

ANZ Capital Notes Offer

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

2 July 2013



Disclaimer

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") is the issuer of the **ANZ Capital Notes ("Notes")** .

A public offer of the Notes will be made by ANZ pursuant to a Prospectus under Part 6D.2 of the Corporations Act. A Prospectus has been lodged with the Australian Securities and Investments Commission on or about 2 July 2013. A replacement Prospectus with the Margin determined after the Bookbuild will be lodged on or about 10 July 2013. The Prospectus is available (and the replacement **Prospectus will be available) on ANZ's website, www.capitalnotes.anz.com**. Applications for Notes can only be made on the application form accompanying the Prospectus. Before making an investment decision you should read the Prospectus in full and consult with your broker or other professional adviser as to whether Notes are a suitable investment having regard to your particular circumstances. This document is not a Prospectus under Australian law and does not constitute an invitation to subscribe for or buy any securities or an offer for subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction. It is also not financial product advice, and does not take into account your investment objectives, financial situation or particular needs.

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Offer Summary

Offer	<ul style="list-style-type: none"> • Offer by Australia and New Zealand Banking Group Limited (“ANZ”) of the ANZ Capital Notes (“Notes”)
Term	<ul style="list-style-type: none"> • Perpetual, subject to mandatory conversion into ANZ Ordinary Shares on 1 September 2023 or following a Trigger Event • ANZ optional Exchange on 1 September 2021
Offer size	<ul style="list-style-type: none"> • \$750 million with the ability to raise more or less
Face Value	<ul style="list-style-type: none"> • \$100 per Note
Purpose of the Offer	<ul style="list-style-type: none"> • The Notes are being offered as part of ANZ’s ongoing capital management strategy. ANZ will use the proceeds for general corporate purposes • APRA has confirmed that the Notes will constitute Additional Tier 1 Capital for the purposes of ANZ’s regulatory capital requirements.
Offer structure	<ul style="list-style-type: none"> • The Offer is being made to: <ul style="list-style-type: none"> – eligible ANZ Securityholders; – members of the general public who are Australian residents; – retail clients of syndicate brokers; and – institutional investors • ANZ Securityholders are holders of an ANZ Ordinary Share, CPS1, CPS2, CPS3 or ANZ Subordinated Note, shown on the register at 7:00pm AEST on 26 June 2013 with a registered address in Australia
Listing	<ul style="list-style-type: none"> • ANZ will apply for the Notes to be listed on ASX and the Notes are expected to trade under ASX code ‘ANZPD’
Ranking¹	<ul style="list-style-type: none"> • On a winding-up of ANZ, the Notes rank for payment: <ul style="list-style-type: none"> – ahead of ANZ Ordinary Shares; – equally with CPS1, CPS2, CPS3, the preference shares comprised in the 2003 and 2004 Trust Securities and any other equal ranking instruments; and – behind depositors, senior ranking securities, ANZ Subordinated Notes and other creditors of ANZ

1. The ranking of the Notes in a winding-up will be adversely affected if a Trigger Event occurs



Distributions

Distributions	<ul style="list-style-type: none">• Non-cumulative based on a floating rate (180 Day BBSW)• Expected to be fully or substantially franked• If a Distribution is not franked or only partially franked, the cash amount of the Distribution will be increased to compensate holders for the unfranked portion of the Distribution, subject to certain Payment Conditions• Distributions are payable on 1 March and 1 September each year, subject to complying with applicable law, ANZ's absolute discretion and no Payment Condition existing. A Payment Condition exists where:<ul style="list-style-type: none">- Payment results in ANZ or the ANZ Group not complying with APRA's capital adequacy requirements;- Payment results in ANZ becoming, or likely to become, insolvent; or- APRA objects to the payment of the Distribution
Distribution Rate	<ul style="list-style-type: none">• $\text{Distribution Rate} = (180 \text{ day BBSW} + \text{Margin}) \times (1 - \text{corporate tax rate})$• Margin expected to be in the range of 3.4% to 3.6% per annum
Dividends and Capital Restrictions	<ul style="list-style-type: none">• If a Distribution has not been paid in full on a Distribution Payment Date, ANZ must not, without approval of a Special Resolution of Holders, until and including the next Distribution Payment Date (i.e. for the next 6 months):<ul style="list-style-type: none">- resolve to pay or pay a dividend on ANZ Ordinary Shares; or- buy back or reduce capital on ANZ Ordinary Shares• Limited exceptions apply

