in a winding-up of that bank have, subject to subsection 13A(3) of the Banking Act, priority over all other debts.

The above description of the liabilities which are mandatorily preferred by law is not exhaustive.

Overview of the New Zealand Banking Industry

The RBNZ publishes a semi-annual Financial Stability Report, in which it assesses and reports on the soundness and efficiency of the New Zealand financial system. The following section is an excerpt from the RBNZ Financial Stability Report dated November 2010 (the “RBNZ Report”). The charts and tables that accompany the following sections have not been included. The information in this section has been accurately reproduced and as far as we are aware and we are able to ascertain from the RBNZ Report and no facts have been omitted which would render the reproduced information inaccurate or misleading. For more information, please see the full RBNZ Report, which is available from the RBNZ’s website at <http://www.rbnz.govt.nz/finstab/fsreport/>. The information in the RBNZ Report is not necessarily up to date as of the date of this Offering Memorandum. Additionally, it is not incorporated by reference herein and does not form part of this Offering Memorandum.

Overview

New Zealand’s economy and financial system have benefited from the recovery in the global economy over the past year. The extreme conditions in financial markets during the crisis have abated and stronger activity in New Zealand’s key trading partners has supported a modest rebound in economic activity. New Zealand’s banks have strengthened their funding base over this period, leaving them better placed to meet future credit demand and support economic growth. Bank asset quality also remains strong despite an increase in non-performing loans following the recession.

However, New Zealand’s economic recovery has been tepid to date, with more recent indicators suggesting the pace of recovery has slowed. Households and businesses have restrained spending in an effort to reduce debt levels, lowering the current account deficit. Strong export commodity prices have also helped to reduce the current account deficit, but a sustained rebalancing of economic activity toward the tradables sector will be difficult to achieve with the New Zealand dollar remaining at relatively high levels.

Despite strong commodity prices, prospects for export-led growth in New Zealand and adjustment of the country’s external position may also be hampered by a fairly soft global growth outlook. With economic growth recently losing momentum in some advanced economies, interest rates have fallen and additional quantitative easing measures have been announced in the US aimed at bolstering the recovery.

Some countries are facing exchange rates that are not helping in the reduction of their external imbalances. Many developed economies are continuing to adjust to excess leverage on household, business and financial sector balance sheets built up prior to the financial crisis. Growth in these countries is likely to remain sluggish for a significant period of time while efforts are made to restore balance sheets to healthier settings.

Financial markets have continued to question the sustainability of the fiscal positions of some economies, particularly within Europe. In response, many developed countries are now removing fiscal stimulus at a time of continued economic weakness to return fiscal positions to more sustainable levels. The withdrawal of fiscal stimulus is further dampening the pace of recovery in these economies.

In contrast, Australia and emerging Asia have continued to grow strongly despite the weak recovery of the major developed economies. Concerns in some of these economies have turned to trying to tame overheated domestic asset prices. In particular, Chinese property prices have shown spectacular growth over the past year, largely driven by growth in domestic lending. A slowdown in China could materially affect New Zealand, particularly if New Zealand’s export prices fall. Over the medium term, emerging Asia faces challenges sustaining an export-led growth strategy. In this regard, policymakers in the region are likely to face external pressure for greater exchange rate adjustment and increased efforts to boost domestic demand.

The New Zealand banking system withstood the financial crisis well but the heavy reliance on short-term wholesale funding from international markets was exposed as a key vulnerability, both for the banking system and the economy more generally. Since the crisis, however, and consistent with the prudential liquidity policy introduced in April this year, banks have substantially increased the proportion of retail and long-term wholesale funding on their balance sheets. Locally incorporated banks now comfortably meet regulatory requirements for core funding. International term funding markets have generally remained accessible to New Zealand banks. However, conditions have been difficult at times, particularly earlier in the year when concerns over the sovereign debt positions of peripheral European economies led to a broader disruption of debt markets. Notwithstanding these sovereign debt concerns, funding market conditions have generally improved, allowing the Reserve Bank

to discontinue the offering of term funds through its regular Tuesday open market operation, the last remaining emergency liquidity facility introduced during the financial crisis.

After increasing steadily from the middle of 2007, non-performing loans in the banking system now appear to be approaching a plateau. Bank profitability is also improving. However, a further weakening in the recovery has the potential to generate further loan losses in the banking system. House sales have stalled for the past six months, and there are signs of prices falling again. Were this to be accompanied by renewed weakness in the labour market, some mortgage borrowers would find themselves in a position of financial stress. Furthermore, the banking sector remains heavily exposed to developments in the agricultural sector. Strong increases in commodity prices over the past year have boosted the cash flow position of many farms. Nevertheless, agricultural land values have been falling and farm sales volumes are very low. Any material drop in commodity prices could expose relatively indebted farms in the sector to significant stress.

In contrast to the general resilience of the banking sector, sections of the non-bank deposit-taking (NBDT) sector have experienced continued difficulties over the past six months. Three finance companies have failed since our May Report, the most notable being South Canterbury Finance, which went into receivership on 31 August owing \$1.6 billion to depositors. These finance companies were covered by the retail deposit guarantee scheme, which has limited the wider fallout of the failures. The original term of the scheme expired on 12 October. Seven NBDTs have registered for the more stringent extension to the scheme, which will run until the end of next year.

The NBDTs that failed over the past two years were generally those with heavy exposure to the property development sector, a sector that saw high rates of losses in the economic downturn. The firms that remain in the industry have reduced their exposures to property development, thus providing a foundation for recovery and industry consolidation.

Another driver of industry consolidation will be the new regulatory requirements for NBDTs, most of which will be in place by year-end, although the full licensing framework is still under development. A further regulatory development has been the passing into law of the Insurance (Prudential Supervision) Act. This gives the Reserve Bank responsibility for prudentially regulating and supervising licensed insurers.

Meanwhile, further progress has been made in international forums to improve the broader regulation of the international financial system. The Basel Committee on Banking Supervision has announced a range of measures to strengthen existing bank capital and liquidity requirements. The new framework, known as “Basel III”, is likely to be adopted by the G20 leaders at their upcoming meeting in South Korea. The Reserve Bank generally supports the new prudential standards but intends to assess fully their potential impact on the financial system before initiating any changes to the New Zealand supervisory framework.

While financial markets have recovered somewhat from the sovereign debt crisis in April-May, the global economy has struggled to recover from the recession.

A slowing in the momentum of the domestic recovery, along with weakness in the housing market, is reflected in an outward shift in the “domestic environment” dimension of the cobweb. This deterioration in the outlook has been tempered to some extent by moves on the part of households and businesses to reduce debt levels, reducing New Zealand's current account deficit.

Non-performing loans and profitability have stabilised over recent months, as reflected by an unchanged rating for “capital and profitability”. There have been ongoing improvements in the funding position of the New Zealand banking system, as indicated by material improvements in the core funding ratio. Nevertheless, funding markets remain somewhat fragile, as indicated by the “funding and liquidity” dimension still sitting slightly above normal.

Management

Board of Directors of ANZ National Bank Limited

Composition of Board of Directors

At the date of this Offering Memorandum, the members of ANZ National's Board were as follows:

Name	Age	Position
Sir Dryden Spring	71	Chairman
David Hisco	47	Director and Chief Executive Officer
Norman Geary	72	Independent Non-Executive Director
Dr. Don Brash.....	70	Independent Non-Executive Director
John Frederick Judge	57	Independent Non-Executive Director
Michael Smith.....	54	Non-Executive Director, Chief Executive, ANZBGL
Peter Marriott.....	53	Non-Executive Director, Chief Financial Officer, ANZBGL
Shayne Elliott	47	Non-Executive Director, Group Managing Director, Institutional, ANZBGL

For purposes of this Offering Memorandum, the business address of each member of the Board of Directors is Level 6, 1 Victoria Street, Wellington, New Zealand.

As at the date of this Offering Memorandum, no conflicts of interest and no potential conflicts of interest exist between any duties owed to ANZ National by the members of its Board of Directors listed above and their private interests and/or other duties outside of the ANZ National Group. In respect of potential conflicts of interest that may arise in the future, ANZ National has processes for the management of such conflicts such that we do not expect any actual conflict of interest would arise.

Sir Dryden Spring. Sir Dryden was a Director of the National Bank of New Zealand Limited, and continued as a Director of ANZ National following amalgamation. He was appointed Chairman on June 16, 2006 following the retirement of Dr. Roderick Deane, the previous chairman.

Sir Dryden has had a long association with the New Zealand dairy industry, including being Chairman of the NZ Dairy Board, and Director of the NZ Co-operative Dairy Company Limited. Sir Dryden was formerly Chairman of Fletcher Challenge Forests Limited and Ericsson Communications New Zealand Limited. Sir Dryden is currently a director of SkyCity Entertainment Group Limited, Sky- City Investments Australia Limited and Port of Tauranga Limited. Sir Dryden is a distinguished fellow of the Institute of Directors in New Zealand Inc.

David Hisco. Mr. Hisco was appointed Director and Chief Executive Officer of ANZ National on October 13, 2010. Previously, Mr. Hisco was ANZ Group Managing Director Commercial for Australia based in Melbourne. He was appointed to replace Dr. Jennifer Fagg who resigned as Chief Executive Officer and as a Director of ANZ National on September 1, 2010.

During his 30-year career at ANZ, Mr. Hisco has held a number of senior executive roles in retail and commercial banking, including two years as Managing Director of UDC in New Zealand between 1998 and 2000.

Mr. Hisco holds a Bachelor of Business (Accounting) from Deakin University, a Graduate Diploma in Business Administration from Monash University, and an Executive Masters of Business Administration from Monash University (Mt Eliza).

Norman Geary CBE. Mr. Geary was a Director of the National Bank of New Zealand Limited and continued as a Director of ANZ National following amalgamation. Mr. Geary has held directorships in the petroleum, aviation and tourism industries and was Chief Executive Officer of Air New Zealand Limited from 1982 to 1988. In 1991, he was awarded the CBE for his contributions to New Zealand aviation and tourism. Mr. Geary is a director of Otago Innovation Limited.

Dr. Don Brash. Dr. Brash joined the Board on June 1, 2007 following the retirement of Mr. Rob McLeod on June 20, 2007.

Dr. Brash, who was the RBNZ Governor between 1988 and 2002, is recognized internationally for his financial sector knowledge and leadership. Before joining the Reserve Bank, Dr Brash enjoyed a distinguished career in banking and management. In 2002 Dr. Brash was elected to the New Zealand Parliament as a member of the Opposition Party, the National

Party, and was immediately appointed shadow Minister of Finance. In 2003, he was elected Leader of the National Party and held this position until November 2006. He is a director of Brash Consultancy Services Limited, Oceania Dairy Group Limited, Oceania Milk Limited, Oceania Dairy Limited and Transpower New Zealand Limited

John Judge. Mr. Judge joined the Board on December 22, 2008. Mr. Judge was Chief Executive of Ernst & Young New Zealand from 1995 – 2007 and brings considerable experience in Australasian business and financial and analytical knowledge to the Board. Mr. Judge was recently appointed Chairman of the Crown organization, ACC. He is also a director of Fletcher Building Limited, Fletcher Building Finance Limited, Greentide Limited, Greentide K4B3 Limited and Chairman of the Auckland Art Gallery Foundation. He is also an advisory board member for the Business Schools of both Auckland and Otago Universities.

Michael Smith OBE. Mr. Smith joined the ANZ National Board as a Director on October 1, 2007, following the retirement of Mr. John McFarlane as a Director on September 30, 2007. Mr. Smith also succeeded Mr. McFarlane as the Chief Executive of ANZBGL, the ultimate parent company of ANZ National. Mr. Smith is also a director of The Financial Markets Foundation for Children.

Until June 2007, Mr. Smith was President and Chief Executive Officer, The Hong Kong and Shanghai Banking Corporation Limited. Previous positions held by Mr. Smith include Chairman, Hang Seng Bank Limited; Global Head of Commercial Banking for the HSBC Group and Chairman, HSBC Bank Malaysia Berhad. Mr. Smith was also Chief Executive Officer of HSBC Argentina Holdings SA and subsequently appointed Chairman of HSBC in Argentina in 2000.

Mr. Smith joined the HSBC Group in 1978 and during his 29 year career he held a wide variety of posts in Hong Kong and the Asia-Pacific region, the United Kingdom, Australia, the Middle East and South America, including appointments in Commercial, Institutional and Investment Banking, Planning and Strategy, Operations and General Management.

Peter Marriott. Mr. Marriott is the Chief Financial Officer of ANZBGL, the ultimate parent company of ANZ National. He has been a Director of ANZ National since November 26, 2004 and prior to joining ANZBGL in 1993, Mr. Marriott was a Partner at KPMG Peat Marwick. In 2003, Mr. Marriott was named as Australian Chief Financial Officer of the Year by CFO magazine and Asiamoney magazine. Mr. Marriott is also a non-executive director of ASX Limited, ASX Clearing Corporation Limited, ASX Clear Pty Limited, ASX Clear (Futures) Pty Limited, ASX Settlement Pty Limited, Austraclear Limited and ASX Settlement Corporation Limited.

Shayne Elliott. Mr. Elliott was appointed a non-executive director of the Board of ANZ National on August 11, 2009. Mr. Elliott also holds the position of Group Managing Director, Institutional with ANZBGL. Mr. Elliott took up this position with ANZBGL in June 2009, having spent more than twenty years at Citigroup. Before joining ANZBGL, Mr. Elliott was Head of Business Development for EFG Hermes, the largest investment bank in the Middle East. Mr. Elliott has a significant breadth of experience in banking at a regional and a country level, and in all aspects of the industry

Remuneration of ANZ National directors

Our directors were paid an aggregate of \$576,454.80, \$480,813 and \$451,440 in directors' fees for the years ended September 30, 2010, 2009 and 2008 respectively.

Related party transactions

As permitted under New Zealand law, we extend loans to directors and executives. Such loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons.

Board committees

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

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

- (a) The financial reporting principles and policies, controls and procedures of ANZ National and its subsidiaries;
- (b) The compliance of ANZ National and its subsidiaries with applicable local financial reporting, prudential reporting and audit requirements as well as those of ANZ Group;
- (c) The effectiveness of ANZ National's internal control and risk management framework;
- (d) The work of internal audit;
- (e) The integrity of ANZ National and its subsidiaries financial statements and the independent audit thereof and compliance with relevant legal and regulatory requirements thereof;
- (f) ANZ National's relationship with and selection of the external auditors; and
- (g) Any due diligence and the provision of significant reports to regulatory bodies.

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

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

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

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

- (a) Assist ANZ National's Board in the effective discharge of its responsibilities for business, market, credit, financial, operational, compliance, liquidity and reputational risk management;
- (b) Liaise and consult with the ANZ Group Risk Management Committee to assist it to discharge its responsibilities.

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

Board practices

Our Board consists of eight directors, four of whom are independent non-executive directors. The Board includes one executive of ANZ National (the Chief Executive) and three executives of ANZBGL. Board composition is reviewed when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board.

Under our Conditions of Registration, no appointment of any director or chief executive officer shall be made to the Board unless a copy of the curriculum vitae of the proposed appointee has been provided to the RBNZ and the RBNZ has advised that it has no objection to the appointment. In addition, the Conditions of Registration require at least two independent directors to be on the Board at any time and that the chairperson is not an employee of ANZ National.

The Board collectively and each director individually has the right to seek independent professional advice at our expense.

In accordance with the Companies Act 1993 of New Zealand, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with our own interests. A director who is interested in a transaction may attend meetings and vote on a matter relating to the transaction. However, the Board has adopted a guideline whereby a director with

an interest in a transaction should not be present during any discussions, and should not vote on any matter pertaining to that particular transaction.

In June 2009, the Board adopted a Retirement Policy for Independent Non-Executive Directors. The Policy provides that Independent Non-Executive Directors should be appointed for a three year term and that one third should retire each year.

ANZ National's constitution

ANZ National's constitution is available online on the searchable register at www.companies.govt.nz. Under ANZ National's constitution, the Board holds all necessary powers for the management of the business and operation of the company. In particular, there are no restrictions in ANZ National's constitution on ANZ National borrowing or providing a guarantee.

The Board has the power to issue shares in different classes and on different terms and conditions. Under the constitution, the Board is expressly authorized to issue further shares ranking equally with, or in priority to, existing shares, whether as to voting rights or distributions or otherwise and such issue is not deemed to be an action affecting the rights attached to the existing shares. However, where ANZ National takes action which affects the rights attached to shares (other than by way of issue of further shares ranking equally with, or in priority to, existing shares) such action must be approved by special resolution of each affected interest group. There are no restrictions in ANZ National's constitution on changes in capital, rights to own securities or restrictions on foreign shareholders.

There is no shareholding qualification for directors of ANZ National, and no mandatory retirement age. The Board has the power to fix each director's remuneration and ANZ National shall indemnify every director or employee out of the assets of ANZ National to the maximum extent permitted by law. Directors can be appointed and removed by the shareholders of ANZ National, although the Board has the power at any time to also appoint directors.

Under the Companies Act 1993 of New Zealand, directors who are interested in a transaction of ANZ National are required to disclose their interest. Failure to disclose this interest will not affect the validity of the transaction or the ability of the director to attend and vote at the relevant board meeting, but the director can be personally liable and if ANZ National does not receive fair value under the transaction, the transaction may be voided within three months of its disclosure to all shareholders of ANZ National.

In regard to shareholders, the power to:

- alter, revoke or adopt a new constitution,
- approve a major transaction, or
- approve an amalgamation, put ANZ National into liquidation or apply for the removal of ANZ National from the register of companies,

must be exercised by special resolution of the shareholders under the Companies Act 1993 of New Zealand. All other powers reserved to shareholders may be exercised by an ordinary resolution of shareholders. Resolutions can be passed at a meeting of shareholders or pursuant to a written resolution in lieu of a meeting.

Board of Directors of ANZNIL

At the date of this Offering Memorandum, the members of ANZNIL's Board were as follows:

Name	Age	Position
David Hisco	47	Director and Chief Executive Officer, ANZ National
Steven Fyfe	57	Deputy Chief Executive, ANZ National
Nick Freeman.....	42	Chief Financial Officer, ANZ National
Jennifer Evans	46	Chief Risk Officer, ANZ National

For purposes of this Offering Memorandum, the business address of each director of the board of ANZNIL is Level 6, 1 Victoria Street, Wellington, New Zealand.

As at the date of this Offering Memorandum, no conflicts of interest and no potential conflicts of interest exist between any duties owed to ANZNIL by the members of its board of directors listed above and their private interests and/or other duties outside of ANZNIL. In respect of potential conflicts of interest that may arise in the future, ANZNIL has processes for the management of such conflicts such that we do not expect any actual conflict of interest would arise. However, the Board has adopted a guideline whereby a director with an interest in a transaction should not be present during any discussions, and should not vote on any matter pertaining to that particular transaction.

Description of the Notes and the Guarantee

The general terms of the ANZ National Notes and the ANZNIL Notes are identical, except as described herein and except that the ANZNIL Notes will have the benefit of ANZ National's Guarantee as described further in the "Guarantee". For convenience and unless otherwise indicated, in this section entitled "Description of the Notes and the Guarantee," references to "we", "our" and "us" refer to ANZ National or ANZNIL as the applicable Issuer of the debt securities. However, references to "ANZ National" refer only to ANZ National Bank Limited and not to its consolidated subsidiaries. Also, in this section, references to "Holders" mean those persons who own Notes registered in their own names, on the books that ANZ National, ANZNIL or the Fiscal Agent maintains for this purpose, and not those persons who own beneficial interests in Notes registered in street name or in Notes issued in book-entry form through the Depositary. Owners of beneficial interests in the Notes should read the section below entitled "Legal Ownership and Book-Entry Issuance".

This section summarizes the material terms that will apply generally to the Notes. Each Tranche will have financial and other terms specific to it, and the specific terms of each Note will be described in the Final Terms that will accompany this Offering Memorandum. Such Final Terms will be in substantially the form attached as Annex B to this Offering Memorandum. Those terms may vary from the terms described here.

As you read this section, please remember that the specific terms of your Note as described in your Final Terms will supplement and, if applicable, may modify or replace the general terms described in this section. If your Final Terms are inconsistent with this Offering Memorandum, your Final Terms will control with regard to your Note. Thus, the statements we make in this section may not apply to your Note.

This section is only a summary

The Fiscal Agency Agreement and its associated documents, including your Note and your Final Terms, contain the full legal text of the matters described in this section. The Fiscal Agency Agreement, the Guarantee and the Notes are governed by New York law, except as to authorization and execution by ANZ National and ANZNIL of these documents, which are governed by the laws of New Zealand. See "Available information" for information on how to obtain a copy of the Fiscal Agency Agreement.

This section and your Final Terms summarize all the material terms of the Fiscal Agency Agreement and your Note. They do not, however, describe every aspect of the Fiscal Agency Agreement and your Note. For example, in this section entitled "Description of the Notes and the Guarantee" and your Final Terms, we use terms that have been given special meaning in the Fiscal Agency Agreement, but we describe the meaning of only the more important of those terms.

The Notes will be issued under the Fiscal Agency Agreement

The Notes are governed by a document called a Fiscal Agency Agreement. The Fiscal Agency Agreement is a contract between ANZNIL, ANZ National, both as Issuer of the ANZ National Notes and as Guarantor of the ANZNIL Notes, and The Bank of New York Mellon, which will initially act as fiscal agent and paying agent (the "Fiscal Agent"). The Fiscal Agent performs administrative duties for us such as sending you interest payments and notices.

See "Our relationship with the Fiscal Agent" below for more information about the Fiscal Agent.

Under the Fiscal Agency Agreement, ANZNIL and ANZ National have the option to appoint additional fiscal agents and, pursuant to a Fiscal Agency and Issuing and Paying Agency Agreement dated as at December 7, 2005 (the "Supplementary Fiscal Agency Agreement"), have appointed JPMorgan Chase Bank, National Association, to act as the separate fiscal agent and issuing and paying agent (the "Supplemental Fiscal Agent") in lieu of The Bank of New York Mellon in connection with the issuance and payment of certain extendible promissory notes. References in this Offering Memorandum to the "Fiscal Agent" include the Supplemental Fiscal Agent and any other fiscal agent appointed for a particular Tranche. See "— Our relationship with the Supplemental Fiscal Agent" below for more information about the Supplemental Fiscal Agent.

We may issue other series of debt securities

The Fiscal Agency Agreement permits us to issue different series of debt securities from time to time. We may also issue Notes in such amounts, at such times and on such terms as we wish. The Notes will differ from one another, and from other series, in their terms.

When we refer to the “Notes” or “these Notes”, we mean ANZ National’s Medium-Term Notes, Series A, or ANZNIL’s Medium-Term Notes, Series A, as applicable. When we refer to the “Series A Medium-Term Notes” or “ANZ National Notes”, we mean ANZ National’s Medium-Term Notes, Series A or ANZNIL’s Medium-Term Notes, Series A, as applicable. When we refer to “ANZNIL Notes”, we mean ANZNIL’s Medium-Term Notes, Series A. When we refer to a “Series” of debt securities, we mean a series, such as the Series A Notes or the Series B Notes, issued under the Fiscal Agency Agreement.

Amounts that we may issue

The Fiscal Agency Agreement does not limit the aggregate amount of debt securities that we may issue, nor does it limit the number of series or the aggregate amount of any particular series that we may issue. Also, if we issue Notes having the same terms in a particular offering, we may “reopen” that offering at any later time and offer additional Notes having those terms.

We intend to issue Notes from time to time, initially in an amount having the aggregate offering price specified on the cover of this Offering Memorandum. However, we may issue additional Notes in amounts that exceed the amount on the cover at any time, without your consent and without notifying you.

Our affiliates may use this Offering Memorandum to resell Notes in market-making transactions from time to time, including both Notes that we have issued before the date of this Offering Memorandum and Notes that we have not yet issued. We describe these transactions under “Notice to Purchasers” and “Plan of Distribution” below.

The Fiscal Agency Agreement and the Notes do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Notes or the Fiscal Agency Agreement.

Guarantee

ANZ National will fully and unconditionally guarantee to each Holder of an ANZNIL Note authenticated and delivered by the Fiscal Agent the due and punctual payment of the principal of, and premium, if any, and interest on, such ANZNIL Note, when and as the same shall become due and payable, whether at stated maturity, by declaration of acceleration, call for redemption or otherwise, in accordance with the terms of such ANZNIL Note and of the Fiscal Agency Agreement.

How the Notes and Guarantee rank against other debt

Neither the Notes nor the Guarantee will be secured by any property or assets of ANZ National or its subsidiaries, including ANZNIL. Thus, by owning a Note, you are one of our unsecured creditors.

Neither the Notes nor the Guarantee will be subordinated to any of ANZ National’s or, in the case of the ANZNIL Notes, ANZNIL’s other debt obligations. This means that, in a bankruptcy or liquidation proceeding against us or ANZNIL, the Notes and Guarantee would rank equally in right of payment with all of ANZ National’s and ANZNIL’s other unsecured and unsubordinated debt, except for obligations mandatorily preferred by law.

Principal amount, stated maturity and maturity

The principal amount of a Note means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a Note is its face amount. The term “stated maturity” with respect to any Note means the day on which the principal amount of your Note is scheduled to become due, as specified in the relevant Final Terms. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the Note. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity of the principal.

We also use the terms “stated maturity” and “maturity date” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “stated maturity” of that installment.

When we refer to the “stated maturity” or the “maturity date” of a Note without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Currency of Notes

Amounts that become due and payable on your Note in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in your Final Terms. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “Specified Currency”. The Specified Currency for your Note will be U.S. dollars, unless your Final Terms states otherwise. Some Notes may have different Specified Currencies for principal, premium and interest. You will have to pay for your Notes by delivering the requisite amount of the Specified Currency for the principal to any of the Agents that we name in your Final Terms, unless other arrangements have been made between you and us or you and any such Agents. We will make payments on your Notes in the Specified Currency, except as described below in “-Payment mechanics for Notes”. See “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency” below for more information about risks of investing in Notes of this kind.

Types of Notes

We may issue any of the following types of Notes and any other types of Notes that may be described in a supplement hereto:

Fixed Rate Notes

A Note of this type (a “Fixed Rate Note”) will bear interest at a fixed rate described in the relevant Final Terms. This type includes Zero Coupon Notes, which bear no interest and are instead issued at a price lower than the principal amount. See “— Original Issue Discount Notes” below for more information about Zero Coupon Notes and other Original Issue Discount Notes.

Each Fixed Rate Note, except any Zero Coupon Note, will bear interest from its issue date or from the most recent date to which interest on the Note has been paid or made available for payment. Interest will accrue on the principal of a Fixed Rate Note at the fixed yearly rate stated in the relevant Final Terms, until the principal is paid or made available for payment or the Note is converted or exchanged. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the maturity date. We will compute interest on Fixed Rate Notes on the basis of a 360-day year of twelve 30-day months or, if specified in your Final Terms, on the basis of a 365-day year. We will pay interest on each interest payment date and on the maturity date as described below under “-Payment mechanics for Notes”.

Floating Rate Notes

A Note of this type (a “Floating Rate Note”) will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a Spread or multiplying by a Spread Multiplier (each as defined herein) and may be subject to a minimum rate or a maximum rate. The various interest rate formulas and these other features are described below in “-Interest rates-Floating Rate Notes”. If your Note is a Floating Rate Note, the formula and any adjustments that apply to the interest rate will be specified in your Final Terms.

Each Floating Rate Note will bear interest from its issue date or from the most recent date to which interest on the Note has been paid or made available for payment. Interest will accrue on the principal of a Floating Rate Note at the yearly rate determined according to the interest rate formula stated in the relevant Final Terms, until the principal is paid or made available for payment or until it is converted or exchanged. We will pay interest on each interest payment date and on the maturity date as described below under “-Payment mechanics for Notes”.

Indexed Notes

A Note of this type (an “Indexed Note”) provides that the principal amount payable at its maturity date, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

- one or more securities;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measures or instruments, including the occurrence or non-occurrence of any event or circumstance; and/or
- indices or baskets of any of these items.

If you are a Holder of an Indexed Note, you may receive a principal amount at maturity that is greater than or less than the face amount of your Note depending upon the value of the applicable index at maturity. That value may fluctuate over time.

An Indexed Note may provide either for cash settlement or (subject to the relevant Issuer publishing a supplementary Offering Memorandum in the case of listed Notes) for physical settlement by delivery of the underlying property or another property of the type listed above. An Indexed Note may also provide that the form of settlement may be determined at our option or at the option of the Holder. Some Indexed Notes may be convertible, exercisable or exchangeable, at our option or the option of the Holder, into or for securities of an issuer other than ANZ National or ANZNIL, as applicable, or into other property.

If you purchase an Indexed Note, your Final Terms will include information about the relevant index and about how amounts that are to become payable will be determined by reference to that index. Your Final Terms will also identify the Calculation Agent (as defined herein) that will calculate the amounts payable with respect to the Indexed Notes and may exercise certain discretion in doing so. Before you purchase any Indexed Note, you should read carefully the section entitled “-Considerations relating to Indexed Notes” below.

Amortizing Notes

A Note of this type (an “Amortizing Note”) may be a Fixed Rate Note, a Floating Rate Note or an Indexed Note. The amount of principal of and interest payable on an Amortizing Note will be paid in installments over the term of such Amortizing Note. Unless otherwise specified in your Final Terms, interest on an Amortizing Note will be computed on the basis of a 360-day year of twelve 30-day months. Payment with respect to Amortizing Notes will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. Further information concerning additional terms and provisions of Amortizing Notes will be specified in your Final Terms, if applicable, including a table setting forth repayment information for such Amortizing Notes.

Original Issue Discount Notes

A Note of this type (an “Original Issue Discount Note”) may be a Fixed Rate Note, a Floating Rate Note or an Indexed Note. An Original Issue Discount Note is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An Original Issue Discount Note may be a Zero Coupon Note. A Note issued at a discount to its principal may, for U.S. federal income tax purposes, be considered to have been issued with original issue discount, regardless of the amount payable upon redemption or acceleration of maturity. See “Taxes — United States federal income taxation — United States Holders — Original issue discount” below for a brief description of the U.S. federal income tax consequences of owning a Note considered to have been issued with original discount for U.S. federal income tax purposes.

Extendible Notes

A Note of this type (an “Extendible Note”) is a Note with an initial maturity date of one year or more from the date of issue and will provide the Holders with one or more rights to extend the maturity date of such Extendible Notes up to a final maturity date.

Unless otherwise specified in the applicable Final Terms relating to a Tranche of Extendible Notes, Extendible Notes will be issued pursuant to the Supplementary Fiscal Agency Agreement. Further information concerning additional terms and provisions of Extendible Notes will be specified in your Final Terms, if applicable.

Information in the Final Terms

Your Final Terms will describe one or more of the following terms of your Notes:

- the title of your Notes;
- the stated maturity;
- the Specified Currency or currencies for principal, premium and interest, if not U.S. dollars;
- the price at which we originally issue your Note, expressed as a percentage of the principal amount, and the issue date;
 - Market-Making Transactions. If you purchase your Note in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which ANZBGL or another of our affiliates resells a Note that it has previously acquired from another Holder. A market-making transaction in a particular Note occurs after the original sale of the Note;
- whether your Note is a Fixed Rate Note, a Floating Rate Note, an Indexed Note, an Amortizing Note, an Original Issue Discount Note (which may be a Zero Coupon Note), an Extendible Note or any combination of the foregoing;
- if your Note is a Fixed Rate Note, the yearly rate at which your Note will bear interest, if any, and the interest payment dates, if different from those stated below under “-Interest rates-Fixed Rate Notes”, and the conditions, if any, under which each Note may convert into or be exchangeable for a Floating Rate Note;
- if your Note is a Floating Rate Note, the interest rate basis, which may be one of the eleven Base Rates described in “-Interest rates-Floating Rate Notes” below; any applicable *index currency* or *Index Maturity* (each, as defined herein), Spread or Spread Multiplier or initial, maximum or minimum rate; the interest reset, determination, calculation and interest payment dates; the day count used to calculate interest payments for any period; and the Calculation Agent, all of which we describe under “-Interest rates-Floating Rate Notes” below and the conditions, if any, under which each Note may convert into or be exchangeable for a Fixed Rate Note;
- if your Note is an Indexed Note, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and whether your Note will be exchangeable for or payable in cash, securities of an issuer other than ANZ National or ANZNIL, as applicable, or other property;
- if your Note is an Original Issue Discount Note, the yield to maturity;
- if your Note is an Extendible Note, the terms of the extensions of maturity;
- if applicable, the circumstances under which your Note may be redeemed at our option or repaid at the Holder’s option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s), all of which we describe under “—Redemption and repayment” below;
- the authorized denominations, if other than denominations of US\$100,000, and multiples of US\$1,000;
- the Depositary for your Note, if other than DTC, and any circumstances under which the Holder may request Notes in non-global form, if we choose not to issue your Note in book-entry form only;

- the name of each offering Agent;
- the discount or commission to be received by the offering Agent or Agents;
- the net proceeds to the Issuer;
- the names and duties of any co-agents, depositaries, Paying Agents, transfer agents, exchange rate agents or registrars for your Note; and
- any other terms of your Note, which could be different from those described in this Offering Memorandum.

Form of Notes

We will issue each Note in global-i.e., book-entry-form only, unless we specify otherwise in the relevant Final Terms. Notes in book-entry form will be represented by a global security registered in the name of a Depositary, which will be the Holder of all the Notes represented by the global security. Those who own beneficial interests in a Global Note (as defined under “Legal Ownership and Book-Entry Issuance — What is a Global Note?”) will do so through participants in the Depositary’s securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the Depositary and its participants. We describe Global Notes below under “Legal Ownership and Book-Entry Issuance”.

In addition, we will generally issue each Note in registered form, without coupons, unless we specify otherwise in the relevant Final Terms.

Interest Rates

This subsection describes the different kinds of interest rates that may apply to your Note, if it bears interest.

Fixed Rate Notes

Interest on a Fixed Rate Note will be payable annually or semiannually on the date or dates specified in your Final Terms and at maturity. Any payment of principal, premium and interest for any Fixed Rate Note required to be made on an interest payment date that is not a business day (as defined herein) will be postponed to the next succeeding business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the interest payment date to the date of that payment on the next succeeding business day. For each Fixed Rate Note that bears interest, interest will accrue, and we will compute and pay accrued interest, as described under “-Types of Notes-Fixed Rate Notes” above and “-Payment mechanics for Notes” below.

Floating Rate Notes

In this subsection, we use several specialized terms relating to the manner in which floating interest rates are calculated. These terms appear in bold, italicized type the first time they appear, and we define these terms in “-Special rate calculation terms” at the end of this subsection.

For each Floating Rate Note, interest will accrue, and we will compute and pay accrued interest, as described under “-Types of Notes-Floating Rate Notes” above and “-Payment mechanics for Notes” below. In addition, the following will apply to Floating Rate Notes.

Base Rates

We currently expect to issue Floating Rate Notes that bear interest at rates based on one or more of the following “Base Rates”:

- Commercial Paper Rate;
- Prime Rate;

- LIBOR;
- EURIBOR;
- Treasury Rate;
- CMT Rate;
- CD Rate;
- Federal Funds Rate;
- New Zealand Bank Bill Rate;
- Australian Bank Bill Rate; and/or
- Eleventh District Cost of Funds Rate.

We describe each of the Base Rates in further detail below in this subsection.

If you purchase a Floating Rate Note, your Final Terms will specify the type of Base Rate that applies to your Note.

Unless otherwise specified in the applicable Note and any relevant Final Terms, each Floating Rate Note will be issued as described below. The applicable Note and any relevant Final Terms will specify certain terms with respect to which each Floating Rate Note is being delivered, including: whether such Floating Rate Note is a “Regular Floating Rate Note,” a “Floating Rate/Fixed Rate Note,” a “Fixed Rate/Floating Rate Note,” or an “Inverse Floating Rate Note,” the Fixed Rate Commencement Date or Floating Rate Commencement Date (each as defined herein), if applicable, the fixed interest rate, if applicable, Base Rate, initial interest rate, if any, initial Interest Reset Date, interest reset period and dates, interest period and dates, record dates, Index Maturity, maximum interest rate and/or minimum interest rate, if any, and Spread and/or Spread Multiplier, if any, as such terms are defined below. If the applicable Base Rate is LIBOR or the CMT Rate, the applicable Note and any relevant Final Terms will also specify the index currency and the Designated LIBOR Page or the Designated CMT Reuters Page, as applicable, as such terms are defined below.

The interest rate borne by the Floating Rate Notes will be determined as follows:

- unless such Floating Rate Note is designated as a “Floating Rate/Fixed Rate Note,” a “Fixed Rate/Floating Rate Note” or an “Inverse Floating Rate Note,” or as having an addendum attached or having “other/additional provisions” apply, in each case relating to a different interest rate formula, such Floating Rate Note will be designated as a “Regular Floating Rate Note” and, except as described below or as specified in the applicable Note and in any Final Terms, will bear interest at the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the first Interest Reset Date occurring after the issue date (the “initial Interest Reset Date”), the rate at which interest on such Regular Floating Rate Note shall be payable will be reset as at each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate;
- if such Floating Rate Note is designated as a “Floating Rate/Fixed Rate Note,” then, except as described below or as specified in the applicable Note and the relevant Final Terms, such Floating Rate Note will bear interest at the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any. Commencing on the initial Interest Reset Date, the rate at which interest on such Floating Rate/Fixed Rate Note will be payable will be reset as at each Interest Reset Date; provided, however, that (x) the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate and (y) the interest rate in effect for the period commencing on the date specified in the relevant Final Terms (the “Fixed Rate Commencement Date”) to the maturity date will be the fixed interest rate, if such rate is specified in the applicable Note and the relevant

Final Terms or, if no such fixed interest rate is specified, the interest rate in effect thereon on the business day immediately preceding the Fixed Rate Commencement Date;

- if such Floating Rate Note is designated as a “Fixed Rate/Floating Rate Note,” then, except as described below or as specified in the applicable Note and the relevant Final Terms, such Floating Rate Note will bear interest at the fixed rate specified in such Note and the relevant Final Terms from the issue date to the date specified in the relevant Final Terms (the “Floating Rate Commencement Date”) and the interest rate in effect for the period commencing on such Floating Rate Commencement Date will be the rate determined by reference to the applicable Base Rate (x) plus or minus the applicable Spread, if any, and/or (y) multiplied by the applicable Spread Multiplier, if any, each as specified in such Note or the relevant Final Terms. Commencing on the first Interest Reset Date after such Floating Rate Commencement Date, the rate at which interest on such Fixed Rate/Floating Rate Note will be payable will be reset as at each Interest Reset Date;
- if such Floating Rate Note is designated as an “Inverse Floating Rate Note,” then, except as described below or as specified in the applicable Note and the relevant Final Terms, such Floating Rate Note will bear interest at the fixed interest rate minus the rate determined by reference to the applicable Base Rate (a) plus or minus the applicable Spread, if any, and/or (b) multiplied by the applicable Spread Multiplier, if any; provided, however, that, unless otherwise specified in the applicable Note and the relevant Final Terms, the interest rate thereon will not be less than zero. Commencing on the initial Interest Reset Date, the rate at which interest on such Inverse Floating Rate Note will be payable will be reset as at each Interest Reset Date; provided, however, that the interest rate in effect for the period, if any, from the issue date to the initial Interest Reset Date will be the initial interest rate.

Initial Base Rate. For any Floating Rate Note, the Base Rate in effect from the issue date to the first Interest Reset Date will be the “Initial Base Rate” as specified in the relevant Final Terms. We will specify the Initial Base Rate in the relevant Final Terms.

Spread or Spread Multiplier. In some cases, the Base Rate for a Floating Rate Note may be adjusted:

- by adding or subtracting a specified number of basis points, called the “Spread”, with one basis point being 0.01%; or
- by multiplying the Base Rate by a specified percentage, called the “Spread Multiplier”.

If you purchase a Floating Rate Note, your Final Terms will specify whether a Spread or Spread Multiplier will apply to your Note and, if so, the amount of the Spread or Spread Multiplier.

Maximum and minimum Rates. The actual interest rate, after being adjusted by the Spread or Spread Multiplier, may also be subject to either or both of the following limits:

- a maximum rate-*i.e.*, a specified upper limit that the actual interest rate in effect at any time may not exceed; and/or
- a minimum rate-*i.e.*, a specified lower limit that the actual interest rate in effect at any time may not fall below.

If you purchase a Floating Rate Note, your Final Terms will specify whether a maximum rate and/or minimum rate will apply to your Note and, if so, what those rates are.

Whether or not a maximum rate applies, the interest rate on a Floating Rate Note will in no event be higher than the maximum rate permitted by New York law, as it may be modified by U.S. federal law of general application. Under current New York law, the maximum rate of interest, with some exceptions, for any loan in an amount less than US\$250,000 is 16% and for any loan in the amount of US\$250,000 or more but less than US\$2,500,000 is 25% per year on a simple interest basis. These limits do not apply to loans of US\$2,500,000 or more.

The rest of this subsection describes how the interest rate and the interest payment dates will be determined, and how interest will be calculated, on a Floating Rate Note.

Interest Reset Dates. The rate of interest on a Floating Rate Note will be reset by the Calculation Agent daily, weekly, monthly, quarterly, semi-annually, annually or at some other interval specified in the relevant Final Terms. The date on which the interest rate resets and the reset rate becomes effective is called the Interest Reset Date. Except as otherwise specified in the relevant Final Terms, the Interest Reset Date will be as follows:

- for Floating Rate Notes that reset daily, each business day;
- for Floating Rate Notes that reset weekly and are not Treasury Rate Notes, the Wednesday of each week;
- for Treasury Rate Notes that reset weekly, the Tuesday of each week, except as otherwise described in the next to last paragraph under “-Interest Determination Dates” below;
- for Floating Rate Notes that reset monthly and are not Eleventh District Cost of Funds Rate Notes, the third Wednesday of each month;
- for Eleventh District Cost of Fund Rate Notes that reset monthly, the first calendar day of each month;
- for Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for Floating Rate Notes that reset semi-annually, the third Wednesday of each of two months of each year as specified in the relevant Final Terms; and
- for Floating Rate Notes that reset annually, the third Wednesday of one month of each year as specified in the relevant Final Terms.

For a Floating Rate Note, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest Interest Reset Date that occurs on or before that day. There are several exceptions, however, to the reset provisions described above.

The Base Rate in effect from the issue date to the first Interest Reset Date will be the Initial Base Rate. For Floating Rate Notes that reset daily or weekly, the Base Rate in effect for each day following the second business day before an interest payment date to, but excluding, the interest payment date, and for each day following the second business day before the maturity date to, but excluding, the maturity date, will be the Base Rate in effect on that second business day.

If any Interest Reset Date for a Floating Rate Note would otherwise be a day that is not a business day, the Interest Reset Date will be postponed to the next day that is a business day. For a EURIBOR or LIBOR Note, however, if that business day is in the next succeeding calendar month, the Interest Reset Date will be the immediately preceding business day.

Interest Determination Dates. The interest rate that takes effect on an Interest Reset Date will be determined by the Calculation Agent by reference to a particular date called an “Interest Determination Date”. Except as otherwise specified in the relevant Final Terms:

- For all Floating Rate Notes other than Eleventh District Cost of Funds Rate Notes, LIBOR Notes, EURIBOR Notes, Treasury Rate Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second business day before the Interest Reset Date.
- For Eleventh District Cost of Funds Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the last working day in the first calendar month preceding that Interest Reset Date, on which the FHLB of San Francisco publishes the index (as defined herein). We refer to an Interest Determination Date for an Eleventh District Cost of Funds Rate Note as an “Eleventh District Cost of Funds Rate Note Interest Determination Date”.
- For LIBOR Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second London business day preceding the Interest Reset Date, unless the *index currency* is pounds sterling, in which

case the Interest Determination Date will be the Interest Reset Date. We refer to an Interest Determination Date for a LIBOR Note as a “LIBOR Interest Determination Date”.

- For EURIBOR Notes, the Interest Determination Date relating to a particular Interest Reset Date will be the second euro business day preceding the Interest Reset Date. We refer to an Interest Determination Date for a EURIBOR Note as a “EURIBOR Interest Determination Date”.
- For Treasury Rate Notes, the Interest Determination Date relating to a particular Interest Reset Date, which we refer to as a “Treasury Interest Determination Date”, will be the day of the week in which the Interest Reset Date falls on which Treasury Bills-*i.e.*, direct obligations of the U.S. government-would normally be auctioned. Treasury Bills are usually sold at auction on the Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that the auction may be held on the preceding Friday. If as the result of a legal holiday an auction is held on the preceding Friday, that Friday will be the Treasury Interest Determination Date relating to the Interest Reset Date occurring in the next succeeding week. If the auction is held on a day that would otherwise be an Interest Reset Date, then the Interest Reset Date will instead be the first business day following the auction date.
- For Australian Bank Bill Rate Notes and New Zealand Bank Bill Rate Notes, the Interest Determination Date will be the same day as the Interest Reset Date.