Mandatory Conversion on a Mandatory Conversion Date

<p>Mandatory Conversion</p>	<ul style="list-style-type: none"> • On 1 September 2023 (“Mandatory Conversion Date”), subject to satisfaction of the Mandatory Conversion Conditions, the Notes will mandatorily Convert into a variable number of ANZ Ordinary Shares at a 1% discount to the 20 day VWAP¹, unless Exchanged prior or Converted following a Trigger Event • The number of ANZ Ordinary Shares issued following Conversion on the Mandatory Conversion Date is subject to the Maximum Conversion Number which is set to reflect a VWAP of 50% of the Issue Date VWAP (i.e. the average ANZ Ordinary Share price over 20 business days prior to the issue date of the Notes)
<p>Mandatory Conversion Conditions</p>	<ol style="list-style-type: none"> 1. The VWAP on the 25th business day before (but not including) a possible Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP 2. The VWAP during the 20 business days before (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP 3. ANZ Ordinary Shares remain listed and admitted to trading and trading has not been suspended for 5 consecutive Business Days before, and the suspension is not continuing on, the Mandatory Conversion Date
<p>Intention of Mandatory Conversion Conditions</p>	<ul style="list-style-type: none"> • The Mandatory Conversion Conditions are intended to provide protection on Conversion (other than following a Trigger Event) to Holders from receiving less than approximately \$101 worth of ANZ Ordinary Shares per Note on the Mandatory Conversion Date and that those ANZ Ordinary Shares are capable of being sold on the ASX¹
<p>Deferral of Conversion</p>	<ul style="list-style-type: none"> • If any of the Mandatory Conversion Conditions are not satisfied, the Mandatory Conversion Date will be deferred until the next Distribution Payment Date on which all of those conditions are satisfied • Notes may remain on issue indefinitely if those conditions are not satisfied

1. The VWAP during the 20 business days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date that is used to calculate the number of ANZ Ordinary Shares that Holders receive may differ from the ANZ Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of ANZ Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.



Mandatory Conversion on a Trigger Event

Trigger Event	<ul style="list-style-type: none"> Includes either a Common Equity Capital or Non-Viability Trigger Event
Common Equity Capital Trigger Event	<ul style="list-style-type: none"> ANZ determines or APRA has notified ANZ in writing that it believes that ANZ's Common Equity Capital Ratio is equal to or less than 5.125%
Non-Viability Trigger Event	<ul style="list-style-type: none"> APRA notifies ANZ that: <ul style="list-style-type: none"> Conversion or write-off of certain securities is necessary because without it ANZ would become non-viable; or Without a public sector injection of capital ANZ would become non-viable
Conversion following a Trigger Event	<ul style="list-style-type: none"> ANZ may be required to immediately Convert all or some of the Notes into a variable number of ANZ Ordinary Shares at a 1% discount to the 5 day VWAP prior to the Conversion date, subject to the Maximum Conversion Number There are no conditions to Conversion following a Trigger Event The application of the Maximum Conversion Number means that, depending on the market price of ANZ Ordinary Shares, Holders may suffer a loss as a consequence
Maximum Conversion Number	<ul style="list-style-type: none"> The number of ANZ Ordinary Shares per Note that Holders are issued on Conversion may not be greater than the Maximum Conversion Number. The Maximum Conversion Number is the Issue Price of the Notes (\$100) divided by 20% of the Issue Date VWAP (as adjusted in limited circumstances)
Write-Off	<ul style="list-style-type: none"> If the Notes cannot be Converted at that time they will be Written Off (which means all rights in relation to those Notes will be terminated and Holders will not have their capital repaid)

Optional Exchange & Mandatory Conversion on a Change of Control Event

Optional Exchange Date	<ul style="list-style-type: none"> ANZ <u>may</u> choose to Exchange all or some Notes on issue on 1 September 2021
Regulatory or Tax Event	<ul style="list-style-type: none"> ANZ <u>may</u> choose to Exchange all or some Notes if a Regulatory Event or a Tax Event occurs
Change of Control Event	<ul style="list-style-type: none"> All Notes will mandatorily Convert into ANZ Ordinary Shares if a Change of Control Event occurs, subject to satisfaction of certain conditions¹
Exchange	<ul style="list-style-type: none"> Subject to APRA’s prior written approval and provided certain conditions are satisfied, ANZ may Exchange Notes via any or a combination of: <ul style="list-style-type: none"> Conversion into a variable number of ANZ Ordinary Shares worth ~ \$101¹ per Note; Redemption for \$100 per Note; or Reselling the Notes to a nominated purchaser for \$100 per Note Key conditions to Redemption are: <ul style="list-style-type: none"> The Notes being replaced concurrently or beforehand with Tier 1 Capital of the same or better quality as the Notes and the replacement of the Notes is done under conditions that are sustainable for ANZ’s income capacity; or APRA is satisfied that ANZ’s regulatory capital position will remain adequate following Redemption Conversion into ANZ Ordinary Shares is subject to the Maximum Conversion Number which is set to reflect a VWAP of 20% of the Issue Date VWAP Holders should not expect that APRA will approve any Exchange
Holder Exchange	<ul style="list-style-type: none"> Holders do not have the right to request Exchange