The “Interest Determination Date” pertaining to a Floating Rate Note, the interest rate of which is determined by reference to two or more Base Rates, will be the most recent business day which is at least two business days prior to the applicable Interest Reset Date for such Floating Rate Note on which each Base Rate is determinable. Each Base Rate will be determined as of such date, and the applicable interest rate will take effect on the applicable Interest Reset Date.

Interest Calculation Dates. As described above, the interest rate that takes effect on a particular Interest Reset Date will be determined by reference to the corresponding Interest Determination Date. Except for LIBOR Notes, EURIBOR Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes, however, the determination of the rate will actually be made on a day no later than the corresponding interest calculation date. The interest calculation date will be the earlier of the following:

- the tenth calendar day after the Interest Determination Date or, if that tenth calendar day is not a business day, the next succeeding business day; and
- the business day immediately preceding the interest payment date or the maturity date, whichever is the day on which the next payment of interest will be due.

The Calculation Agent need not wait until the relevant interest calculation date to determine the interest rate if the rate information it needs to make the determination is available from the relevant sources sooner.

Interest Payment Dates. The interest payment dates for a Floating Rate Note will depend on when the interest rate is reset and, unless we specify otherwise in the relevant Final Terms, will be as follows:

- for Floating Rate Notes that reset daily, weekly or monthly, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified in the relevant Final Terms;
- for Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year;
- for Floating Rate Notes that reset semi-annually, the third Wednesday of the two months of each year specified in the relevant Final Terms; or
- for Floating Rate Notes that reset annually, the third Wednesday of the month specified in the relevant Final Terms.

Regardless of these rules, if a Note is originally issued after the Regular Record Date (as defined herein) and before the date that would otherwise be the first interest payment date, the first interest payment date will be the date that would otherwise be the second interest payment date.

If any interest payment date other than the maturity date for any Floating Rate Note would otherwise be a day that is not a business day, that interest payment date will be postponed to the next succeeding business day, except that in the case of a LIBOR Note or a EURIBOR Note where that business day falls in the next succeeding calendar month, that interest payment date will be the immediately preceding business day. If the maturity date of a Floating Rate Note falls on a day that is not a business day, the required payment of principal, premium and interest will be made on the next succeeding business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the maturity date to the date of that payment on the next succeeding business day.

Calculation of interest. Calculations relating to Floating Rate Notes will be made by the “Calculation Agent”, an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as ANZBGL. The relevant Final Terms for a particular Floating Rate Note will name the institution that we have appointed to act as the Calculation Agent for that Note as of its issue date. We have initially appointed The Bank of New York Mellon as our Calculation Agent for any Floating Rate Notes. We may appoint a different institution to serve as Calculation Agent from time to time after the issue date of the Note without your consent and without notifying you of the change.

For each Floating Rate Note, the Calculation Agent will determine, on or before the corresponding interest calculation or determination date, the interest rate that takes effect on each Interest Reset Date. In addition, the Calculation Agent will calculate the amount of interest that has accrued during each interest period—i.e., the period from and including the issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the Calculation Agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the Floating Rate Note by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be calculated by dividing the interest rate, expressed as a decimal, applicable to that day by the following:

- 360, in the case of Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, Eleventh District Cost of Funds Rate Notes, EURIBOR Notes, CD Rate Notes and Federal Funds Rate Notes; or
- the actual number of days in the year, in the case of Treasury Rate Notes, CMT Rate Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes.

Unless otherwise specified in your Final Terms, the interest factor for Floating Rate Notes whose interest rate is calculated by reference to two or more Base Rates will be calculated in each period in the same manner as if only one of the applicable Base Rates applied as specified in the applicable Note and any relevant Final Terms.

Upon the request of the Holder of any Floating Rate Note, the Calculation Agent will provide for that Note the interest rate then in effect and, if determined, the interest rate that will become effective on the next Interest Reset Date. The Calculation Agent’s determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a Note will be rounded upward or downward, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one millionths of a percentage point rounded upward, e.g., 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a Floating Rate Note will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the Base Rate that applies to a Floating Rate Note during a particular interest period, the Calculation Agent may obtain rate quotes from various banks or dealers active in the relevant market. Those reference banks and dealers may include the Calculation Agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant Floating Rate Notes and its affiliates, and they may include affiliates of ANZ National.

Commercial Paper Rate Notes

If you purchase a Commercial Paper Rate Note, your Note will bear interest at a Base Rate equal to the Commercial Paper Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Commercial Paper Rate for each interest period will be the Money Market Yield of the rate for the relevant Interest Determination Date and for commercial paper having the Index Maturity specified in the applicable Final Terms, as published in H.15(519) under the heading “Commercial Paper-Financial”. If the Commercial Paper Rate cannot be determined as described above, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the Commercial Paper Rate will be the rate, for the relevant Interest Determination Date, for commercial paper having the Index Maturity specified in the applicable Final Terms, as published in H.15 daily update or any other recognized electronic source used for displaying that rate, in each case, under the heading “Commercial Paper-Financial”.
- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the Commercial Paper Rate will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the following offered rates for U.S. dollar commercial paper that has the relevant Index Maturity and is placed for an industrial issuer whose bond rating is “AA”, or the equivalent, from a nationally recognized rating agency: the rates offered as of 11:00 A.M., New York City time, on the relevant Interest Determination Date, by three leading U.S. dollar commercial paper dealers in New York City selected by the Calculation Agent.
- If fewer than three dealers selected by the Calculation Agent are quoting as described above, the Commercial Paper Rate for the new interest period will be the Commercial Paper Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, it will remain in effect for the new interest period.

Prime Rate Notes

If you purchase a Prime Rate Note, your Note will bear interest at a Base Rate equal to the Prime Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. The Prime Rate for each interest period will be the rate, for the relevant Interest Determination Date, published in H.15(519) under the heading “Bank Prime Loan”. If the Prime Rate cannot be determined as described above, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from that source at that time, then the Prime Rate will be the rate, for the relevant Interest Determination Date, as published in H.15 daily update, or another recognized electronic source used for the purpose of displaying that rate, in each case, under the heading “Bank Prime Loan”.
- If the rate described above does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date, unless the calculation is made earlier and the rate is available from one of those sources at that time, then the Prime Rate will be the arithmetic mean, as determined by the Calculation Agent, of the following rates as they appear on the Reuters Page US PRIME1: the rate of interest publicly announced by each bank appearing on that page as that bank’s prime rate or base lending rate, as of 11:00 A.M., New York City time, on the relevant Interest Determination Date.
- If fewer than four of these rates appear on the Reuters Page US PRIME1, the Prime Rate will be the arithmetic mean of the prime rates or base lending rates, as of the close of business on the relevant Interest Determination Date, of three major banks in New York City selected by the Calculation Agent. For this purpose, the

Calculation Agent will use rates quoted on the basis of the actual number of days in the year divided by a 360-day year.

- If fewer than three banks selected by the Calculation Agent are quoting as described above, the Prime Rate for the new interest period will be the Prime Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, it will remain in effect for the new interest period.

LIBOR Notes

If you purchase a LIBOR Note, your Note will bear interest at a Base Rate equal to LIBOR for deposits in U.S. dollars or any other index currency, as specified in the applicable Final Terms. In addition, the applicable LIBOR Base Rate will be adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. LIBOR will be determined in the following manner:

- LIBOR will be the offered rate appearing on the Designated LIBOR Page, as of 11:00 A.M., London time, on the relevant LIBOR Interest Determination Date, for deposits of the relevant index currency having the relevant Index Maturity beginning on the relevant Interest Reset Date. The applicable Final Terms will indicate the index currency, the Index Maturity, and the Designated LIBOR Page that apply to your LIBOR Note.
- If no such rate appears on the Designated LIBOR Page, then LIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., London time, on the relevant LIBOR Interest Determination Date, at which deposits of the following kind are offered to prime banks in the London interbank market by four major banks in that market selected by the Calculation Agent: deposits of the index currency having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount. The Calculation Agent will request the principal London office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, LIBOR for the relevant LIBOR Interest Determination Date will be the arithmetic mean of the quotations.
- If fewer than two quotations are provided as described in the prior paragraph, LIBOR for the relevant LIBOR Interest Determination Date will be the arithmetic mean of the rates for loans of the following kind to leading European banks quoted, at approximately 11:00 A.M., in the principal financial center, on that LIBOR Interest Determination Date, by three major banks in that financial center selected by the Calculation Agent: loans of the index currency having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount.
- If fewer than three banks selected by the Calculation Agent are quoting as described in the prior paragraph, LIBOR for the new interest period will be LIBOR in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

EURIBOR Notes

If you purchase a EURIBOR Note, your Note will bear interest at a Base Rate equal to the interest rate for deposits in euros designated as “EURIBOR” and sponsored jointly by the European Banking Federation and ACI-the Financial Market Association (or any company established by the joint sponsors for purposes of compiling and publishing that rate). In addition, the EURIBOR Base Rate will be adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms. EURIBOR will be determined in the following manner:

- EURIBOR will be the offered rate for deposits in euros having the Index Maturity specified in the applicable Final Terms, beginning on the relevant Interest Reset Date, as that rate appears on Reuters Page EURIBOR01 as of 11:00 A.M., Brussels time, on the relevant EURIBOR Interest Determination Date.
- If the rate described in the prior paragraph does not appear on Reuters Page EURIBOR01, EURIBOR will be determined on the basis of the rates, at approximately 11:00 A.M., Brussels time, on the relevant EURIBOR Interest Determination Date, at which deposits of the following kind are offered to prime banks in the euro-zone interbank market by the principal euro-zone office of each of four major banks in that market selected by the Calculation Agent: euro deposits having the relevant Index Maturity, beginning on the relevant Interest Reset

Date, and in a representative amount. The Calculation Agent will request the principal euro-zone office of each of these banks to provide a quotation of its rate. If at least two quotations are provided, EURIBOR for the relevant EURIBOR Interest Determination Date will be the arithmetic mean of the quotations.

- If fewer than two quotations are provided as described in the prior paragraph, EURIBOR for the relevant EURIBOR Interest Determination Date will be the arithmetic mean of the rates for loans of the following kind to leading euro-zone banks quoted, at approximately 11:00 A.M., Brussels time on that EURIBOR Interest Determination Date, by four major banks in the euro-zone selected by the Calculation Agent: loans of euros having the relevant Index Maturity, beginning on the relevant Interest Reset Date, and in a representative amount.
- If fewer than four banks selected by the Calculation Agent are quoting as described in the prior paragraph, EURIBOR for the new interest period will be EURIBOR in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Treasury Rate Notes

If you purchase a Treasury Rate Note, your Note will bear interest at a Base Rate equal to the Treasury Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

Unless the applicable Final Terms specifies otherwise, “Treasury Rate” means the rate for the auction held on the Interest Determination Date of direct obligations of the United States (Treasury Bills) having the Index Maturity specified in the applicable Final Terms as that rate appears on Reuters Page US AUCTION10 or Reuters Page US AUCTION11 under the heading “INVEST RATE”.

If the Treasury Rate cannot be determined in the manner described in the prior paragraph, the following procedures will apply:

- If the rate described above does not appear on either page by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), the Treasury Rate will be the ***bond equivalent yield*** of the auction rate, for the relevant Interest Determination Date and for treasury bills of the kind described above, as announced by the U.S. Department of the Treasury.
- If the auction rate described in the prior paragraph is not so announced by 3:00 P.M., New York City time, on the relevant interest calculation date, or if no such auction is held for the relevant week, then the Treasury Rate will be the bond equivalent yield of the rate, for the relevant Interest Determination Date and for treasury bills having a remaining maturity closest to the specified Index Maturity, as published in H.15(519) under the heading “U.S. government securities/Treasury bills/secondary market”.
- If the rate described in the prior paragraph does not appear in H.15(519) by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the Treasury Rate will be the rate, for the relevant Interest Determination Date and for treasury bills having a remaining maturity closest to the specified Index Maturity, as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “U.S. government securities/Treasury bills/secondary market”.
- If the rate described in the prior paragraph does not appear in H.15 daily update, H.15(519) or another recognized electronic source by 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Treasury Rate will be the bond equivalent yield of the arithmetic mean of the following secondary market bid rates for the issue of treasury bills with a remaining maturity closest to the specified Index Maturity: the rates bid as of approximately 3:30 P.M., New York City time, on the relevant Interest Determination Date, by three primary U.S. government securities dealers in New York City selected by the Calculation Agent.

- If fewer than three dealers selected by the Calculation Agent are quoting as described in the prior paragraph, the Treasury Rate in effect for the new interest period will be the Treasury Rate in effect for the prior interest period. If the initial base rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CMT Rate Notes

If you purchase a CMT Rate Note, your Note will bear interest at a Base Rate equal to the CMT Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The CMT Rate will be any of the following rates displayed on the Designated CMT Reuters Page under the heading “. . . Treasury Constant Maturities . . .” for the designated CMT Index Maturity:

- if the Designated CMT Reuters Page is the Reuters Page FRBCMT, the rate for the relevant Interest Determination Date; or
- if the Designated CMT Reuters Page is the Reuters Page FEDCMT, the weekly or monthly average, as specified in the applicable Final Terms, for the week that ends immediately before the week in which the relevant Interest Determination Date falls, or for the month that ends immediately before the month in which the relevant Interest Determination Date falls, as applicable.

If the CMT Rate cannot be determined in this manner, the following procedures will apply.

- If the applicable rate described above is not displayed on the relevant Designated CMT Reuters Page at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the CMT Rate will be the applicable treasury constant maturity rate described above-*i.e.*, for the designated CMT Index Maturity and for either the relevant Interest Determination Date or the weekly or monthly average, as applicable-as published in H.15(519) under the heading “Treasury Constant Maturities”.
- If the applicable rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury Rate, for the designated CMT Index Maturity and with reference to the relevant Interest Determination Date, that:
 - is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury, and
 - is determined by the Calculation Agent to be comparable to the applicable rate formerly displayed on the Designated CMT Reuters Page and published in H.15(519).
- If the rate described in the prior paragraph does not appear at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), then the CMT Rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for the most recently issued Treasury Notes (as defined below) having an original maturity of approximately the designated CMT Index Maturity and a remaining term to maturity of not less than the designated CMT Index Maturity minus one year, and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant Interest Determination Date, of three primary U.S. government securities dealers in New York City selected by the Calculation Agent. In selecting these offered rates, the Calculation Agent will request quotations from five of these primary dealers and will disregard the highest quotation-or, if there is equality, one of the highest-and the lowest quotation-or, if there is equality, one of the lowest. “Treasury Notes” are direct, non-callable, fixed rate obligations of the U.S. government.

- If the Calculation Agent is unable to obtain three quotations of the kind described in the prior paragraph, the CMT Rate will be the yield to maturity of the arithmetic mean of the following secondary market offered rates for Treasury Notes with an original maturity longer than the designated CMT Index Maturity, with a remaining term to maturity closest to the designated CMT Index Maturity and in a representative amount: the offered rates, as of approximately 3:30 P.M., New York City time, on the relevant Interest Determination Date, of three primary U.S. government securities dealers in New York City selected by the Calculation Agent. In selecting these offered rates, the Calculation Agent will request quotations from five of these primary dealers and will disregard the highest quotation-or, if there is equality, one of the highest-and the lowest quotation-or, if there is equality, one of the lowest. If two Treasury Notes with an original maturity longer than the designated CMT Index Maturity have remaining terms to maturity that are equally close to the designated CMT Index Maturity, the Calculation Agent will obtain quotations for the Treasury Note with the shorter remaining term to maturity.
- If fewer than five but more than two of these primary dealers are quoting as described in each of the prior two paragraphs, then the CMT Rate for the relevant Interest Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.
- If two or fewer primary dealers selected by the Calculation Agent are quoting as described in the prior paragraph, the CMT Rate in effect for the new interest period will be the CMT Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

CD Rate Notes

If you purchase a CD Rate Note, your Note will bear interest at a Base Rate equal to the CD Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The CD Rate will be the rate, for the relevant Interest Determination Date, for negotiable U.S. dollar certificates of deposit having the Index Maturity specified in the applicable Final Terms, as published in H.15(519) under the heading “CDs (Secondary Market)”. If the CD Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above does not appear in H.15(519) at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the CD Rate will be the rate, for the relevant Interest Determination Date, described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “CDs (Secondary Market)”.
- If the rate described in the prior paragraph does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the CD Rate will be the arithmetic mean of the following secondary market offered rates for negotiable U.S. dollar certificates of deposit of major U.S. money center banks with a remaining maturity closest to the specified Index Maturity, and in a representative amount: the rates offered as of 10:00 A.M., New York City time, on the relevant Interest Determination Date, by three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City, as selected by the Calculation Agent.
- If fewer than three dealers selected by the Calculation Agent are quoting as described in the prior paragraph, the CD Rate in effect for the new interest period will be the CD Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Federal Funds Rate Notes

If you purchase a Federal Funds Rate Note, your Note will bear interest at a Base Rate equal to the Federal Funds Rate and adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Federal Funds Rate will be the rate for U.S. dollar federal funds for the relevant Interest Determination Date, as published in H.15(519) opposite the heading “Federal Funds (Effective)”, as that rate is displayed on Reuters Page FEDFUNDS1 under the heading “EFFECT”. If the Federal Funds Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above is not displayed on Reuters Page FEDFUNDS1 at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from that source at that time), then the Federal Funds Rate, for the relevant Interest Determination Date, will be the rate described above as published in H.15 daily update, or another recognized electronic source used for displaying that rate, under the heading “Federal funds (effective)”.
- If the rate described in the prior paragraph is not displayed on Reuters Page FEDFUNDS1 and does not appear in H.15(519), H.15 daily update or another recognized electronic source at 3:00 P.M., New York City time, on the relevant interest calculation date (unless the calculation is made earlier and the rate is available from one of those sources at that time), the Federal Funds Rate will be the arithmetic mean of the rates for the last transaction in overnight, U.S. dollar federal funds arranged, before 9:00 A.M., New York City time, on the relevant Interest Determination Date, by three leading brokers of U.S. dollar federal funds transactions in New York City selected by the Calculation Agent.
- If fewer than three brokers selected by the Calculation Agent are quoting as described in the prior paragraph, the Federal Funds Rate in effect for the new interest period will be the Federal Funds Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Eleventh District Cost of Funds Rate Notes

If you purchase an Eleventh District Cost of Funds Rate Note, your Note will bear interest at a Base Rate equal to the Eleventh District Cost of Funds Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Eleventh District Cost of Funds Rate will be the rate equal to the monthly weighted average cost of funds for the calendar month immediately before the month in which the relevant Eleventh District Cost of Funds Rate Interest Determination Date falls, as that rate appears on Reuters Page COFI/ARMS under the heading “11th Dist COFI:” as of 11:00 A.M., San Francisco time, on that date. If the Eleventh District Cost of Funds Rate cannot be determined in this manner, the following procedures will apply.

- If the rate described above does not appear on Reuters Page COFI/ARMS on the relevant Interest Determination Date, then the Eleventh District Cost of Funds Rate for that date will be the monthly weighted average cost of funds paid by institutions that are members of the Eleventh Federal Home Loan Bank District for the calendar month immediately before the month in which the relevant Interest Determination Date falls, as most recently announced by the FHLB of San Francisco as that cost of funds.
- If the FHLB of San Francisco fails to announce the cost of funds described in the prior paragraph on or before the relevant Interest Determination Date, the Eleventh District Cost of Funds Rate in effect for the new interest period will be the Eleventh District Cost of Funds Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Australian Bank Bill Rate Notes

If you purchase an Australian Bank Bill Rate Note, your Note will bear interest at a Base Rate equal to the Australian BBSW Rate as adjusted by the Spread or Spread Multiplier, if any, specified in the applicable Final Terms.

The Australian Bank Bill Rate will be determined by the Calculation Agent on the relevant Interest Determination Date by taking the rates quoted on the Reuters Page BBSW at approximately 10:15 A.M., Sydney time, on the relevant Interest Determination Date. If the Australian Bank Bill Rate cannot be determined in this manner, the following procedures will apply.

- If the rate does not appear on the Reuters Page BBSW, at approximately 10:15 A.M., Sydney time, on the relevant Interest Determination Date, then the Australian Bank Bill Rate, for that Interest Determination Date, will be determined by the Calculation Agent by taking the mean buying and selling rates for a bill (which for the purpose of this definition means a bill of exchange of the type specified for the purpose of quoting on the Reuters Page BBSW) having a tenor of the Index Maturity specified in the applicable Final Terms, quoted at approximately 10:15 A.M., Sydney time, on the Interest Determination Date by five major financial institutions in the Australian market authorized to quote on the Reuters Page BBSW selected by the Calculation Agent on application by the Calculation Agent, eliminating the highest and the lowest mean rates and taking the arithmetic mean of the remaining mean rates and then, if necessary, rounding the resulting figure upwards to four decimal places.
- If the financial institutions selected by the Calculation Agent are not quoting as described above, the Australian Bank Bill Rate in effect for the new interest period will be the Australian Bank Bill Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

New Zealand Bank Bill Rate Notes

If you purchase a New Zealand Bank Bill Rate Note, your Note will bear interest at a Base Rate equal to the New Zealand Bank Bill Rate as adjusted by the Spread or Spread Multiplier, if any, specified in your Final Terms.

The New Zealand Bank Bill Rate will be determined by the Calculation Agent on the relevant Interest Determination Date by taking the FRA settlement rate quoted on the Reuters Page BKBM as of 10:45 A.M., Wellington time for bank accepted bills of exchange (as defined in the Bills of Exchange Act 1908, New Zealand) having a term equal to the Index Maturity specified in your Final Terms. If the New Zealand Bank Bill Rate cannot be determined in this manner, the following procedures will apply:

- If the FRA settlement rate does not appear on the Reuters Page BKBM, as of 10:45 A.M., Wellington time, on the relevant Interest Determination Date, then the New Zealand Bank Bill Rate for that Interest Determination Date, will be determined by the Calculation Agent by taking the mean buying and selling rates for bank accepted bills of exchange (as defined in the Bills of Exchange Act 1908, New Zealand) having a term equal to the Index Maturity specified in your Final Terms, quoted to the Calculation Agent at approximately 10:45 A.M., Wellington time, on the Interest Reset Date by four major financial institutions in the New Zealand market authorized to quote on the Reuters Page BKBM selected by the Calculation Agent, eliminating the highest and the lowest mean rates and taking the arithmetic mean of the remaining mean rates and then, if necessary, rounding the resulting figure upwards to four decimal places.
- If the financial institutions selected by the Calculation Agent are not quoting as described above, the New Zealand Bank Bill Rate in effect for the new interest period will be the New Zealand Bank Bill Rate in effect for the prior interest period. If the Initial Base Rate has been in effect for the prior interest period, however, it will remain in effect for the new interest period.

Special Rate Calculation Terms

In this subsection entitled “-Interest rates”, we use several terms that have special meanings relevant to calculating floating interest rates. We describe these terms as follows:

The term “***bond equivalent yield***” means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{bond equivalent yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where

- “D” means the annual rate for Treasury Bills quoted on a bank discount basis and expressed as a decimal;

- “N” means 365 or 366, as the case may be; and
- “M” means the actual number of days in the applicable interest reset period.

The term “**business day**” means, for any Note, unless otherwise specified in the applicable Final Terms, a day that meets all of the following applicable requirements:

- for all Notes, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in The City of New York, the City of Wellington, New Zealand, the City of Auckland, New Zealand or the City of London generally are authorized or obligated by law, regulation or executive order to close;
- if the Note is a LIBOR Note, is also a London business day;
- if the Note has a Specified Currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the *principal financial center* of the country issuing the Specified Currency;
- if the Note is a EURIBOR Note or has a Specified Currency of euros, or is a LIBOR Note for which the Index Currency is euros, is also a euro business day; and
- solely with respect to any payment or other action to be made or taken at any place of payment designated by us outside The City of New York, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in such place of payment generally are authorized or obligated by law, regulation or executive order to close.

The term “**Designated CMT Index Maturity**” means the Index Maturity for a CMT Rate Note and will be the original period to maturity of a U.S. Treasury security specified in the applicable Final Terms. If no such original maturity period is so specified, the designated CMT Index Maturity will be 2 years.

The term “**Designated CMT Reuters Page**” means the Reuters Page specified in the applicable Final Terms that displays treasury constant maturities as reported in H.15(519). If no Reuters Page is so specified, then the applicable page will be Reuters Page FEDCMT. If Reuters Page FEDCMT applies but the applicable Final Terms does not specify whether the weekly or monthly average applies, the weekly average will apply.

The term “**Designated LIBOR Page**” means the display on the Reuters 3000 Xtra Service, or any successor service, on the “LIBOR01” page or “LIBOR02” page, as specified in the applicable Final Terms, or any replacement page or pages on which London interbank rates of major banks for the relevant index currency are displayed.

The term “**euro business day**” means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer which utilizes a single shared platform and which was launched on November 19, 2007 (TARGET2) System, or any successor system, is open for business.

The term “**euro-zone**” means, at any time, the region comprised of the member states of the European Economic and Monetary Union that, as of that time, have adopted a single currency in accordance with the Treaty on European Union of February 1992.

“**FHLB of San Francisco**” means the Federal Home Loan Bank of San Francisco.

“**H.15(519)**” means “Statistical Release H.15(519), Selected Interest Rates,” or any successor publication as published weekly by the Board of Governors of the Federal Reserve System.

“**H.15 daily update**” means the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication.

The term “**index currency**” means, with respect to a LIBOR Note, the currency specified as such in the applicable Final Terms. The index currency may be U.S. dollars or any other currency, and will be U.S. dollars unless another currency is specified in the applicable Final Terms.

The term “**Index Maturity**” means, with respect to a Floating Rate Note, the period to maturity of the instrument or obligation on which the interest rate formula is based, as specified in the applicable Final Terms.

“**London business day**” means any day on which dealings in the relevant index currency are transacted in the London interbank market.

The term “**Money Market Yield**” means a yield expressed as a percentage and calculated in accordance with the following formula:

$$\text{money market yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where

- “D” means the annual rate for commercial paper quoted on a bank discount basis and expressed as a decimal; and
- “M” means the actual number of days in the relevant interest reset period.

The term “**principal financial center**” means (i) the capital city of the country issuing the Specified Currency in the applicable Note (which in the case of those countries whose currencies were replaced by the euro, will be Brussels, Belgium) or (ii) the capital city of the country to which the relevant index currency, if applicable, relates, except, in each case, with respect to United States dollars, euros, Australian dollars, Canadian dollars, New Zealand dollars, South African rand and Swiss francs, the principal financial center will be The City of New York, London (solely in the case of the relevant LIBOR index currency), Sydney, Toronto, Auckland, Johannesburg and Zurich, respectively.

The term “**representative amount**” means an amount that, in the Calculation Agent’s judgment, is representative of a single transaction in the relevant market at the relevant time.

“**Reuters Page**” means the display on the Reuters 3000 Xtra Service, or any successor service, on the page or pages specified in this offering memorandum or the applicable Final Terms, or any replacement page or pages on that service.

“**Reuters Page BBSW**” means the display on the Reuters Page designated as “BBSW” or any replacement page or pages on which quotations for Australian bank accepted bills of exchange are displayed.

“**Reuters Page BKBM**” means the display on the Reuters Page designated as “BKBM” or any replacement page or pages on which quotations for New Zealand bank accepted bills of exchange (as defined in the Bills Exchange Act 1908, New Zealand) are displayed.

“**Reuters Page COFI/ARMS**” means the display on the Reuters Page designated as “COFI/ARMS” or any replacement page or pages on that service for the purpose of displaying such a rate.

“**Reuters Page EURIBOR01**” means the display on the Reuters Page designated as “EURIBOR01” or any replacement page or pages on which **euro-zone** interbank rates of major banks for euro are displayed.

“**Reuters Page FEDFUNDS1**” means the display on the Reuters Page designated as “FEDFUNDS1” or any replacement page or pages.

“**Reuters Page FEDCMT**” means the display on the Reuters Page designated as “FEDCMT” or any replacement page or pages.

“**Reuters Page FRBCMT**” means the display on the Reuters Page designated “FRBCMT” or any replacement page or pages.

“Reuters Page US AUCTION10” means the display on the Reuters Page designated as “US AUCTION10” or any replacement page or pages.

“Reuters Page US AUCTION11” means the display on the Reuters Page designated as “US AUCTION11” or any replacement page or pages.

“Reuters Page US PRIME1” means the display on the Reuters Page designated as “US PRIME1” or any replacement page or pages on which prime rates or base lending rates of major U.S. banks are displayed.

If, when we use the terms Designated CMT Reuters Page, Designated LIBOR Reuters Page, H.15(519), H.15 daily update, Reuters Page FEDFUNDS1, Reuters Page US AUCTION10, Reuters Page US AUCTION11, Reuters Page COFI/ARMS Reuters Page BKBM or Reuters Page BBSW, we refer to a particular heading or headings on any of those pages, those references include any successor or replacement heading or headings as determined by the Calculation Agent.

Payment of additional amounts

We will make all payments in respect of the Notes to all Holders of such Notes without withholding or deduction for, or on account of, any taxes, assessments or other governmental charges (“relevant tax”) imposed or levied by or on behalf of New Zealand or, in the case of the ANZNIL Notes, the United Kingdom or any political subdivision or authority in or of either of the foregoing jurisdictions or any other jurisdiction where the payor is domiciled or has a principal place of business (each a “relevant jurisdiction”) unless the withholding or deduction is required by law. In that event, we will pay such additional amounts as may be necessary so that the net amount received by the Holder of the Notes, after such withholding or deduction, will equal the amount that the Holder would have received in respect of the Notes without such withholding or deduction. However, we will pay no additional amounts:

- to the extent that the relevant tax is New Zealand tax and is imposed on a Holder who is not a New Zealand Alien (as defined herein);
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having some connection (whether present, past or future) with a relevant jurisdiction, other than mere receipt of such payment or being a Holder, or the beneficial owner, of the Notes;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes not complying with any statutory requirements or not presenting any form or certificate or not having made a declaration of non-residence in, or lack of connection with, a relevant jurisdiction or any similar claim for exemption, if the relevant Issuer or its agent has provided the Holder, or the beneficial owner, of the Notes with at least 60 days’ prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented for payment more than 30 days after the date on which the payment in respect of the Notes first became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- to the extent that the relevant tax is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented the Notes, where the Holder, or beneficial owner, of the Notes would be able to avoid such withholding or deduction by presenting the Notes to another Paying Agent in a Member State of the European Union;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented the Notes for payment in a relevant jurisdiction, unless the Notes could not have been presented for payment elsewhere; or

- to the extent any combination of the above applies.

In addition, we will pay no additional amounts to any Holder who is a New Zealand Alien and who is a fiduciary or partnership or person other than the sole beneficial owner of the payment in respect of the Notes to the extent such payment would, under the laws of a relevant jurisdiction, be treated as being derived or received for tax purposes by a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to additional amounts had it been the Holder of the Notes.

The term “New Zealand Alien” means a registered Holder who is not resident in New Zealand for the purposes of the Income Tax Act 2007 and who does not engage in business in New Zealand through a fixed establishment (as defined in the Income Tax Act 2007 in New Zealand).

Whenever we refer in this Offering Memorandum or any Final Terms, in any context, to the payment of the principal of, or any premium or interest on, any Note or the net proceeds received on the sale or exchange of any Note, we mean to include the payment of additional amounts to the extent that, in that context, additional amounts are, were or would be payable.

Redemption and repayment

Unless otherwise indicated in your Final Terms, your Note will not be entitled to the benefit of any sinking fund, that is, we will not deposit money on a regular basis into any separate custodial account to repay your Note. In addition, we will not be entitled to redeem your Note before its stated maturity unless your Final Terms specifies a redemption commencement date. You will not be entitled to require us to buy your Note from you, before its stated maturity, unless your Final Terms specifies one or more repayment dates.

If your Final Terms specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your Note. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of Notes during those periods will apply.

If your Final Terms specify a redemption commencement date, your Note will be redeemable at our option at any time on or after that date or at a specified time or times. If we redeem your Note, we will do so at the specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your Note is redeemed.

If your Final Terms specifies a repayment date, your Note will be repayable at the Holder’s option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any Note, we will give to the Holder written notice of the principal amount of the Note to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date. If we choose to redeem a Tranche in part, the Fiscal Agent will select the Notes that will be redeemed by such usual method as it deems fair and appropriate. We will give the notice in the manner described below in “-Notices”.

If a Note represented by a Global Note is subject to repayment at the Holder’s option, the Depositary or its nominee, as the Holder, will be the only person that can exercise the right to repayment. Any indirect owners who own beneficial interests in the Global Note and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the Depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the Depositary before the applicable deadline for exercise.

Street name and other indirect owners should contact their banks or brokers for information about how to exercise a repayment right in a timely manner. We or our affiliates may purchase Notes from investors who are willing to sell from time to time in private transactions at negotiated prices. Notes that we or they purchase may, at our discretion, be held, resold or canceled.

Redemption for taxation reasons

We will have the right to redeem a Tranche in whole, but not in part, at any time following the occurrence of a Tax Event (as defined herein); provided, however, that, if at the time there is available to us the opportunity to eliminate the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that in our sole judgement has or will cause no adverse effect on us or any of our subsidiaries or affiliates and will involve no material cost, we will pursue that measure in lieu of redemption. We may not deliver a notice of redemption earlier than 90 days before the earliest date on which ANZ National or ANZNIL would be obligated to pay any additional amounts (if a payment in respect of a Note was due on this date), and we may only deliver a notice of redemption if our obligation to pay additional amounts remains in effect. “Tax Event” means that there has been:

- an amendment to, change in or announced proposed change in the laws or regulations under the laws of a relevant jurisdiction;
- a judicial decision interpreting, applying or clarifying those laws or regulations; or
- an administrative pronouncement or action that represents an official position, including a clarification of an official position, of the governmental authority or regulatory body making the administrative pronouncement or taking any action,

which amendment or change is adopted or which proposed change, decision, pronouncement or action is announced or which action or clarification occurs on or after the issue date of the relevant Notes or, in the event the relevant Issuer or Guarantor of the Notes has merged, consolidated or sold substantially all of its assets after such date, the most recent effective date of such merger, consolidation or asset sale, following which any payment on a Tranche (or, in the case of the ANZNIL Notes, any payment on the Guarantee) is, or will be, subject to withholding or deduction in respect of any taxes, assessments or other governmental charges that did not apply prior to such amendment, change, proposed change, decision, pronouncement or action.

If we redeem Notes in these circumstances, the redemption price of each Note redeemed will be equal to 100% of the principal amount of such Note plus accrued and unpaid interest on such debt security to the date of redemption or any other amount as specified in the relevant Final Terms.

Mergers and similar transactions

We and ANZNIL are generally permitted to merge or consolidate with another corporation or other entity. We and ANZNIL are also permitted to sell our assets substantially as an entirety to another corporation or other entity. However, we or ANZNIL, as applicable, may not take any of these actions unless all the following conditions are met:

- If the successor entity in the transaction is not ANZ National or ANZNIL, as applicable, the successor entity must be organized as a corporation, partnership or trust and, unless the assumption occurs by operation of law, must expressly assume our obligations under the Notes and the Fiscal Agency Agreement with respect to the Notes. The successor entity may be organized under the laws of New Zealand, the United Kingdom, the United States or any State thereof, the District of Columbia or any other member country of the Organization for Economic Cooperation and Development;
- Immediately after the transaction, no default under the Notes has occurred and is continuing. For this purpose, “default under the Notes” means an Event of Default with respect to the Notes or any event that would be an Event of Default with respect to the Notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under “- Default, remedies and waiver of default”; and
- In the case of the successor entity, if such entity is not organized and validly existing under the laws of New Zealand or the United Kingdom, such successor entity shall expressly agree:
 - to indemnify each holder of the Notes against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such holder as a consequence of such consolidation, merger, conveyance, transfer or lease; and

- that all payments pursuant to the Notes shall be made without withholding or deduction for, on account of, any tax of whatever nature imposed or levied on behalf of the jurisdiction of organization of such successor entity, or any political subdivision or taxing authority thereof or therein, unless such tax is required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case such successor entity will pay such additional amounts in order that the net amounts received by the holders after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, subject to the same exceptions as would apply with respect to the payment by ANZ National or ANZNIL of additional amounts in respect of the Notes (substituting the jurisdiction of organization of such successor entity for New Zealand or the United Kingdom).

If the conditions described above are satisfied with respect to the Notes, and we deliver an officer's certificate and an opinion of counsel to that effect, we will not need to obtain the approval of the holders of the Notes in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control of ANZ National or ANZNIL, as applicable, but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets.

Also, if we or ANZNIL merge, consolidate or sell our assets substantially as an entirety and the successor is a non-New Zealand entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences relating to the Notes.

Covenant defeasance

Unless we say otherwise in the relevant Final Terms, the provisions for covenant defeasance described below apply to your Note. In general, we expect these provisions to apply to each Note that has a Specified Currency of U.S. dollars and is not a Floating Rate or Indexed Note.

Under current U.S. federal tax law, we can make a deposit and be released from any restrictive covenants relating to your Note that may be described in your Final Terms. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any Notes, the following conditions must be satisfied:

- We must deposit in trust for the benefit of all direct Holders of the Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash, in the written opinion of a nationally recognized firm of independent public accountants to make interest, principal and any other payments on the Notes on their various due dates.
- We must deliver to the defeasance trustee, who may be the Fiscal Agent, a legal opinion of counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing the Holders of Notes to be taxed on the Notes any differently than if we did not make the deposit and just repaid the Notes ourselves.

No Event of Default or event which with notice or lapse of time or both would become an Event of Default shall have occurred and be continuing on the date the deposit in trust described above is made.

The covenant defeasance must not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which we are a party or by which we are bound.

The covenant defeasance must not result in the trust described above constituting an investment company as defined in the Investment Company Act of 1940, as amended, or the trust must be qualified under that Act or exempt from regulation thereunder.

We must deliver to the defeasance trustee a certificate to the effect that the Notes, if then listed on any securities exchange, will not be delisted as a result of the deposit in trust described above.

We must deliver to the Fiscal Agent and the defeasance trustee a certificate and an opinion of counsel, each stating that all the conditions described above have been satisfied.

In addition, if we accomplish covenant defeasance with regard to your Note, any covenants that your Final Terms may state are applicable to your Note would no longer apply.

If we accomplish covenant defeasance on your Note, you can still look to us for repayment of your Note in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your Note became immediately due and payable, there may be a shortfall. Depending on the event causing the default, you may not be able to obtain payment of the shortfall.

Default, remedies and waiver of default

You will have special rights if an Event of Default with respect to your Note occurs and is continuing, as described in this subsection.

Events of Default

Unless your Final Terms say otherwise, when we refer to an Event of Default with respect to the Notes, we mean any of the following:

- We do not pay the principal or any premium on any Note on the due date;
- We do not pay interest on any Note within 30 days after the due date;
- We do not deposit a sinking fund payment with regard to any Note on the due date, but only if the payment is required under provisions described in the relevant Final Terms;
- We remain in breach of any covenant we make for the benefit of the relevant Notes, for 60 days after we receive written notice of default stating that we are in breach and requiring us to remedy the breach. The notice must be sent by the Fiscal Agent or the holders of at least 10% in principal amount of the Notes;
- In the case of ANZ National Notes, ANZ National or, in the case of ANZNIL Notes, either ANZNIL or ANZ National file for bankruptcy or other events of bankruptcy, insolvency or reorganization relating to either ANZ National or ANZNIL, as applicable, occur; or
- If the relevant Final Terms states that any additional Event of Default applies to the Notes, that Event of Default occurs.

Remedies if an Event of Default occurs

If an Event of Default has occurred with respect to any Note and has not been cured or waived, the Holder of the Note may, at its option, by written notice to the relevant Issuer and the Fiscal Agent, and, in the case of ANZNIL Notes, to ANZ National, declare the principal of that Note to be due and payable immediately.

Waiver of default

The holders of not less than 50% in principal amount of the Notes may waive a default for all Notes. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your Note, however, without the approval of the particular Holder of that Note.

Book-entry and other indirect owners should consult their banks or brokers for information on how to give notice or direction to or make a request of the Fiscal Agent and how to declare or cancel an acceleration of the maturity. Book-entry and other indirect owners are described below under “Legal Ownership and Book-Entry Issuance”.

Modification of the Fiscal Agency Agreement and waiver of covenants

There are three types of changes we can make to the Fiscal Agency Agreement and the Notes, and these changes may have U.S. federal tax consequences for Holders.

Changes requiring each Holder's approval

First, there are changes that cannot be made without the written consent or the affirmative vote or approval of each Holder affected by the change. Here is a list of those types of changes:

- change the due date for the payment of principal of, or premium, if any, or any installment of interest on any Note;
- reduce the principal amount of any Note, the portion of any principal amount that is payable upon acceleration of the maturity of the Note, the interest rate or any premium payable upon redemption;
- change the currency of any payment on a Note;
- change our obligation to pay additional amounts;
- shorten the period during which redemption of the Notes is not permitted or permit redemption during a period not previously permitted;
- change the place of payment on a Note;
- reduce the percentage of principal amount of the Notes outstanding necessary to modify, amend or supplement the Fiscal Agency Agreement or the Notes or to waive past defaults or future compliance;
- reduce the percentage of principal amount of the Notes outstanding required to adopt a resolution or the required quorum at any meeting of Holders of Notes at which a resolution is adopted; or
- change any provision in a Note with respect to redemption at the Holders' option in any manner adverse to the interests of any Holder of the Notes.

Changes not requiring approval

The second type of change does not require any approval by Holders. These changes are limited to curing any ambiguity or curing, correcting or supplementing any defective provision, or modifying the Fiscal Agency Agreement, the Guarantee or the Notes in any manner determined by us and the Fiscal Agent to be consistent with the Notes and the Guarantee and not adverse to the interest of any Holder.

Changes requiring majority approval

Any other change to the Fiscal Agency Agreement and the Notes would require the following approval:

- The written consent of the Holders of at least 50% of the aggregate principal amount of the Notes at the time outstanding; or
- The adoption of a resolution at a meeting at which a quorum of Holders is present by 50% of the aggregate principal amount of the Notes then outstanding represented at the meeting.

The same 50% approval would be required for us to obtain a waiver of any of our covenants in the Fiscal Agency Agreement. Our covenants include the promises we make about merging, which we describe above under “-Mergers and similar transactions”. If the Holders approve a waiver of a covenant, we will not have to comply with it.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the Notes at the time outstanding and, at any reconvened meeting adjourned for lack of a quorum, 25% of the aggregate principal amount of the Notes outstanding. For purposes of determining whether Holders of the aggregate principal amount of Notes required for any action or vote, or for any quorum, have taken the action or vote, or constitute a quorum, the principal amount of any particular Note may differ from its principal amount at stated maturity but will not exceed its stated face amount upon original issuance, in each case if and as indicated in the relevant Final Terms.

Unless otherwise indicated in the relevant Final Terms, we will be entitled to set any day as a record date for determining which Holders of book-entry Notes are entitled to make, take or give requests, demands, authorizations, directions, notices, consents, waivers or other action, or to vote on actions, authorized or permitted by the Fiscal Agency Agreement. In addition, record dates for any book-entry Note may be set in accordance with procedures established by the Depositary from time to time. Therefore, record dates for book-entry Notes may differ from those for other Notes. Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Fiscal Agency Agreement or any Notes or request a waiver.

Special rules for action by Holders

When Holders take any action under the Fiscal Agency Agreement, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the Fiscal Agent an instruction, we will apply the following rules.

Only outstanding Notes are eligible

Only Holders of outstanding Notes will be eligible to participate in any action by Holders. Also, we will count only outstanding Notes in determining whether the various percentage requirements for taking action have been met. For these purposes, a Note will not be “outstanding”:

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its Holder, money for its payment or redemption;
- if we have fully defeased it as described above under “-Covenant defeasance”; or
- if we or one of our affiliates, such as ANZBGL, is the owner.

Eligible principal amount of some Notes

In some situations, we may follow special rules in calculating the principal amount of a Note that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency increases over time or is not to be fixed until the maturity date.

For any Note of the kind described below, we will decide how much principal amount to attribute to the Note as follows:

- For an Original Issue Discount Note, we will use the principal amount that would be due and payable on the action date if the maturity of the Note were accelerated to that date because of a default;
- For a Note whose principal amount is not known, we will use any amount that we indicate in the relevant Final Terms for that Note. The principal amount of a Note may not be known, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date; or
- For Notes with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

Form, exchange and transfer of Notes

If any Notes cease to be issued in registered global form, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in your Final Terms, in denominations of US\$100,000, or greater (or the equivalent thereof in another currency or composite currency).

Holders may exchange their Notes for Notes of smaller denominations or combine them into fewer Notes of larger denominations, as long as the total principal amount is not changed. You may not exchange your Notes for Notes of a different series or having different terms, unless your Final Terms say you may.

Holders may exchange or transfer their Notes at the office of the Fiscal Agent. They may also replace lost, stolen, destroyed or mutilated Notes at that office. We have appointed the Fiscal Agent to act as our agent for registering Notes in the names of Holders and transferring and replacing Notes. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their Notes, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the Holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any Notes.