1. Based on the VWAP during a period, usually 20 business days, before the date that the Conversion occurs. If Conversion occurs as a result of a Change of Control Event, the period for calculating the VWAP may be less than 20 business days before the relevant Conversion date. The VWAP used to calculate the number of ANZ Ordinary Shares that Holders may receive may differ from the ANZ Ordinary Share price on or after the relevant Conversion date. This means that the value of the ANZ Ordinary Shares received may be more or less than anticipated when they are issued or thereafter





Comparison of ANZ Capital Notes to other ANZ instruments

	ANZ Capital Notes	CPS3	ANZ Subordinated Notes
ASX Code	Expected to be ANZPD	ANZPC	ANZHA
Term	Perpetual, subject to Mandatory Conversion after ~10 years	Perpetual, subject to Mandatory Conversion after ~8 years	~10.25 years ¹
Margin	Expected to be in the range of 3.4% to 3.6%	3.1%	2.75%
Distribution Payment Dates	Half-yearly	Half-yearly	Quarterly
Franking	Franked, subject to gross-up for non-franked portion	Franked, subject to gross-up for non-franked portion	N/A – interest payments are not franked
Payment Conditions	Yes, subject to ANZ’s absolute discretion and Payment Conditions	Yes, subject to absolute director discretion and certain payment conditions	No, unless ANZ is insolvent
Dividend restriction if coupon not paid	Yes, applies to Ordinary Shares until the next Distribution Payment Date	Yes, applies to Ordinary Shares until the next Dividend Payment Date	No
Mandatory Conversion	Yes, on 1 September 2023 or a Change of Control Event	Yes, on 1 September 2019	No
ANZ Early Redemption Option²	Yes, on 1 September 2021 or for Tax or Regulatory Events	Yes, on 1 September 2017 or for tax, regulatory or acquisition events	Yes, on 20 June 2017 or for tax events
Conversion on Trigger Event	Yes, on a Common Equity Capital Trigger Event for the ANZ Level 1 and 2 Groups and Non-Viability Trigger Event	Yes, on a Common Equity Capital Trigger Event in respect of the ANZ Level 2 Group only	No
Capital Classification	Additional Tier 1 Capital	Additional Tier 1 Capital (on a Basel 3 transitional basis)	Tier 2 (on a Basel 3 transitional basis)

1. Subject to early redemption by ANZ with APRA’s prior written approval
2. Subject to APRA’s prior written approval



Ranking of ANZ Capital Notes

		Examples	Examples of existing ANZ obligations and securities ¹
<p>Higher ranking/ earlier priority</p>   <p>Lower ranking/ later priority</p>	Senior obligations	Liabilities preferred by law and secured debt	Liabilities in Australia in relation to protected accounts under the Banking Act (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors
		Unsubordinated unsecured debt	Bonds and notes, trade and general creditors. This includes covered bonds which are an unsecured claim on ANZ, though they are secured over assets that form part of the Group
		Term subordinated unsecured debt	ANZ Subordinated Notes and other equal ranking dated subordinated unsecured debt obligations
		Perpetual subordinated unsecured debt	Perpetual Capital Floating Rate Notes issued in 1986
	Equal ranking obligations	Preference shares & other equally ranked instruments	ANZ Capital Notes , CPS3, CPS2, CPS1, and the preference shares comprised in the 2003 Trust Securities and the 2004 Trust Securities
	Lower ranking obligations	Ordinary Shares	Ordinary Shares

1. This is a very simplified capital structure of ANZ and does not include every type of security or other obligation issued by ANZ. ANZ has the right to issue further debt, deposits or other obligations or securities of any kind at any time. ANZ Capital Notes do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by ANZ at any time.