If we have designated additional transfer agents for your Note, they will be named in your Final Terms. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any Notes are redeemable and we redeem less than all those Notes, we may block the transfer or exchange of those Notes during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of Holders to prepare the mailing. We may also refuse to register transfers of or exchange any Note selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Note being partially redeemed.

If a Note is issued as a Global Note, only the Depositary-e.g., DTC, Euroclear and Clearstream, Luxembourg-will be entitled to transfer and exchange the Note as described in this subsection, because the Depositary will be the sole Holder of the Note.

The rules for exchange described above apply to exchange of Notes for other Notes of the same series and kind. If a Note is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the relevant Final Terms.

Payment mechanics for Notes

Who receives payment?

If interest is due on a Note on an interest payment date, we will pay the interest to the person in whose name the Note is registered at the close of business on the Regular Record Date relating to the interest payment date as described below under “- Payment and record dates for interest”. If interest is due at maturity, we will pay the interest to the person entitled to receive the principal of the Note. If principal or another amount besides interest is due on a Note at maturity, we will pay the amount to the Holder of the Note against surrender of the Note at a proper place of payment or, in the case of a Global Note, in accordance with the applicable policies of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg.

Payment and record dates for interest

Unless otherwise specified in your Final Terms, interest on any Fixed Rate Note will be payable annually or semiannually on the date or dates set forth in your Final Terms and at maturity. The Regular Record Date relating to an interest payment date for any Fixed Rate Note will also be set forth in your Final Terms. Unless otherwise specified in your Final Terms, the Regular Record Date relating to an interest payment date for any Floating Rate Note will be the 15th calendar day before that interest payment date. These record dates will apply regardless of whether a particular record date is a “business day”, as defined above. For the

purpose of determining the Holder at the close of business on a Regular Record Date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

How we will make payments due in U.S. dollars

We will follow the practice described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

Payments on Global Notes. We will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg. Under those policies, we will pay directly to the Depositary, or its nominee, and not to any indirect owners who own beneficial interests in the Global Note. An indirect owner's right to receive those payments will be governed by the rules and practices of the Depositary and its participants, as described below in the section entitled "Legal Ownership and Book-Entry Issuance-What is a Global Note?"

Payments on non-Global Notes. We will make payments on a Note in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the Holder at his or her address shown on the Fiscal Agent's records as of the close of business on the Regular Record Date. We will make all other payments by check at the Paying Agent described below, against surrender of the Note. All payments by check will be made in next-day funds-*i.e.*, funds that become available on the day after the check is cashed.

Alternatively, if a non-Global Note has a face amount of at least US\$5,000,000 and the Holder asks us to do so, we will pay any amount that becomes due on the Note by wire transfer of immediately available funds to an account at a bank in the City of New York on the due date. To request wire payment, the Holder must give the Paying Agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the Holder on the relevant Regular Record Date. In the case of any other payment, payment will be made only after the Note is surrendered to the Paying Agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Notes.

How we will make payments due in other currencies

We will follow the practice described in this subsection when paying amounts that are due in a Specified Currency other than U.S. dollars.

Payments on Global Notes. We will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depositary, which will be DTC, Euroclear or Clearstream, Luxembourg. Unless we specify otherwise in the relevant Final Terms, DTC will be the Depositary for all Notes in global form. We understand that DTC's policies, as currently in effect, are as follows.

Unless otherwise indicated in your Final Terms, if you are an indirect owner of Global Notes denominated in a Specified Currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and do so elect, you must notify the participant through which your interest in the Global Note is held of your election:

- on or before the applicable Regular Record Date, in the case of a payment of interest; or
- on or before the 16th day before the stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that Regular Record Date, in the case of a payment of interest, and on or before the 12th DTC business day before the stated maturity, or on the redemption or repayment date if your Note is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the Paying Agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the Paying Agent, on or before the dates noted above, the Paying Agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by the payee with a bank located in the country issuing the Specified Currency or in another jurisdiction acceptable to us and the Paying Agent.

If the foregoing steps are not properly completed, we expect DTC to inform the Paying Agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under “-Conversion to U.S. dollars”. We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect owners of a Global Note denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the Specified Currency.

Payments on non-Global Notes. Except as described in the last paragraph under this heading, we will make payments on Notes in non-global form in the applicable Specified Currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable Specified Currency at a bank designated by the Holder and is acceptable to us and the Fiscal Agent. To designate an account for wire payment, the Holder must give the Paying Agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the Holder on the Regular Record Date. In the case of any other payment, the payment will be made only after the Note is surrendered to the Paying Agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a Holder fails to give instructions as described above, we will notify the Holder at the address in the Fiscal Agent's records and will make the payment within five business days after the Holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the Fiscal Agency Agreement as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a Note in non-global form may be due in a Specified Currency other than U.S. dollars, we will make the payment in U.S. dollars if the Holder asks us to do so. To request U.S. dollar payment, the Holder must provide appropriate written notice to the Fiscal Agent at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person or entity who is the Holder on the Regular Record Date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Book-entry and other indirect owners of a Note with a Specified Currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the Specified Currency or in U.S. dollars.

Conversion to U.S. dollars. When we are asked by a Holder to make payments in U.S. dollars of an amount due in another currency, either on a Global Note or a non-Global Note as described above, the exchange rate agent described below will calculate the U.S. dollar amount the Holder receives in the exchange rate agent's discretion. A Holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency is not available. If we are obligated to make any payment in a Specified Currency other than U.S. dollars, and the Specified Currency or any successor currency is not available to us due to circumstances beyond our control-such as the imposition of exchange controls or a disruption in the currency markets-we will be entitled to satisfy our obligation to make the payment in that Specified Currency by making the payment in U.S. dollars, on the basis of the exchange rate determined by the exchange rate agent described below, in its discretion.

The foregoing will apply to any Note, whether in global or non-global form, and to any payment, including a payment at the maturity date. Any payment made under the circumstances and in a manner described above will not result in a default under any Note or the Fiscal Agency Agreement.

Exchange rate agent. If we issue a Note in a Specified Currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the Note is originally issued in the relevant Final Terms. We may select ANZBGL or another of our affiliates to perform this role. We may change the exchange rate agent from time to time after the issue date of the Note without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be in its sole discretion unless we state in this Offering Memorandum or the relevant Final Terms that any determination requires our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Payment when offices are closed

If any payment is due on a Note on a day that is not a business day, we will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the Fiscal Agency Agreement as if they were made on the original due date. Postponement of this kind will not result in a default under any Note or the Fiscal Agency Agreement. However, if any interest payment date, other than the one that falls on the maturity date for a EURIBOR Note or a LIBOR Note would otherwise fall on a day that is not a business day and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. The term business day has a special meaning, which we describe above under “-Interest rates-Floating Rate Notes-Special rate calculation terms”.

Paying Agents

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices Notes in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a “Paying Agent”. We may add, replace or terminate Paying Agents from time to time; provided that at all times there will be a Paying Agent in the Borough of Manhattan, The City of New York. We may also choose to act as our own Paying Agent. Initially, we have appointed the Fiscal Agent, at its corporate trust office in New York City, as the Paying Agent. In addition, for so long as any Notes are listed on the Official List and admitted to trading on the London Stock Exchange’s Regulated Market, we will maintain a Paying Agent with offices in the City of London, which we refer to as the “London Paying Agent”. We have initially appointed the Fiscal Agent, at its corporate trust office in the City of London, as the London Paying Agent. We must notify the Fiscal Agent of changes in the Paying Agents.

Unclaimed payments

Regardless of who acts as Paying Agent, all money paid by us to a Paying Agent that remains unclaimed at the end of two years after the amount is due to a Holder will be repaid to us. After that two-year period, the Holder may look only to us for payment and not to the Fiscal Agent, any other Paying Agent or anyone else.

Notices

Notices to be given to Holders of a Global Note will be given only to the Depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to Holders of Notes not in global form will be sent by mail to the respective addresses of the Holders as they appear in the Fiscal Agent’s records, and will be deemed given when mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder. Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

Our relationship with the Fiscal Agent

The Bank of New York Mellon is initially serving as the Fiscal Agent for the Notes issued under the Fiscal Agency Agreement. The Bank of New York Mellon has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, The Bank of New York Mellon serves as trustee or agent with regard to other debt obligations of ANZBGL.

Our relationship with the Supplemental Fiscal Agent

JPMorgan Chase Bank, National Association, is initially serving as the Supplemental Fiscal Agent for Extendible Notes issued under the Supplementary Fiscal Agency Agreement. JPMorgan Chase Bank, National Association, and its affiliates have provided banking and other services for us and our affiliates in the past and may do so in the future. Among other things, J.P. Morgan Securities Inc. acts as an Agent under the Distribution Agreement.

Prescription

There are no time limits affecting the validity of claims to interest and repayment of principal under the Notes.

Governing law

The Notes, the Guarantee and the Fiscal Agency Agreement are governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except that all matters governing authorization and execution of the Notes, the Guarantee and the Fiscal Agency Agreement by ANZ National or ANZNIL are governed by the laws of New Zealand. We have appointed Australia and New Zealand Banking Group Limited with its offices at 1177 Avenue of the Americas, New York, New York, 10036, United States, as our agent for service of process in The City of New York in connection with any action arising out of the sale of the Notes, the Guarantee or enforcement of the terms of the Fiscal Agency Agreement.

Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to Notes issued in global-i.e., book-entry-form. First, we describe the difference between legal ownership and indirect ownership of Notes. Then we describe special provisions that apply to Global Notes.

Who is the legal owner of a registered Note?

Each Note in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of Notes. We refer to those who have Notes registered in their own names, on the books that we or the Fiscal Agent or other agent maintain for this purpose, as the “Holders” of those Notes. These persons are the legal Holders of the Notes. We refer to those who, indirectly through others, own beneficial interests in Notes that are not registered in their own names as indirect owners of those Notes. As we discuss below, indirect owners are not legal Holders, and investors in Notes issued in book-entry form or in street name will be indirect owners.

Book-entry owners

We will issue each Note in book-entry form only. This means Notes will be represented by one or more Global Notes registered in the name of a financial institution that holds them as Depositary on behalf of other financial institutions that participate in the Depositary’s book-entry system. These participating institutions, in turn, hold beneficial interests in the Notes on behalf of themselves or their customers.

Under the Fiscal Agency Agreement, only the person in whose name a Note is registered is recognized as the Holder. Consequently, for Notes issued in global form, we will recognize only the Depositary as the Holder and we will make all payments on the Notes, including deliveries of any property other than cash, to the Depositary. The Depositary passes along the payments it receives to its participants, which, in turn, pass the payments along to their customers who are the beneficial owners. The Depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the Notes.

As a result, investors will not own Notes directly. Instead, they will own beneficial interests in a Global Note, through a bank, broker or other financial institution that participates in the Depositary’s book-entry system or holds an interest through a participant. As long as the Notes are issued in global form, investors will be indirect owners, and not Holders, of the Notes.

Street name owners

In the future, we may terminate a Global Note or issue Notes initially in non-global form. In these cases, investors may choose to hold their Notes in their own names or in street name. Notes held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those Notes through an account he or she maintains at that institution.

For Notes held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the Notes are registered as the Holders, and we will make all payments on those Notes, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so, not because they are obligated to do so under the terms of the Notes. Investors who hold Notes in street name will be indirect owners, not Holders, of those Notes.

Legal Holders

Our obligations, as well as the obligations of the Fiscal Agent under the Fiscal Agency Agreement and the obligations, if any, of any third parties employed by us or any other agent, run only to the Holders of the Notes. We do not have obligations to investors who hold beneficial interests in Global Notes, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a Note or has no choice because we are issuing the Notes only in global form.

For example, once we make a payment or give a notice to the Holder, we have no further responsibility for that payment or notice even if that Holder is required, under agreements with Depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the Holders for any purpose—e.g., to amend the Fiscal Agency Agreement or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the Fiscal Agency Agreement—we would seek the approval only from the Holders, and not the indirect owners, of the relevant Notes. Whether and how the Holders contact the indirect owners is up to the Holders.

When we refer to “you” in this Offering Memorandum, we mean those who invest in the Notes being offered by this Offering Memorandum, whether they are the Holders or only indirect owners of those Notes. When we refer to “your Notes” in this Offering Memorandum, we mean the Notes in which you will hold a direct or indirect interest.

Special considerations for indirect owners

If you hold Notes through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell Notes or to exchange or convert a Note for or into other property;
- how it would handle a request for the Holders’ consent, if ever required;
- whether and how you can instruct it to send you Notes registered in your own name so you can be a Holder, if that is permitted in the future;
- how it would exercise rights under the Notes if there were a default or other event triggering the need for Holders to act to protect their interests; and
- if the Notes are in book-entry form, how the Depositary’s rules and procedures will affect these matters.

What is a Global Note?

We will issue each Note in book-entry form only. Each Note issued in book-entry form will be represented by a Global Note that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any Note for this purpose is called the “Depositary” for that Note. A Note will usually have only one Depositary but it may have more.

A Global Note may represent one or any other number of individual Notes. Generally, all Notes represented by the same Global Note will have the same terms. A Global Note may not be transferred to or registered in the name of anyone other than the Depositary or its nominee or a successor to the Depositary or its nominee, unless special termination situations arise. We describe those situations below under “—Holder’s option to obtain a non-Global Note; special situations when a Global Note will be terminated”. As a result of these arrangements, the Depositary, or its nominee, will be the sole registered owner and Holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that, in turn, has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a Holder, but only an indirect owner of an interest in the Global Note.

If the relevant Final Terms indicate that the Note will be issued in global form only, then the Note will be represented by a Global Note at all times unless and until the Global Note is terminated. We describe the situations in which this can occur below under “—Holder’s option to obtain a non-Global Note; special situations when a Global Note will be terminated”. If termination occurs, we may issue the Notes through another book-entry clearing system or decide that the Notes may no longer be held through any book-entry clearing system.

Special considerations for Global Notes

As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of the Depositary and those of the investor's financial institution or other intermediary through which it holds its interest (*e.g.*, Euroclear or Clearstream, Luxembourg, if DTC is the Depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a Holder and instead deal only with the Depositary that holds the Global Note.

If Notes are issued only in the form of a Global Note, an investor should be aware of the following:

- An investor cannot cause the Notes to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the Notes, except in the special situations we describe below;
- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes, as we describe above under “-Who is the legal owner of a registered Note?”;
- An investor may not be able to sell interests in the Notes to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;
- An investor may not be able to pledge his or her interest in a Global Note in circumstances where certificates representing the Notes must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- The Depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a Global Note, and those policies may change from time to time. We and the Fiscal Agent will have no responsibility for any aspect of the Depositary's policies, actions or records of ownership interests in a Global Note. We and the Fiscal Agent also do not supervise the Depositary in any way;
- The Depositary will require that those who purchase and sell interests in a Global Note within its book-entry system use immediately available funds, and your broker or bank may require you to do so as well; and
- Financial institutions that participate in the Depositary's book-entry system and through which an investor holds its interest in the Global Notes, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes, and those policies may change from time to time. For example, if you hold an interest in a Global Note through Euroclear or Clearstream, Luxembourg when DTC is the Depositary, Euroclear or Clearstream, Luxembourg, as applicable, will require those who purchase and sell interests in that Global Note through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Delivery and form

Notes issued pursuant to Rule 144A initially will be represented by one or more Global Notes (collectively, the “Rule 144A Global Notes”). Notes issued in reliance on Regulation S initially will be represented by one or more Global Notes (collectively, the “Regulation S Global Notes”). Upon issuance, the Global Notes will be deposited with the Fiscal Agent as custodian for DTC, in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “— Exchanges among the Global Notes”.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Notes in the definitive form

except in the limited circumstances described below. See “— Holder’s option to obtain a non-Global Note; special situations when a Global Note will be terminated”.

Exchanges among the Global Notes

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note upon receipt by the Fiscal Agent of a written certificate in the form provided in the Fiscal Agency Agreement that such transfer is being made in accordance with Rule 904 of Regulation S.

Beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note upon receipt by the Fiscal Agent of a written certificate in the form provided in the Fiscal Agency Agreement that such transfer is being made in accordance with Rule 144A.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Notice to Purchasers”. In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream, Luxembourg), which may change from time to time.

Holder’s option to obtain a non-Global Note; special situations when a Global Note will be terminated

If we issue any of those Notes in book-entry form but we choose to give the beneficial owners of those Notes the right to obtain non-Global Notes, any beneficial owner entitled to obtain non-Global Notes may do so by following the applicable procedures of the Depositary, any transfer agent or registrar for that series and that owner’s bank, broker or other financial institution through which that owner holds its beneficial interest in the Notes. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a Global Note will be terminated and interests in it will be exchanged for certificates in non-global form representing the Notes it represented. After that exchange, the choice of whether to hold the Notes directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a Global Note transferred on termination to their own names, so that they will be Holders. We have described the rights of Holders and street name investors above under “-Who is the legal owner of a registered Note?”

The special situations for termination of a Global Note are as follows:

- if the Depositary notifies us that it is unwilling, unable or no longer qualified to continue as Depositary for that Global Note;
- if we notify the Fiscal Agent that we wish to terminate that Global Note; or
- if an Event of Default has occurred with regard to these Notes and is continuing.

If a Global Note is terminated, only the Depositary, and not we or the Fiscal Agent, is responsible for deciding the names of the institutions in whose names the Notes represented by the Global Note will be registered and, therefore, who will be the Holders of those Notes.

Considerations relating to DTC, Euroclear and Clearstream, Luxembourg

DTC. DTC has advised us that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“DTC participants”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between DTC participants’ accounts. This eliminates the need for physical movement of securities certificates. DTC participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other

organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (“Indirect DTC participants”). The rules applicable to DTC’s participants are on file with the Commission. More information about DTC can be found at its Internet Web site at www.dtcc.com, a website the contents of which are not incorporated by reference into this Offering Memorandum.

Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC’s records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers.

So long as DTC, or its nominee, is a registered owner of the Global Notes, payments of principal and interest on the Notes will be made in immediately available funds in accordance with their respective holdings shown on DTC’s records. Payments by DTC participants or Indirect DTC participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name”, and it will be the responsibility of such DTC participants and Indirect DTC participants and not the responsibility of DTC, the Fiscal Agent or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of ANZ National or the Fiscal Agent. Disbursement of payments to DTC participants will be DTC’s responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of beneficial interests to pledge the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited.

Ownership of interests in the Notes held by DTC will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the indirect DTC participants. The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Notes held by DTC is limited to that extent. Euroclear and Clearstream, Luxembourg may hold interests in the Global Notes as DTC Participants.

Clearstream, Luxembourg. Clearstream, Luxembourg holds securities for its participating organizations (“Clearstream, Luxembourg participants”) and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of certificates. Clearstream, Luxembourg provides to Clearstream, Luxembourg participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also interfaces with domestic securities markets in several countries. Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, and the Banque Centrale du Luxembourg which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg participants are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations, and may include the Agents. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant. Clearstream, Luxembourg has established an electronic bridge with Euroclear as the operator of the Euroclear system (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Distributions with respect to Notes held beneficially through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg participants in accordance with its rules and procedures, to the extent received by the depository for Clearstream, Luxembourg.

Euroclear. Euroclear holds securities and book-entry interests in securities for participating organizations (“Euroclear participants”) and facilitates the clearance and settlement of securities transactions between Euroclear participants, and between Euroclear participants and participants of certain other securities intermediaries through electronic book-entry changes in accounts of such participants or other securities intermediaries. Euroclear provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations, and may include the Agents. Non-participants in Euroclear may hold and transfer beneficial interests in a Global Note through accounts with a participant in the Euroclear system or any other securities intermediary that holds a book-entry interest in a Global Note through one or more securities intermediaries standing between such other securities intermediary and Euroclear.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the “Terms and Conditions”). The Terms and Conditions governs transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record or relationship with persons holding through Euroclear participants.

Distributions with respect to Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the Terms and Conditions, to the extent received by the depositary for Euroclear.

Special payment and timing considerations for transactions in Euroclear and Clearstream, Luxembourg

Payments, deliveries, transfers, exchanges, notices and other matters relating to the Notes made through Euroclear or Clearstream, Luxembourg must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, Luxembourg, on the one hand, and participants in DTC, on the other hand, when DTC is the Depositary, would also be subject to DTC’s rules and procedures.

Notes which are accepted for clearance through Euroclear and Clearstream, Luxembourg systems will be allocated a Common Code and an International Securities Identification Number, or ISIN. The Common Code and ISIN will be included in the Final Terms applicable to such Notes.

Investors will be able to make and receive through Euroclear and Clearstream, Luxembourg payments, deliveries, transfers, exchanges, notices and other transactions involving any Notes held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the Notes through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream, Luxembourg may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

Considerations Relating to Indexed Notes

We use the term “Indexed Notes” to mean Notes whose value is linked to an underlying property or index. Indexed Notes may present a high level of risk, and those who invest in some Indexed Notes may lose their entire investment. In addition, the treatment of Indexed Notes for U.S. federal income tax or New Zealand income tax purposes may be unclear. Thus, if you propose to invest in Indexed Notes, you should independently evaluate the U.S. federal income tax consequences of purchasing an Indexed Note that applies in your particular circumstances. You should also read “Taxes” below for a discussion of U.S. federal income tax matters.

Investors in Indexed Notes could lose their investment

The amount of principal and/or interest payable on an Indexed Note and the cash value or physical settlement value of a physically settled Note will be determined by reference to the price, value or level of one or more securities, currencies, commodities or other properties, any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, and/or one or more indices or baskets of any of these items. We refer to each of these as an “index”. The direction and magnitude of the change in the price, value or level of the relevant index will determine the amount of principal and/or interest payable on an Indexed Note and the cash value or physical settlement value of a physically settled Note. The terms of a particular Indexed Note may or may not include a guaranteed return of a percentage of the face amount at maturity or a minimum interest rate. An Indexed Note generally will not provide for any guaranteed minimum settlement value. Thus, if you purchase an Indexed Note, you may lose all or a portion of the principal or other amount you invest and may receive no interest on your investment.

The issuer of a security or the government that issues the currency that serves as an index could take actions that may adversely affect an Indexed Note

The issuer of a security that serves as an index or part of an index for an Indexed Note will have no involvement in the offer and sale of the Indexed Note and no obligations to the Holder of the Indexed Note. The issuer may take actions, such as a merger or sale of assets, without regard to the interests of the Holder. Any of these actions could adversely affect the value of an Indexed Note indexed to that security or to an index of which that security is a component.

If the index for an Indexed Note includes a non-U.S. dollar currency or other asset denominated in a non-U.S. dollar currency, the government that issues that currency will also have no involvement in the offer and sale of the Indexed Note and no obligations to the Holder of the Indexed Note. That government may take actions that could adversely affect the value of the Note. See “Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency — Government policy can adversely affect currency exchange rates and an investment in a non-U.S. dollar note” below for more information about these kinds of government actions.

An Indexed Note may be linked to a volatile index, which could hurt your investment

Some indices are highly volatile, which means that their value may change significantly, up or down, over a short period of time. As a result, the amount of principal or interest that can be expected to become payable on an Indexed Note may vary substantially from time to time. Because the amounts payable with respect to an Indexed Note are generally calculated based on the value or level of the relevant index on a specified date or over a limited period of time, volatility in the index increases the risk that the return on the Indexed Note may be adversely affected by a fluctuation in the level of the relevant index.

The volatility of an index may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of an Indexed Note.

Changes in the value of the index property of indexed notes could result in a substantial loss to you

An investment in Indexed Notes may entail significant risks not associated with investments in a conventional debt security, and the terms of particular notes may result in a loss of some or all of the principal amount invested and/or in no interest or a lower return than on a conventional fixed or floating interest rate debt security issued by us at the same time. An investment in Indexed Notes may have significant risks associated with debt instruments that:

- do not have a fixed principal amount,
- are not denominated in U.S. dollars, and/or
- do not have a fixed interest rate.

The risks of a particular Indexed Note will depend on the terms of the Indexed Note. The risks may include, but are not limited to, the possibility of significant changes in the prices or values of the index property.

Index property could include:

- securities of one or more issuers, including our securities,
- one or more currencies,
- one or more commodities,
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance, which may include any credit event relating to any company or companies or other entity or entities (which may include a government or governmental agency) other than us, and/or
- one or more indices or baskets of the items described above.

The existence, magnitude and longevity of the risks associated with a particular Note generally depend on factors over which we have no control and that cannot readily be foreseen. These risks include:

- economic events and market expectations,
- political, legislative, accounting, tax and other regulatory events, and
- financial events, such as the supply of, and demand for, the index property.

Currency exchange rates and prices for the index property can be highly volatile. Such volatility may be expected in the future. Fluctuations in rates or prices that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Indexed Note.

The terms of indexed notes may not require payment of interest or return of a portion or all of your principal in certain circumstances

Indexed Notes may have fixed or floating interest rates that accrue only if a particular index property falls within a particular range of values (a “range Note”) or if it is higher or lower than a specified amount. You should consider the risk that the interest rate accrual provisions applicable to these Notes may result in no interest or less interest being payable on the Notes than on a conventional fixed rate debt security issued by us at the same time. For example, a range Note may provide that if the relevant index for that range Note is less than the range minimum or is more than the range maximum on one or more business days during the applicable period (which may be for the entire term of the Note), no interest will accrue during the period.

In addition, the interest rate applicable to Notes linked to an index such as the consumer price index may be linked to period-over-period changes in the level of the index for the relevant index measurement period. If the index does not increase (or

decrease, as specified in the applicable Final Terms) during the relevant measurement period, Holders of the Notes may not receive any interest payments for the applicable interest period.

The terms of certain Indexed Notes may not require the return or may require the return of less than 100% of the principal amount invested in these Notes. For these Notes, in the event that the particular index property performs in a manner that is adverse to Holders of such Notes under the terms of such Notes, Holders will be exposed to a potential loss of some or all of the principal amount invested.

The risk of loss as a result of linking principal or interest payments to the index property can be substantial. You should consult your own financial and legal advisors as to the risks of an investment in Indexed Notes.

Values of the index property may be determined by one of our affiliates, and the method used to determine such values may change

In considering whether to purchase Index Notes, you should be aware that the calculation of amounts payable on Index Notes may involve reference to:

- an index determined by an affiliate of ours, or
- prices that are published solely by third parties or entities that are not regulated by the laws of the United States.

The publication of any index or other measure may be suspended or discontinued, or the index itself or the method by which any index or other measure is calculated may be changed in the future. Any such action could adversely affect the value of any Notes linked to such index or measure.

Holders of the index notes generally have no rights to receive any index property

Unless otherwise specified in the Final Terms for a particular series of Index Notes, investing in Index Notes will not entitle Holders of the Notes to receive any index property, which may include securities, currencies or commodities. The amount payable in respect of Index Notes may be paid in U.S. dollars or a foreign currency based on a value or values of the index property or properties, but Holders of the Index Notes, unless otherwise specified, will have no rights to receive physical delivery of any index property, which may include securities, currencies or commodities.

An index to which a Note is linked could be changed or become unavailable

Some indices compiled by us or our affiliates or third parties may consist of or refer to several or many different securities, commodities or currencies or other instruments or measures. The compiler of such an index typically reserves the right to alter the composition of the index and the manner in which the value or level of the index is calculated. An alteration may result in a decrease in the value of or return on an Indexed Note that is linked to the index. The indices for our Indexed Notes may include published indices of this kind or customized indices developed by us or our affiliates in connection with particular issues of Indexed Notes.

A published index may become unavailable, or a customized index may become impossible to calculate in the normal manner, due to events such as war, natural disasters, cessation of publication of the index or a suspension or disruption of trading in one or more securities, commodities or currencies or other instruments or measures on which the index is based. If an index becomes unavailable or impossible to calculate in the normal manner, the terms of a particular Indexed Note may allow us to delay determining the amount payable as principal or interest on an Indexed Note or we may use an alternative method to determine the value of the unavailable index. Alternative methods of valuation are generally intended to produce a value similar to the value resulting from reference to the relevant index. However, it is unlikely that any alternative method of valuation we use will produce a value identical to the value that the actual index would produce. If we use an alternative method of valuation for a Note linked to an index of this kind, the value of the Note, or the rate of return on it, may be lower than it otherwise would be.

Some Indexed Notes may be linked to indices that are not commonly used or that have been developed only recently. The lack of a trading history may make it difficult to anticipate the volatility or other risks associated with an Indexed Note of this kind. In addition, trading in these indices or their underlying securities, commodities or currencies or other instruments or

measures, or options or futures contracts on these securities, commodities or currencies or other instruments or measures, may be limited, which could increase their volatility and decrease the value of the related Indexed Notes or the rates of returns on them.

We may engage in hedging activities that could adversely affect an Indexed Note

In order to hedge an exposure on a particular Indexed Note, we may, directly or through our affiliates, enter into transactions involving the securities, commodities or currencies or other instruments or measures that underlie the index for that Note, or derivative instruments, such as swaps, options or futures, on the index or any of its component items. By engaging in transactions of this kind, we could adversely affect the value of an Indexed Note. It is possible that we could achieve substantial returns from our hedging transactions while the value of the Indexed Note may decline.

Information about indices may not be indicative of future performance

If we issue an Indexed Note, we may include historical information about the relevant index in the relevant Final Terms. Any information about indices that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in the relevant index that may occur in the future.

We may have conflicts of interest regarding an Indexed Note

We and our other affiliates may have conflicts of interest with respect to some Indexed Notes. We and our other affiliates may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in Indexed Notes and in the securities, commodities or currencies or other instruments or measures on which the index is based or in other derivative instruments related to the index or its component items. These trading activities could adversely affect the value of Indexed Notes. We and our affiliates may also issue or underwrite securities or derivative instruments that are linked to the same index as one or more Indexed Notes. By introducing competing products into the marketplace in this manner, we could adversely affect the value of an Indexed Note.

ANZBGL or another of our affiliates may serve as Calculation Agent for the Indexed Notes and may have certain discretion in calculating the amounts payable in respect of the Notes. To the extent that ANZBGL or another of our affiliates calculates or compiles a particular index, it may also have certain discretion in performing the calculation or compilation of the index. Exercising discretion in this manner could adversely affect the value of an Indexed Note based on the index or the rate of return on the Note.

Considerations Relating to Notes Denominated or Payable in or Linked to a Non-U.S. dollar Currency

If you intend to invest in a non-U.S. dollar Note—e.g., a Note whose principal and/or interest is payable in a currency other than U.S. dollars or that may be settled by delivery of or reference to a non-U.S. dollar currency or property denominated in or otherwise linked to a non-U.S. dollar currency—you should consult your own financial and legal advisors as to the currency risks entailed by your investment. Notes of this kind may not be an appropriate investment for investors who are unsophisticated with respect to non-U.S. dollar currency transactions.

The information in this Offering Memorandum is directed primarily to investors who are U.S. residents. Investors who are not U.S. residents should consult their own financial and legal advisors about currency-related risks particular to their investment.

An investment in a non-U.S. dollar Note involves currency-related risks

An investment in a non-U.S. dollar Note entails significant risks that are not associated with a similar investment in a Note that is payable solely in U.S. dollars and where settlement value is not otherwise based on a non-U.S. dollar currency. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the various non-U.S. dollar currencies or composite currencies and the possibility of the imposition or modification of foreign exchange controls or other conditions by either the United States or non-U.S. governments. The existence, magnitude and longevity of these risks generally depend on factors over which we have no control and that cannot be readily foreseen, such as economic events and market expectations the operation of and the identity of persons and entities trading on interbank and interdealer foreign exchange markets in the United States and elsewhere, political, legislative, accounting, tax and other regulatory events and the supply of and demand for the relevant currencies in the global markets. Changes in exchange rates may also affect the amount and character of any payment for purposes of U.S. federal income taxation. See “Taxes — United States federal income taxation” below.

Changes in currency exchange rates can be volatile and unpredictable

Rates of exchange between the U.S. dollar and many other currencies have been highly volatile, and this volatility may continue and perhaps spread to other currencies in the future. Fluctuations in currency exchange rates could adversely affect an investment in a Note denominated in, or whose value is otherwise linked to, a Specified Currency other than U.S. dollars. Depreciation of the Specified Currency against the U.S. dollar could result in a decrease in the U.S. dollar- equivalent value of payments on the Note, including the principal payable at maturity or settlement value payable upon exercise. That, in turn, could cause the market value of the Note to fall. Depreciation of the Specified Currency against the U.S. dollar could result in a loss to the investor on a U.S. dollar basis.

Government policy can adversely affect currency exchange rates and an investment in a non-U.S. dollar Note

Currency exchange rates can either float or be fixed by sovereign governments. From time to time, governments use a variety of techniques, such as intervention by a country’s central bank or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing non-U.S. dollar Notes is that their yields or payouts could be significantly and unpredictably affected by governmental actions. Even in the absence of governmental action directly affecting currency exchange rates, political or economic developments in the country issuing the Specified Currency for a non-U.S. dollar Note or elsewhere could lead to significant and sudden changes in the exchange rate between the U.S. dollar and the Specified Currency. These changes could affect the value of the Note as participants in the global currency markets move to buy or sell the Specified Currency or U.S. dollars in reaction to these developments.

Governments have imposed from time to time and may in the future impose exchange controls or other conditions, including taxes, with respect to the exchange or transfer of a Specified Currency that could affect exchange rates as well as the availability of a Specified Currency for a Note at its maturity or on any other payment date. In addition, the ability of a Holder to move currency freely out of the country in which payment in the currency is received or to convert the currency at a freely determined market rate could be limited by governmental actions.

Non-U.S. dollar Notes may permit us to make payments in U.S. dollars or delay payment if we are unable to obtain the Specified Currency

Notes payable in a currency other than U.S. dollars may provide that, if the other currency is subject to convertibility or transferability restrictions, market disruption or other conditions affecting its availability at or about the time when a payment on the Notes comes due because of circumstances beyond our control, we will be entitled to make the payment in U.S. dollars or delay making the payment. These circumstances could include the imposition of exchange controls or our inability to obtain the other currency because of a disruption in the currency markets. If we made payment in U.S. dollars, the exchange rate we would use would be determined in the manner described above under “Description of the Notes and the Guarantee-Payment mechanics for Notes-How we will make payments due in other currencies-When the Specified Currency is not available”. A determination of this kind may be based on limited information and would involve certain discretion on the part of our exchange rate agent. As a result, the value of the payment in U.S. dollars an investor would receive on the payment date may be less than the value of the payment the investor would have received in the other currency if it had been available, or may be zero. In addition, a government may impose extraordinary taxes on transfers of a currency. If that happens, we will be entitled to deduct these taxes from any payment on Notes payable in that currency.

We will not adjust non-U.S. dollar Notes to compensate for changes in currency exchange rates

Except as described above, we will not make any adjustment or change in the terms of a non-U.S. dollar Note in the event of any change in exchange rates for the relevant currency, whether in the event of any devaluation, revaluation or imposition of exchange or other regulatory controls or taxes or in the event of other developments affecting that currency, the U.S. dollar or any other currency. Consequently, investors in non-U.S. dollar Notes will bear the risk that their investment may be adversely affected by these types of events.

In a lawsuit for payment on a non-U.S. dollar Note, an investor may bear currency exchange risk

Our Notes will be governed by New York law. Under Section 27 of the New York Judiciary Law, a state court in the State of New York rendering a judgment on a Note denominated in a currency other than U.S. dollars would be required to render the judgment in the Specified Currency; however, the judgment would be converted into U.S. dollars at the exchange rate prevailing on the date of entry of the judgment. Consequently, in a lawsuit for payment on a Note denominated in a currency other than U.S. dollars, investors would bear currency exchange risk until judgment is entered, which could be a long time.

In courts outside New York, investors may not be able to obtain judgment in a Specified Currency other than U.S. dollars. For example, a judgment for money in an action based on a non-U.S. dollar Note in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of the currency in which any particular Note is denominated into U.S. dollars will depend upon various factors, including which court renders the judgment.

Information about exchange rates may not be indicative of future performance

If we issue a non-U.S. dollar Note, we may include in the relevant Final Terms a currency supplement that provides information about historical exchange rates for the relevant non-U.S. dollar currency or currencies. Any information about exchange rates that we may provide will be furnished as a matter of information only, and you should not regard the information as indicative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future. That rate will likely differ from the exchange rate used under the terms that apply to a particular Note.

All determinations made by the exchange rate agent will be in its sole discretion unless we state in the relevant Final Terms that any determination requires our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Taxes

The information below summarizes the advice received by the ANZ National Board of Directors and is applicable to ANZ National and (except in so far as express reference is made to the treatment of other persons) to persons who are subject to New Zealand taxation, United Kingdom taxation and United States federal taxation and hold Notes as an investment or, for United States federal tax purposes, as capital assets. It is based on current New Zealand, United Kingdom and United States tax law and published practice, which law or practice is subject to subsequent change (potentially with retrospective effect). Certain classes of Holders may be taxed under special rules and are not considered.

United States federal income taxation

United States Internal Revenue Service Circular 230 Notice:

To ensure compliance with Internal Revenue Service Circular 230, prospective purchasers are hereby notified that: (a) any discussion of U.S. federal tax issues contained or referred to in this offering memorandum or any document referred to herein is not intended or written to be used, and cannot be used by prospective investors for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein; and (c) prospective purchasers should seek advice based on their particular circumstances from an independent tax advisor.

This section describes the material United States federal income tax consequences of owning the Notes we are offering. It is the opinion of Sullivan & Cromwell, counsel to the Issuers. It applies to you only if you acquire Notes in the offering and you hold your Notes as capital assets for tax purposes. This section does not apply to you if you are a member of a class of Holders subject to special rules, such as:

- dealers in securities or currencies,
- traders in securities that elect to use a mark-to-market method of accounting for your securities holdings,
- banks,
- life insurance companies,
- tax-exempt organizations,
- persons that own Notes that are a hedge or that are hedged against interest rate or currency risks,
- persons that own Notes as part of a straddle or conversion transaction for tax purposes, or
- United States Holders (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section deals only with Notes that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue will be discussed in the relevant Final Terms. This section is based on the Internal Revenue Code of 1986, as amended, (the “Code”) its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Notes, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor with regard to the United States federal income tax treatment of an investment in the Notes.

Please consult your own tax advisor concerning the consequences of owning these Notes in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

United States Holders

This subsection describes the tax consequences to a United States Holder. You are a United States Holder if you are a beneficial owner of a Note and you are:

- a citizen or resident of the United States,
- a domestic corporation (including an entity treated as a domestic corporation for United States federal income tax purposes),
- an estate the income of which is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a United States Holder, this subsection does not apply to you.

Payments of interest

Except as described below in the case of interest on a "discount Note" that is not "qualified stated interest", each as defined below under "-Original issue discount-General", you will be taxed on any interest on your Note, whether payable in U.S. dollars or a foreign currency, including a composite currency or basket of currencies, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for United States federal income tax purposes.

Interest on the Notes and original issue discount, if any, accrued with respect to the Notes (as described below under "Original issue discount") and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts ("additional amounts") is income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a United States Holder. Under the foreign tax credit rules, interest and original issue discount and additional amounts paid with respect to the Notes will, depending on your circumstances, be either "passive category" or "general category" income for purposes of computing the foreign tax credit.

Cash basis taxpayers. If you are a taxpayer that uses the cash receipts and disbursements method of accounting for United States federal income tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Accrual basis taxpayers. If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, the average exchange rate in effect during that part of the period within the taxable year.

If you elect the second method, you would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the Internal Revenue Service ("IRS").

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your Note, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of

income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Original issue discount

General. If you own a Note, other than a short-term Note with a term of one year or less, it will be treated as a discount Note issued at an original issue discount if the amount by which the Note's stated redemption price at maturity exceeds its issue price is more than a de minimis amount. Generally, a Note's issue price will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. A Note's stated redemption price at maturity is the total of all payments provided by the Note that are not payments of qualified stated interest. Generally, an interest payment on a Note is qualified stated interest if it is one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the Note. There are special rules for variable rate Notes that are discussed under "-Variable rate notes".

In general, your Note is not a discount Note if the amount by which its stated redemption price at maturity exceeds its issue price is less than the de minimis amount of $\frac{1}{4}$ of 1 percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date. Your Note will have de minimis original issue discount if the amount of the excess is less than the de minimis amount. If your Note has de minimis original issue discount, you must include the de minimis amount in income as stated principal payments are made on the Note, unless you make the election described below under "-Election to treat all interest as original issue discount". You can determine the includible amount with respect to each such payment by multiplying the total amount of your Note's de minimis original issue discount by a fraction equal to:

- the amount of the principal payment made

divided by:

- the stated principal amount of the Note.

Generally, if your discount Note matures more than one year from its date of issue, you must include original issue discount, or "OID", in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your Note. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount Note for each day during the taxable year or portion of the taxable year that you hold your discount Note. You can determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount Note and you may vary the length of each accrual period over the term of your discount Note. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount Note must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

- multiplying your discount Note's adjusted issue price at the beginning of the accrual period by your Note's yield to maturity, and then
- subtracting from this figure the sum of the payments of qualified stated interest on your Note allocable to the accrual period.

You must determine the discount Note's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you must determine your discount Note's adjusted issue price at the beginning of any accrual period by:

- adding your discount Note's issue price and any accrued OID for each prior accrual period, and then

- subtracting any payments previously made on your discount Note that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount Note contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

- the amount payable at the maturity of your Note, other than any payment of qualified stated interest, and
- your Note's adjusted issue price as of the beginning of the final accrual period.

Acquisition premium. If you purchase your Note for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your Note after the purchase date but is greater than the amount of your Note's adjusted issue price, as determined above under “-General”, the excess is acquisition premium. If you do not make the election described below under “-Election to treat all interest as original issue discount”, then you must reduce the daily portions of OID by a fraction equal to:

- the excess of your adjusted basis in the Note immediately after purchase over the adjusted issue price of the Note

divided by:

- the excess of the sum of all amounts payable, other than qualified stated interest, on the Note after the purchase date over the Note's adjusted issue price.

Pre-Issuance accrued interest. An election may be made to decrease the issue price of your Note by the amount of pre-issuance accrued interest if:

- a portion of the initial purchase price of your Note is attributable to pre-issuance accrued interest,
- the first stated interest payment on your Note is to be made within one year of your Note's issue date, and
- the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your Note.

Notes subject to contingencies including optional redemption. Your Note is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your Note by assuming that the payments will be made according to the payment schedule most likely to occur if:

- the timing and amounts of the payments that comprise each payment schedule are known as of the issue date and
- one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your Note in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the relevant Final Terms.

Notwithstanding the general rules for determining yield and maturity, if your Note is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the Note under an alternative payment schedule or schedules, then:

- in the case of an option or options that we may exercise, we will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on your Note, and
- in the case of an option or options that you may exercise, you will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on your Note.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your Note for the purposes of those calculations by using any date on which your Note may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your Note as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules then, except to the extent that a portion of your Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your Note by treating your Note as having been retired and reissued on the date of the change in circumstances for an amount equal to your Note's adjusted issue price on that date.

Election to treat all interest as original issue discount. You may elect to include in gross income all interest that accrues on your Note using the constant-yield method described above under “-General”, with the modifications described below. For purposes of this election, interest will include stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium, described below under “-Notes purchased at a premium,” or acquisition premium.

If you make this election for your Note, then, when you apply the constant-yield method:

- the issue price of your Note will equal your cost for your Note,
- the issue date of your Note will be the date you acquired it, and
- no payments on your Note will be treated as payments of qualified stated interest.

Generally, this election will apply only to the Note for which you make it; however, if the Note has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount Note, you will be treated as having made the election discussed below under “-Market discount” to include market discount in income currently over the life of all debt instruments that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke any election to apply the constant-yield method to all interest on a Note or the deemed elections with respect to amortizable bond premium or market discount Notes without the consent of the IRS.

Variable rate notes. Your Note will be a variable rate note if:

- your Note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:
 1. .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or

2. 15 percent of the total noncontingent principal payments; and
- your Note provides for stated interest, compounded or paid at least annually, only at:
 1. one or more qualified floating rates,
 2. a single fixed rate and one or more qualified floating rates,
 3. a single objective rate, or
 4. a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your Note will have a variable rate that is a qualified floating rate if:

- variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your Note is denominated; or
- the rate is equal to such a rate multiplied by either:
 1. a fixed multiple that is greater than 0.65 but not more than 1.35 or
 2. a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and
- the value of the rate on any date during the term of your Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If your Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the Note, the qualified floating rates together constitute a single qualified floating rate.

Your Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Note or are not reasonably expected to significantly affect the yield on the Note.

Your Note will have a variable rate that is a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party, and
- the value of the rate on any date during the term of your Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Your Note will not have a variable rate that is an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of your Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of your Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate and
- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

Your Note will also have a single qualified floating rate or an objective rate if interest on your Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Note that do not differ by more than 0.25 percentage points or
- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

Commercial Paper Rate Notes, Prime Rate Notes, LIBOR Notes, EURIBOR Notes, Treasury Rate Notes, CMT Rate Notes, CD Rate Notes, Federal Funds Rate Notes, Eleventh District Cost of Funds Rate Notes, New Zealand Bank Bill Rate Notes and Australian Bank Bill Rate Notes generally will be treated as variable rate Notes under these rules.

In general, if your variable rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period, all stated interest on your Note is qualified stated interest. In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate, a fixed rate that reflects the yield reasonably expected for your Note.

If your variable rate Note does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, you generally must determine the interest and OID accruals on your Note by:

- determining a fixed rate substitute for each variable rate provided under your variable rate Note,
- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,
- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and
- adjusting for actual variable rates during the applicable accrual period.

When you determine the fixed rate substitute for each variable rate provided under the variable rate Note, you generally will use the value of each variable rate as of the issue date or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on your Note.

If your variable rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, you generally must determine interest and OID accruals by using the method described in the previous paragraph. However, your variable rate Note will be treated, for purposes of the first three steps of the determination, as if your Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of your variable rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

Short-term Notes. In general, if you are an individual or other cash basis United States Holder of a short-term Note (*i.e.*, a Note with a maturity of one year or less), you are not required to accrue OID, as specially defined below for the purposes of this paragraph, for United States federal income tax purposes unless you elect to do so (although it is possible that you may be required to include any stated interest in income as you receive it). If you are an accrual basis taxpayer, a taxpayer in a special class, including, but not limited to, a regulated investment company, common trust fund, or a certain type of pass-through entity, or a cash basis taxpayer who so elects, you will be required to accrue OID on short-term Notes on either a straight-line basis or under the constant-yield method, based on daily compounding. If you are not required and do not elect to include OID in income currently, any gain you realize on the sale or retirement of your short-term Note will be ordinary income to the extent of the accrued OID, which will be determined on a straight-line basis unless you make an election to accrue the OID under the constant-yield method, through the date of sale or retirement. However, if you are not required and

do not elect to accrue OID on your short-term Notes, you will be required to defer deductions for interest on borrowings allocable to your short-term Notes in an amount not exceeding the deferred income until the deferred income is realized.

When you determine the amount of OID subject to these rules, you must include all interest payments on your short-term Note, including stated interest, in your short-term Note's stated redemption price at maturity.

Foreign currency discount notes. If your discount Note is denominated in, or determined by reference to, a foreign currency, you must determine OID for any accrual period on your discount Note in the foreign currency and then translate the amount of OID into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under “-United States Holders-Payments of interest”. You may recognize ordinary income or loss when you receive an amount attributable to OID in connection with a payment of interest or the sale or retirement of your Note.

Market discount

You will be treated as if you purchased your Note, other than a short-term Note, at a market discount, and your Note will be a market discount Note if:

- you purchase your Note for less than its issue price as determined above under “-Original issue discount-General” and
- the difference between the Note's stated redemption price at maturity or, in the case of a discount Note, the Note's revised issue price, and the price you paid for your Note is equal to or greater than $\frac{1}{4}$ of 1 percent of your Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity from its issue date. To determine the revised issue price of your Note for these purposes, you generally add any OID that has accrued on your Note to its issue price.

If your Note's stated redemption price at maturity or, in the case of a discount Note, its revised issue price, exceeds the price you paid for the Note by less than $\frac{1}{4}$ of 1 percent multiplied by the number of complete years to the Note's maturity from its issue date, the excess constitutes de minimis market discount, and the rules discussed below are not applicable to you.

You must treat any gain you recognize on the maturity or disposition of your market discount Note as ordinary income to the extent of the accrued market discount on your Note. Alternatively, you may elect to include market discount in income currently over the life of your Note. If you make this election, it will apply to all debt instruments with market discount that you acquire on or after the first day of the first taxable year to which the election applies. You may not revoke this election without the consent of the IRS. If you own a market discount Note and do not make this election, you will generally be required to defer deductions for interest on borrowings allocable to your Note in an amount not exceeding the accrued market discount on your Note until the maturity or disposition of your Note.

You will accrue market discount on your market discount Note on a straight-line basis unless you elect to accrue market discount using a constant-yield method. If you make this election, it will apply only to the Note with respect to which it is made and you may not revoke it.

Notes purchased at a premium

If you purchase your Note for an amount in excess of its principal amount, you may elect to treat the excess as amortizable bond premium. If you make this election, you will reduce the amount required to be included in your income each year with respect to interest on your Note by the amount of amortizable bond premium allocable to that year, based on your Note's yield to maturity. If your Note is denominated in, or determined by reference to, a foreign currency, you will compute your amortizable bond premium in units of the foreign currency and your amortizable bond premium will reduce your interest income in units of the foreign currency. Gain or loss recognized that is attributable to changes in exchange rates between the time your amortized bond premium offsets interest income and the time of the acquisition of your Note is generally taxable as ordinary income or loss. If you make an election to amortize bond premium, it will apply to all debt instruments, other than debt instruments the interest on which is excludible from gross income, that you hold at the beginning of the first taxable year to which the election applies or that you thereafter acquire, and you may not revoke it without the consent of the IRS. See also “- Original issue discount - Election to treat all interest as original issue discount”.

Purchase, sale and retirement of the Notes

Your tax basis in your Note will generally be the U.S. dollar cost, as defined below, of your Note, adjusted by:

- adding any OID or market discount and *de minimis* original issue discount previously included in income with respect to your Note, and then
- subtracting any payments on your Note that are not qualified stated interest payments and any amortizable bond premium applied to reduce interest on your Note.

If you purchase your Note with foreign currency, the U.S. dollar cost of your Note will generally be the U.S. dollar value of the purchase price on the date of purchase. However, if you are a cash basis taxpayer, or an accrual basis taxpayer if you so elect, and your Note is traded on an established securities market, as defined in the applicable Treasury regulations, the U.S. dollar cost of your Note will be the U.S. dollar value of the purchase price on the settlement date of your purchase.

You will generally recognize gain or loss on the sale or retirement of your Note equal to the difference between the amount you realize on the sale or retirement and your tax basis in your Note. If your Note is sold or retired for an amount in foreign currency, the amount you realize will be the U.S. dollar value of such amount on the date the Note is disposed of or retired, except that in the case of a Note that is traded on an established securities market, as defined in the applicable Treasury regulations, a cash basis taxpayer, or an accrual basis taxpayer that so elects, will determine the amount realized based on the U.S. dollar value of the foreign currency on the settlement date of the sale.

You will recognize capital gain or loss when you sell or retire your Note, except to the extent:

- described above under “-Original issue discount-Short-term Notes” or “-Market discount”,
- attributable to accrued but unpaid interest,
- the rules governing contingent payment obligations apply, or
- attributable to changes in exchange rates as described below.

Capital gain of a noncorporate United States Holder is generally taxed at a preferential rate where the United States Holder has a holding period greater than one year.

You must treat any portion of the gain or loss that you recognize on the sale or retirement of a Note as ordinary income or loss to the extent attributable to changes in exchange rates. However, you take exchange gain or loss into account only to the extent of the total gain or loss you realize on the transaction.

Exchange of amounts in other than U.S. dollars

If you receive foreign currency as interest on your Note or on the sale or retirement of your Note, your tax basis in the foreign currency will equal its U.S. dollar value when the interest is received or at the time of the sale or retirement. If you purchase foreign currency, you generally will have a tax basis equal to the U.S. dollar value of the foreign currency on the date of your purchase. If you sell or dispose of a foreign currency, including if you use it to purchase Notes or exchange it for U.S. dollars, any gain or loss recognized generally will be ordinary income or loss.

Medicare Tax

For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a 3.8% tax on the lesser of (1) the United States Holder’s “net investment income” for the relevant taxable year and (2) the excess of the United States Holder’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual’s circumstances). A United States Holder’s net investment income will generally include its interest income and its net gains from the disposition of Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading

activities). If you are a United States Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in the Notes.

Disclosure of reportable transactions

Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a “Reportable Transaction”). A penalty in the amount of US\$10,000 in the case of a natural person and US\$50,000 in any other case is imposed on any taxpayer that fails to timely disclose its participation in a Reportable Transaction. Under these regulations, if the Notes are denominated in a foreign currency, a United States Holder (or a United States alien Holder (as defined below) that holds the Notes in connection with a U.S. trade or business) that recognizes a loss with respect to the Notes that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss by attaching IRS Form 8886 to its federal income tax return. A Reportable Transaction includes a transaction resulting in the taxpayer claiming a loss under section 165 of the Code in an amount equal to or in excess of certain threshold amounts. A loss resulting from a “section 988 transaction,” such as an investment in Notes denominated or on which interest is payable in a foreign currency, will constitute a section 165 loss for this purpose. In the case of individuals or trusts, whether or not the loss flows through from an S corporation or partnership, if the loss arises with respect to a section 988 transaction (as defined in section 988(c)(1) of the Code relating to foreign currency transactions), the applicable threshold amount is US\$50,000 in any single taxable year. Higher threshold amounts apply depending upon the taxpayer’s status as a corporation, partnership, or S corporation, as well as certain other factors. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

Indexed Notes, Amortizing Notes and Extendible Notes

The relevant Final Terms will discuss any special United States federal income tax rules with respect to Notes (i) the payments on which are determined by reference to any index, (ii) other Notes that are subject to the rules governing contingent payment obligations and are not subject to the rules governing variable rate Notes, (iii) Amortizing Notes and (iv) Extendible Notes.

United States alien Holders

This subsection describes the tax consequences to a United States alien Holder. You are a United States alien Holder if you are a beneficial owner of a Note and you are, for United States federal income tax purposes:

- a nonresident alien individual,
- a foreign corporation, or
- an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a Note.

If you are a United States Holder, this subsection does not apply to you.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a United States alien Holder of a Note, interest on a Note paid to you is exempt from United States federal income tax, including withholding tax, whether or not you are engaged in a trade or business in the United States, unless:

- you are an insurance company carrying on a United States insurance business to which the interest is attributable, within the meaning of the Code, or
- you both
 - have an office or other fixed place of business in the United States to which the interest is attributable and
 - derive the interest in the active conduct of a banking, financing or similar business within the United States.

Purchase, sale, retirement and other disposition of the Notes

If you are a United States alien Holder of a Note, you generally will not be subject to United States federal income tax on gain realized on the sale, exchange or retirement of a Note unless:

- the gain is effectively connected with your conduct of a trade or business in the United States or
- you are an individual, you are present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist.

For purposes of the United States federal estate tax, the Notes will be treated as situated outside the United States and will not be includible in the gross estate of a Holder who is neither a citizen nor a resident of the United States at the time of death.

Backup withholding and information reporting

If you are a noncorporate United States Holder, information reporting requirements, on IRS Form 1099, generally will apply to:

- payments of principal and interest on a Note within the United States, including payments made by wire transfer from outside the United States to an account you maintain in the United States, and
- the payment of the proceeds from the sale of a Note effected at a United States office of a broker.

Additionally, backup withholding will apply to such payments if you are a noncorporate United States Holder that:

- fails to provide an accurate taxpayer identification number,
- is notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns, or
- in certain circumstances, fails to comply with applicable certification requirements.

Pursuant to recently enacted legislation, certain payments in respect of the Notes made to corporate United States Holders after December 31, 2011 may be subject to information reporting and backup withholding.

If you are a United States alien Holder, you are generally exempt from backup withholding and information reporting requirements with respect to:

- payments of principal and interest made to you outside the United States by the relevant Issuer or another non-United States payor and
- other payments of principal and interest and the payment of the proceeds from the sale of a Note effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and
 - the payor or broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the payor or broker:
 - an IRS Form W-8BEN or an acceptable substitute form upon which you certify, under penalty of perjury, that you are a non-United States person, or
 - other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
 - you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of a Note that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of a Note effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a United States person,
- a controlled foreign corporation for United States tax purposes,
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- a foreign partnership, if at any time during its tax year:
 - one or more of its partners are “U.S. persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
 - such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Information with Respect to Foreign Financial Assets

Under recently enacted legislation, individuals that own “specified foreign financial assets” with an aggregate value in excess of \$50,000 in taxable years beginning after March 18, 2010 will generally be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interest in foreign entities. United States Holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

New Zealand taxation

Resident withholding tax

ANZ National is and ANZNIL may be required by law to deduct New Zealand resident withholding tax from the payment of interest to the Holder of any Note on any interest payment date or the maturity date, and, similarly, ANZ National is required to make such deductions from payments under the Guarantee to the extent such payments constitute interest for New Zealand tax purposes, where:

- (a) the Holder is a resident of New Zealand for New Zealand income tax purposes or the Holder is engaged in business in New Zealand, through a fixed establishment (as defined in the Income Tax Act 2007 in New Zealand (a “New Zealand Holder”)); and
- (b) at the time of such payment the New Zealand Holder does not hold a valid certificate of exemption for New Zealand resident withholding tax purposes.

Prior to any interest payment date or the maturity date, any New Zealand Holder:

- (a) must notify ANZ National or ANZNIL, as the case may be, or a Paying Agent that the New Zealand Holder is the Holder of a Note; and
- (b) must notify ANZ National or ANZNIL, as the case may be, or a Paying Agent of any circumstances, and provide ANZ National or ANZNIL, as the case may be, or the relevant Paying Agent with any information that may enable ANZ National or ANZNIL, as the case may be, to make the payment of interest to the New Zealand Holder without deduction on account of New Zealand resident withholding tax.

The New Zealand Holder must notify ANZ National or ANZNIL, or a Paying Agent as the case may be, prior to any interest payment date or the maturity date, of any change in the New Zealand Holder’s circumstances from those previously notified that could affect ANZ National’s or ANZNIL’s, as the case may be, payment or withholding obligations in respect of any Note. By accepting payment of the full face amount of a Note or any interest thereon on any interest payment date or the maturity date, the New Zealand Holder will be deemed to have indemnified ANZ National or ANZNIL, as the case may be, for all purposes in respect of any liability which ANZ National or ANZNIL, as the case may be, may incur for not deducting any amount from such payment on account of New Zealand resident withholding tax.

Non-resident withholding tax

To the extent that New Zealand law requires a deduction on account of non-resident withholding tax to be made from the payment of interest, or a payment made under the Guarantee, to any Holder who is not a New Zealand Holder, ANZ National and ANZNIL intend (for so long as they do not incur any increased cost or detriment from so doing) to reduce the applicable rate of non-resident withholding tax to zero percent. (in the case of Holders who are not New Zealand Holders and are not associated with ANZ National or ANZNIL, as the case may be) by registering the program with the IRD and paying, on its own account, a levy equal to 2% of the relevant interest payment or the relevant payment under the Guarantee. It is not possible to use the approved issuer levy regime if the Holder is associated with ANZ National or ANZNIL, as the case may be.

Other taxes

No ad valorem stamp, issue, registration or similar taxes are payable in New Zealand in connection with the issue of the Notes or the Guarantee. Furthermore, a transfer of or agreement to transfer the Notes or the Guarantee executed outside of New Zealand will not be subject to New Zealand stamp duty.

United Kingdom taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes and the United Kingdom stamp duties treatment at the date hereof in relation to the issue and transfer of the Notes and issue of the Guarantee. The comments do not deal with other United Kingdom tax

aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Holders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. Holders who are in any doubt as to their tax position should consult their professional advisers. Holders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK withholding tax on UK source interest

Interest on Notes may be paid by the relevant Issuer without withholding or deduction for or on account of United Kingdom income tax except in circumstances where such interest has a United Kingdom source (“UK Interest”). Interest on Notes may have a United Kingdom source where, for example, the Notes are issued by an Issuer acting through a branch in the United Kingdom or the interest is paid out of funds maintained in the United Kingdom. Notes which carry a right to UK Interest are referred to in this United Kingdom Taxation Section as “UK Notes”.

UK Notes will constitute “quoted Eurobonds” within the meaning of section 987 of the Income Tax Act 2007 provided they carry a right to interest and are, and continue to be, listed on a recognized stock exchange within the meaning of section 1005 Income Tax Act 2007. Her Majesty’s Revenue and Customs (“HMRC”) may designate certain exchanges as recognized stock exchanges. The London Stock Exchange is a recognized stock exchange for these purposes. Securities which are to be listed on a recognized stock exchange means securities which are admitted to trading on that exchange and which are either included in the official UK list or are listed in a qualifying country outside the UK in accordance with provisions corresponding to those generally applicable in EEA States. While the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In addition to the exemption set out in the preceding paragraph, interest on UK Notes may be paid without withholding or deduction for or on account of United Kingdom income tax if the relevant Issuer is a “bank” for the purposes of section 878 Income Tax Act 2007 and so long as such payments are made by the relevant Issuer in the ordinary course of its business. In accordance with the published practice of HMRC, such payments will be accepted as being made by the relevant Issuer in the ordinary course of its business unless either:

- the borrowing in question relates to the capital structure of the UK bank. A borrowing is regarded as relating to the capital structure of the UK bank if it conforms to any of the definitions of Tier 1, 2 or 3 capital adopted by the Bank of England, whether or not it actually counts towards Tier 1, 2 or 3 capital for regulatory purposes; or
- the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

In all cases falling outside the exemptions described above, interest on UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. However this withholding will not apply where the relevant interest is paid on Notes with a maturity of less than one year from the date of the issue and which are not issued under arrangements the effect of which is to render such Notes as part of the borrowing with a total return of a year or more.

Payments by Guarantor

If the Guarantor makes any payments in respect of interest on UK Notes (or other amounts due under UK Notes other than the repayment of amounts subscribed for such UK Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20%) subject to such relief as may be available under the provisions of any applicable double

taxation treaty or any other exemption which may apply, but such payment by the Guarantor may not be eligible for all the exemptions described above in “UK withholding tax on UK source interest”.

Other rules relating to United Kingdom withholding tax

Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element on such Notes will not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in “UK withholding tax on UK source interest” above, but may be subject to reporting requirements as outlined below.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above and reporting requirements as outlined below.

Where interest has been paid under deduction of United Kingdom income tax, Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” in this United Kingdom Taxation Section mean “interest” as understood in United Kingdom tax law. The statements do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer and does not consider the tax consequences of any such substitution.

UK stamp duties

No UK stamp duty, stamp duty reserve tax or other similar tax is payable in connection with the issue of the Notes or the Guarantee. No requirement to pay UK stamp duty should arise in respect of a document relating to any transfer of the Notes in any case where the document is executed outside, and does not relate to anything to be done within, the United Kingdom. No stamp duty will be payable on a document relating to a transfer of the Notes, and no stamp duty reserve tax will be payable in respect of any agreement to transfer Notes, if the Notes do not carry and have not carried any of the following:

- (a) a conversion right or rights to acquire other shares or securities;
- (b) a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the capital;
- (c) interest which is calculated by reference to results of the business or value of any property; or
- (d) a redemption premium at a level which is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official list of the London Stock Exchange.

For Notes that do contain or have contained such a term then (assuming that any register relating to the Notes is kept outside the United Kingdom), no stamp duty reserve tax arises on any agreement to transfer such Notes unless the Notes give the Noteholders a right to allotments of or to subscribe for, or an option to acquire, or an interest in (or in dividends or other rights arising out of) stocks, shares or certain types of loan capital in a company which are either: (i) interests in a United Kingdom incorporated company; or (ii) which are registered in a register kept in the United Kingdom; or (iii) are shares and are paired with shares issued by a United Kingdom incorporated company.

Reporting Requirements

Where interest is paid to Holders (or to any person acting on their behalf) by an Issuer acting through a UK branch or by any person in the United Kingdom acting on behalf of an Issuer (a “payment agent”), or is received by any person in the United Kingdom acting on behalf of the relevant Holder (other than solely by clearing or arranging the clearing of a check) (a “collecting agent”), then the Issuer, the payment agent or the collecting agent (as the case may be) may be required to supply to

HMRC details of the payment and certain details relating to the Holder (including the Holder's name and address). These provisions will apply regardless of whether the interest has suffered a withholding or deduction for or on account of United Kingdom income tax and whether or not the Holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Holder is not so resident, the details provided to HMRC may be passed by HMRC to the tax authorities of the jurisdiction in which the Holder is resident for taxation purposes.

The provisions referred to above may also apply, in certain circumstances, to payments of amounts due on redemption of Notes that constitute "deeply discounted securities" (as defined in the Income Tax (Trading and Other Income) Act 2005). However, HMRC's published practice indicates that no such information will be required in relation to such redemption amounts where they are paid before April 5, 2011.

European Union savings directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive") each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income payments ("Savings Income") made by a person within its jurisdiction to or collected by such a person for an individual or to certain non-corporate entities, resident in that other Member State (interest payments on the Notes will for these purposes be Savings Income). However, for a transitional period, Austria and Luxembourg are instead applying a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States have adopted and implemented similar measures (either provision of information or transitional withholding—a withholding system in the case of Switzerland) in relation to payments of Savings Income made by a person within its jurisdiction to an individual, or to certain non-corporate entities, resident in a Member State.

In addition, Member States have entered into reciprocal arrangements with certain of those non-EU countries and dependent or associated territories of certain Member States in relation to payments of Savings Income made by a person in a Member State to an individual, or to certain non-corporate entities, resident in certain dependent or associated territories or non-EU countries.

Where an individual Holder receives a payment of Savings Income from any Member State or dependent or associated territory employing the withholding arrangement, the individual Holder may be able to elect not to have tax withheld. The formal requirements may vary slightly from jurisdiction to jurisdiction. They generally require the individual Holder to produce certain information (such as his tax number) and consent to details of payments and other information being transmitted to the tax authorities in his home state. Provided that the other Tax Authority receives all of the necessary information the payment will not suffer a withholding under EC Council Directive 2003/48/EC or the relevant law conforming with the directive in a dependent or associated territory.

The Savings Directive is currently the subject of a review which may lead to it being amended to overcome its perceived shortcomings. Any changes could apply to Notes that have already been issued at the date of the amendment of the Savings Directive.

General

Neither ANZ National nor ANZNIL nor any of the Agents makes any comment about the treatment for taxation purposes of payment or receipts in respect of the Notes. Each investor contemplating acquiring Notes is advised to consult a professional adviser in connection with the consequences relating to the acquisition, retention and disposition of Notes.

Employee Retirement Income Security Act

A fiduciary of a pension, profit-sharing or other employee benefit plan (a “plan”) subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), should consider the fiduciary standards of ERISA in the context of the plan’s particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit plans, as well as individual retirement accounts and Keogh plans subject to Section 4975 of the Code (also “plans”), from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (“parties in interest”) with respect to the plan. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Certain employee benefit plans and arrangements including those that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (“non-ERISA arrangements”) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, foreign or other regulations, rules or laws (“similar laws”).

The acquisition of the Notes by a plan with respect to which we or certain of our affiliates is or becomes a party in interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired pursuant to and in accordance with an applicable exemption. Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities where neither ANZ nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the plan involved in the transaction and the plan pays no more and receives no less than “adequate consideration” in connection with the transaction (the “service provider exemption”). The U.S. Department of Labor has also issued five prohibited transaction class exemptions, or “PTCEs”, that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;
- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;
- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;
- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and
- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

Any purchaser or holder of Notes or any interest therein will be deemed to have represented by its purchase and holding of the Notes that it either (1) is not a plan and is not purchasing those Notes on behalf of or with “plan assets” of any plan or (2) with respect to the purchase or holding is eligible for the exemptive relief available under any of the PTCEs listed above, the service provider exemption or another applicable exemption. In addition, any purchaser or holder of Notes or any interest therein which is a non-ERISA arrangement will be deemed to have represented by its purchase or holding of the Notes that its purchase and holding will not constitute or result in a non-exempt violation of the provisions of any similar law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with “plan assets” of any plan or non-ERISA arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase or holding under similar laws, as applicable.

If you are an insurance company or the fiduciary of a pension plan or an employee benefit plan, and propose to invest in Notes, you should consult your legal counsel.

Plan of Distribution

The Notes are being offered on a periodic basis for sale by the Issuers through J.P. Morgan Securities LLC, ANZ Securities, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC and each agent appointed from time to time by the Issuers under and in accordance with the terms of the Distribution Agreement (the “Agents”), each of which has agreed to use its reasonable best efforts to solicit offers to purchase the Notes. The applicable Issuer will pay the applicable Agent a commission which will equal the percentage of the principal amount of any such Note sold through such Agent set forth in the relevant Final Terms. An Issuer may also sell Notes to an Agent, as principal, at a discount from the principal amount thereof, and such Agent may later resell such Notes to investors and other purchasers at varying prices related to prevailing market prices at the time of sale as determined by such Agent. An Issuer may also sell Notes directly to, and may solicit and accept offers to purchase directly from, investors on its own behalf in those jurisdictions where it is authorized to do so. The Notes will be offered in accordance with the provisions of the Distribution Agreement.

In addition, the Agents may offer the Notes they have purchased as principal to other Agents. The Agents may sell Notes to any Agent at a discount. Unless otherwise indicated in the relevant Final Terms, any Note sold to an Agent as principal will be purchased by such Agent at a price equal to 100% of the principal amount thereof less a percentage equal to the commission applicable to any agency sale of a Note of identical term, and may be resold by such Agent to investors and other purchasers from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale or may be resold to certain dealers as described above. After the initial offering of Notes to be resold to investors and other purchasers on a fixed offering price basis, the offering price, concession and discount may be changed.

Each Issuer reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject orders in whole or in part whether placed directly with such Issuer or through an Agent. Each Agent will have the right, in its discretion reasonably exercised, to reject any offer to purchase Notes received by it, in whole or in part.

In connection with an offering of Notes purchased by one or more Agents as principal on a fixed offering price basis, such Agent(s) will be permitted to over-allot or engage in transactions that stabilize the price of Notes. These transactions may consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of Notes. If the Agent creates or the Agents create, as the case may be, a short position in Notes, that is, if it sells or they sell Notes in an aggregate principal amount exceeding that set forth in the relevant Final Terms, such Agent(s) may reduce that short position by purchasing Notes in the open market. In general, purchase of Notes for the purpose of stabilization or to reduce a short position could cause the price of Notes to be higher than it might be in the absence of such purchases. Such stabilization if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilization, if any, shall be in compliance with all laws.

None of the Issuers, ANZ National (in the case of ANZNIL Notes) or any of the Agents makes any representation or prediction as to the direction or magnitude of any effect that the transactions described in the immediately preceding paragraph may have on the price of Notes. In addition, none of the Issuers, ANZ National (in the case of ANZNIL Notes) or any of the Agents make any representation that the Agents will engage in any such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Agents may from time to time purchase and sell Notes in the secondary market, but they are not obligated to do so, and there can be no assurance that there will be a secondary market for the Notes or liquidity in the secondary market if one develops. From time to time, the Agents may make a market in the Notes.

The Issuers have agreed to indemnify the several Agents against and to make contributions relating to certain liabilities, including liabilities under the Securities Act. The Agents and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The Agents may engage in transactions with, or perform services for, the Issuers in the ordinary course of business.

Some of the Agents or their affiliates have, directly or indirectly, performed investment and/or commercial banking or financial advisory services for the Issuers or their affiliates, for which they may have received customary fees and commissions, and they expect to provide these services to the Issuers and their affiliates in the future, for which they may also receive customary fees

and commissions. In the ordinary course of their various business activities, the Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and instruments of the Issuers. The Agents and their respective affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

United States

The Notes are not being registered under the Securities Act in reliance upon Regulation S under the Securities Act and the exemptions from registration provided by Section 4(2) of the Securities Act and Rule 144A and Regulation D promulgated thereunder. The Notes are being offered hereby only (A) to QIBs in reliance on Rule 144A and (B) to persons other than U.S. persons (as defined in Regulation S) in offshore transactions in reliance upon Regulation S. The minimum principal amount of Notes which may be purchased for any account is US\$100,000 or such larger principal amounts as shall be specified in the relevant Final Terms as the minimum denomination for the Notes of a relevant Tranche (or, in either case, the equivalent thereof in another currency or composite currency).

Prior to any issuance of Notes in reliance on Regulation S, each relevant agent will be deemed to represent and agree that it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the distribution compliance period (as defined in Regulation S) a confirmation or notice substantially to the following effect:

“The Notes covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and may not as a matter of U.S. law be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S (or Rule 144A, if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S”.

Until the expiration of the period ending 40 days after the later of the commencement of the offering and the issue date of the Notes, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from Registration under the Securities Act.

There is no undertaking to register the Notes hereafter and they cannot be resold except pursuant to an effective registration statement or an exemption from the registration requirements of the Securities Act. Each purchaser of the Notes offered hereby in making its purchase shall be deemed to have made the acknowledgments, representations and agreements as set forth under “Notice to Purchasers” contained on pages i and ii hereof.

United Kingdom

Each Agent has represented and agreed and each further Agent appointed under the Distribution Agreement will be required to represent and agree:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer and, in the case of ANZNIL Notes, ANZ National; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

New Zealand

No action has been or will be taken by any Issuer, the Guarantor or the Agents which would permit a public offering of any of the Notes, or possession or distribution of any offering material in relation to the Notes to the public in New Zealand other than pursuant to the exemptions set out below. Each Agent will be deemed to represent and agree, and each further Agent appointed under the Distribution Agreement will represent and agree, that:

- (i) it has not offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Note; and
- (ii) it will not distribute any offering memorandum or advertisement in relation to any offer of Notes;

in New Zealand other than:

- to persons who are each required to pay a minimum subscription price for Notes of at least NZ\$500,000 (disregarding any amount lent by the offeror, the relevant Issuer or any associated person of the offeror or the relevant Issuer); or
- in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand.

Each Agent will be deemed to represent and agree that it has not offered or sold, and will not offer or sell, any Notes to persons whom it believes to be persons to whom any amounts payable on the Notes are or would be subject to New Zealand resident withholding tax, unless such persons certify that they hold a valid certificate of exemption for New Zealand resident withholding tax purposes and provide a New Zealand tax file number to such Agent (in which event the Agent shall provide details thereof to the relevant Issuer or to the Fiscal Agent).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the “FIEL”), and each Agent will be deemed to represent and agree that it has not offered or sold, and agrees not to offer or sell the Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a Japanese Person, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other applicable laws, regulations and ministerial guidelines of Japan. For the purpose of this paragraph “Japanese Person” means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Hong Kong

Each Agent will be deemed to represent and agree that it may not offer or sell the Notes by means of any document other than (i) to persons whose ordinary business is to buy or sell debentures, whether as principal or agent, (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, (iii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder or (iv) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and no advertisement, invitation or document relating to the Notes may be issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Agent has represented and agreed and each further Agent appointed under the Distribution Agreement will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in the Relevant Member State (the “Relevant Implementation Date”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Memorandum, as completed by the

Final Terms in relation thereto, to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (ii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (iii) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Agent or Agents nominated by the relevant Issuer for any such offer; or
- (iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (i) to (iv) above shall require the relevant Issuer or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Legal Matters

The validity of the Notes under New York law will be passed upon for us by our United States counsel Sullivan & Cromwell, Melbourne, Australia. The validity of the Notes under New York law will be passed upon for the Agents by their United States counsel, Sidley Austin LLP, New York, New York, United States. The validity of the Notes under New Zealand law will be passed upon for us by our New Zealand counsel Russell McVeagh, Wellington, New Zealand. These opinions will be conditioned upon, and subject to certain assumptions regarding future action required to be taken by the relevant Issuer, ANZ National (in the case of ANZNIL Notes) and the Fiscal Agent in connection with the issuance and sale of any particular Note, the specific terms of Notes and other matters which may affect the validity of Notes but which cannot be ascertained at the date of such opinions.

Independent Auditors

The consolidated financial statements of ANZ National Bank Limited and its subsidiaries as at September 30, 2010, September 30, 2009 and September 30, 2008 and for each of the years then ended have been audited by KPMG, independent accountants, as stated in their reports appearing herein.

The financial statements of ANZ National (Int'l) Limited as at September 30, 2010, September 30, 2009 and September 30, 2008 and for each of the years then ended have been audited by KPMG, independent accountants, as stated in their reports appearing herein.

General Information

1. The admission of the program to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market is expected to take effect on or about December 10, 2010. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche intended to be admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's Regulated Market will be admitted to listing and trading upon submission to the UK Listing Authority and the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority and the London Stock Exchange, subject in each case to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.
2. However, Notes may be issued which will not be admitted to listing and/or trading on the Official List of the UK Listing Authority or the London Stock Exchange's Regulated Market or any other listing authority and/or stock exchange or which will be admitted to listing and/or trading by such listing authority and/or stock exchange as the relevant Issuer and the relevant Agent(s) may agree.
3. Save as disclosed in the sections entitled "Risk Factors-Litigation and contingent liabilities may adversely impact our results" on page 21 and "Contingent liabilities and credit related commitments-Other contingent liabilities" on page 69 in this Offering Memorandum, neither Issuer nor, in the case of ANZ National, its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either Issuer is aware) during a period covering at least 12 months which may have, or have had in the recent past, significant effects on the financial position or profitability of such Issuer and, in the case of ANZ National, its subsidiaries taken as a whole.
4. Since September 30, 2010, there has been no material adverse change in the prospects of each Issuer and, in the case of ANZ National, its subsidiaries taken as a whole and the ANZ National Group. Since September 30, 2010, subject to "Overview—Recent developments" on page 2 in this Offering Memorandum, there has been no significant change in the financial or trading position of each Issuer and, in the case of ANZ National, its subsidiaries taken as a whole and the ANZ National Group.
5. There are no material contracts having been entered into outside the ordinary course of any of the Issuers' businesses, which could result in any group member of any Issuer being under an obligation or entitlement that is material to that Issuer's ability to meet its obligation to Noteholders in respect of the securities being issued.
6. For so long as Notes may be issued pursuant to this Offering Memorandum or any Notes shall be outstanding, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Fiscal Agent, the London Paying Agent and the relevant Issuer:
 - (i) the constitutive documents of the relevant Issuer;
 - (ii) the Fiscal Agency Agreement and the Supplementary Fiscal Agency Agreement;
 - (iii) the Guarantee;
 - (iv) any Final Terms relating to Notes of the relevant Issuer which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (in the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Final Terms will only be available for inspection by the relevant Noteholders);
 - (v) a copy of this Offering Memorandum together with any supplement to this Offering Memorandum or further Offering Memorandum;
 - (vi) copies of the most recent publicly available audited accounts of the ANZ National Group for the financial years ending September 30, 2010 and 2009, including copies of the report of the independent auditor thereon; and

- (vii) copies of the most recently available audited accounts of ANZNIL for the years ended September 30, 2010 and 2009, including copies of the report of the independent auditor thereon.

- 7. The price and amount of Notes to be issued will be determined by the relevant Issuer and the relevant Agent at the time of issue in accordance with the prevailing market conditions at such time.
- 8. The Issuers do not intend to provide any post-issuance information in relation to any issue of Notes.
- 9. The establishment of the program and the issue of the Notes by it thereunder was authorized (i) by resolutions of the board of directors of ANZ National on August 13, 2004, February 16, 2006, October 12, 2006, June 19, 2008, December 2, 2008 and April 15, 2010 (ii) by resolutions of the board of directors of ANZNIL on March 4, 2005, March 23, 2006, September 18, 2006, November 28, 2008, December 23, 2008, and September 2, 2010 and (iii) by a resolution of the shareholder of ANZNIL on February 10, 2005 and February 16, 2006.

Annex A-ANZ National Consolidated Financial Statements

Contents

1. ANZ National Bank Limited Group General Disclosure Statement for the year ended September 30, 2010.
2. ANZ National Bank Limited Group General Disclosure Statement for the year ended September 30, 2009.

Annex A-1-ANZNIL Financial Statements

1. ANZ National (Int'l) Limited Financial Statements for the year ended September 30, 2010.
2. ANZ National (Int'l) Limited Financial Statements for the year ended September 30, 2009.
3. ANZ National (Int'l) Limited Financial Statements for the year ended September 30, 2008.

Annex B—Form of Final Terms

[ANZ National (Int'l) Limited, acting through its London branch/ANZ National Bank Limited]
US\$10,000,000,000 Medium-Term Note, Series A, Offering Memorandum dated December 10, 2010 (the “Offering Memorandum”).

[This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the “Prospectus Directive”), and must be read in conjunction with the Offering Memorandum, which constitutes a base prospectus for the purposes of the Prospectus Directive.]

Final Terms—dated []

In terms of the Fiscal Agency Agreement dated as of March 15, 2005, as amended we wish to advise the following in respect of the latest issue of Notes.

[Note: Italics denote guidance for completing Final Terms.]

Deal Reference MTN	[specify number]
Issuer:	[ANZ National (Int'l) Limited, acting through its London branch] OR [ANZ National Bank Limited]
[Guarantor]	[ANZ National Bank Limited]
Principal Amount and Specified Currency:	[US\$[] OR [Specify details of Foreign Currency Note]
Option to receive payment in Specified Currency:	[Not Applicable] OR [Specify details]
Type of Note:	[Rule 144A Global Note] OR [Regulation S Global Note] OR [Rule 144A Global Note and Regulation S Global Note]
Term:	[[] years]
Issue Date:	[]
Trade Date:	[]
Stated Maturity:	[]
Redemption:	[No redemption at the option of the Issuer prior to Stated Maturity (other than for tax reasons)] OR [At option of the Issuer—specify details/see further details below]
Repayment:	[No repayment at the option of the holders prior to Stated Maturity] OR [At option of holders—specify details]
Fixed Rate Notes:	[Applicable/Not Applicable] [If not applicable, delete following subparagraphs]
Interest Rate:	[]% per annum
Interest Rate Frequency:	[Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]
Regular Record Date(s):	[Specify details]
Interest Payment Dates:	[Specify details]
Floating Rate Notes:	[Applicable/Not Applicable] [If not applicable, delete following subparagraphs]

Floating Rate: Specified Interest Rate [+/-Spread] [x Spread Multiplier][Inverse Floating Rate][Floating Rate/Fixed Rate]

Initial Interest Rate: []% per annum

Base Rate: [Commercial Paper Rate] OR [Prime Rate] OR [CD Rate] OR [Federal Funds Rate] OR [LIBOR] OR [EURIBOR] OR [Treasury Rate] OR [CMT Rate] OR [Eleventh District Cost of Funds Rate] OR [New Zealand Bank Bill Rate] OR [Australian Bank Bill Rate] OR [Other—*specify details*]

Initial Base Rate: []% per annum

Spread (if applicable): [Not Applicable] OR [*Specify details*]

Spread Multiplier (if applicable): [Not Applicable] OR [*Specify details*]

Maximum (if applicable): [Not Applicable] OR [*Specify maximum Interest Rate*]

Minimum (if applicable): [Not Applicable] OR [*Specify minimum Interest Rate*]

Interest Payment Dates: [third Wednesday of each month/March/June/September/December] OR [*Specify details*]

Interest Payment Period: []

Interest Reset Period: []

Interest Reset Dates: [Annually/Semi-annually/Quarterly/Monthly/Weekly/Daily]

Initial Interest Reset Date: []

Calculation Date: [Earlier of the tenth calendar day after Interest Determination Date, or if such day is not a Business Day, the next succeeding Business Day and the Business Day preceding the applicable Interest Payment Date or Maturity, as the case may be] OR [Not Applicable—if LIBOR, EURIBOR, Australian Bank Bill Rate or New Zealand Bank Bill Rate] OR [*Specify other*]

Interest Determination Dates: [*Specify details*]

Index Maturity: [*Specify period*]

LIBOR Notes: [Applicable/Not Applicable]
[*If not applicable, delete following subparagraphs*]

Applicable provisions: [Reuters LIBOR01]

Designated LIBOR Page: [Reuters LIBOR01]

Index currency: [*Specify applicable index currency*]

CMT Rate Notes: [Applicable/Not Applicable]
[*If not applicable, delete following subparagraphs*]

Designated CMT Page: [Reuters FRBCMT/Reuters FEDCMT]
[Weekly Average] OR [Monthly Average][only if Reuters Page FEDCMT is specified]

Designated CMT Maturity Index: [1/2/3/5/7/10/20/30]

Floating Rate/Fixed Rate Security: [Applicable/Not Applicable]
[*If not applicable, delete following subparagraphs*]

Fixed Rate Commencement Date: [Not Applicable] OR [*Specify details*]

Fixed Interest Rate: [Not Applicable] OR [*Specify details*]

Fixed Rate/Floating Rate Security: [Applicable/Not Applicable]
[If not applicable, delete following subparagraph]

Floating Rate Commencement Date: []

Inverse Floating Rate Security: [Applicable/Not Applicable]

Original Issue Discount Notes: [Applicable/Not Applicable]
(If applicable, specify details of any applicable provisions.)

Zero Coupon Notes: [Applicable/Not Applicable]
(If applicable, specify details of any applicable provisions.)

Indexed Notes/other variable-linked interest note provisions: [Applicable/Not Applicable]
[If not applicable, delete following subparagraphs]

Index/formula/other variable: *[give or annex details]*

Calculation Agent responsible for calculating the interest due: []

Provisions for determining interest where calculated by reference to index and/or formula and/or other variable: []

Interest Determination Date(s): []

Provisions for determining interest where calculation by reference to index and/or formula and/or other variable is impossible or impracticable or otherwise disrupted: []

Interest period(s)/Interest Payment Dates: []

Amortizing Notes: [Applicable/Not Applicable]
(If applicable, specify details of any applicable provisions.)

Redemption: [Applicable/Not Applicable]
[If not applicable, delete following subparagraphs]

Redemption Commencement Date: *[Specify details]*

Redemption Price(s): *[Specify details]*

Redemption Period(s): *[Specify details]*

General Provisions:

Business Day Convention: [Following Business Day Convention] OR [Modified Following Business Day] OR [Preceding Business Day Convention]

Business Days: *[Specify any other applicable Business Days]*

Alternative Day Count Fraction: *[Specify if other than 30/360 for Fixed Rate Note]* OR [Not Applicable]

Issue Price(%): []%

Issue Price(\$): [US\$[] OR *[Specify details of Foreign Currency Note]*

Resale Price (price to public):

Discount or Commission: []%

Net Proceeds to Issuer: [(less expenses agreed between the Issuer and [])] (*required only for listed issues*)

Offering Agent(s): []

Agent(s) acting in capacity of: [Principal] OR [Agent]

Paying Agent: [The Bank of New York Mellon]

Calculation Agent: [The Bank of New York Mellon]

Exchange Rate Agent: [The Bank of New York Mellon]

Additional Paying Agent: []

Redenomination, renominatisation and reconventioning provisions: [Applicable/Not Applicable]

(If applicable, specify details of any applicable provisions.)

Listing: [The Official List of the UK Listing Authority/None]

Admission to trading: [Application has been made for the Notes to be admitted to trading on [] with effect from [].] OR [Not Applicable]

Denominations: [Minimum denomination of [US\$100,000, and any integral multiple of US\$1,000 thereafter] OR *[Specify other]*

Covenant Defeasance: *[specify details]*

CUSIP: []

ISIN: []

Common Code: []

Additional Selling Restrictions: *[if sales outside of the United States—Specify details]*

Stabilizing Manager: []

Exchange Rate: [as of , 2010, US\$1.00 =] OR [Not Applicable]

[insert Business Day prior to day offer was accepted]

Depository (if other than DTC) [Not Applicable] OR [specify details]

Ratings: [S & P: []]
[Moody's: []]
[[Other]: []]

Other terms: []

Interests of natural and legal persons involved in the issue: *[The Prospectus Directive requires a description of any interest, including conflicting ones, that is material to the issue, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

Save as discussed in “Plan of Distribution”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.]

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

- [Reasons for the offer:]** *[If the reasons for the offer differ from “making profit and/or hedging certain risks” the reasons will need to be described here, and the following sections titled “Estimated new proceeds” and “Total expenses” will also need to be included.]*
- (i) [Estimated net proceeds:] *[If proceeds are intended for more than one use then split out and present in order of priority. If proceeds are insufficient to fund all proposed uses, state amount and sources of other funding.]*
- (ii) [Estimated total expenses:] *[Include breakdown of expenses.]*
- (If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses where disclosure is included above).

[Estimated total expenses related to admission to trading:]

[Add the following language if Board (or similar) authorization is required for the particular Tranche of Notes or the related Guarantee]

Date [Board] approval for issuance of Notes [and Guarantee] obtained: *[[] [and []], respectively] [(Only relevant where Board (or similar) authorization is required for the particular Tranche of Notes or the related Guarantee)]*

[for indexed or other variable-linked notes only]

[Performance of index/formula/other variable] *[Required for derivative securities to which Annex XII to the Prospectus Directive applies (i.e. if the Redemption Price is other than 100% of the nominal value of the Notes. If so, need to include details of where past and future performance and volatility of the index/ formula/other variable can be obtained.)]*

[and other information concerning the underlying:] *[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index, need to include equivalent information.]*

Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the prospectus Directive Regulation (A12.4.2.3, A12.4.2.4).

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Memorandum under Article 16 of the Prospectus Directive.)]

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

The Issuer accepts responsibility for the information contained in these Final Terms.

[The information relating to [●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.] *[Include where any information sourced from a third party has been reproduced, and provide necessary details]*

Signed on behalf of the Issuer:

By:

Duly authorized
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