Summary of certain events that may occur during the term of ANZ Capital Notes¹

Event	When?	Is APRA approval needed? ²	Do conditions apply?	What value will a Holder receive for each Note?	In what form will that value be provided to Holders?
Mandatory Conversion	On 1 September 2023 or the first Distribution Payment Date after that date, on which the Mandatory Conversion Conditions are satisfied	No	Yes	~\$101 ³	Variable number of Ordinary Shares
Optional Conversion	1 September 2021	Yes	Yes	~\$101 ³	Variable number of Ordinary Shares
Optional Redemption	1 September 2021	Yes	Yes	\$100	Cash
Optional Resale	1 September 2021	Yes	No	\$100	Cash
Other Conversions	If a Tax Event or Regulatory Event occurs	Yes	Yes	~\$101 ³	Variable number of Ordinary Shares
	If a Change of Control Event occurs	No	Yes	~\$101 ³	Variable number of Ordinary Shares
	If a Trigger Event occurs	No	No	Depending on the market price of the Ordinary Shares, ~\$101 or less (and possibly significantly less)	Variable number of Ordinary Shares, capped at the Maximum Conversion Number. However, if ANZ is unable to Convert the Notes into Ordinary Shares, the Notes will be Written Off ⁴
Other Redemption	If a Tax Event or Regulatory Event occurs	Yes	Yes	\$100	Cash
Other Resale	If a Tax Event or Regulatory Event occurs	Yes	No	\$100	Cash

1. The table above summarises certain events that may occur during the term of the Notes, and what Holders may receive if those events occur. The events depend on a number of factors including ANZ's Ordinary Share price, the occurrence of contingencies and in some cases election by ANZ. As a result, the events may not occur.

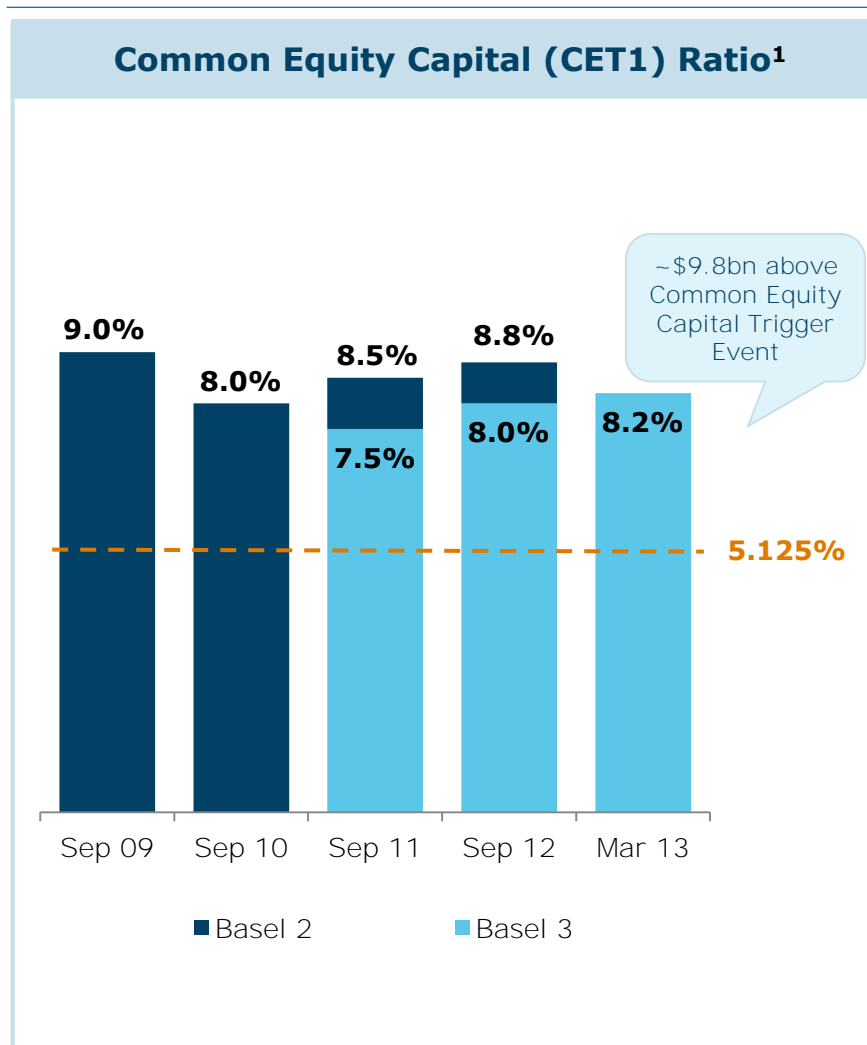
2. Holders should not expect that APRA's approval will be given if requested

3. On the basis of the Conversion calculations, the value of the Ordinary Shares received on Conversion may be worth more or less than approximately \$101. The number of Ordinary Shares that Holders receive will not be greater than the Maximum Conversion Number

4. If a Note is Written Off, all rights (including to Distributions) in respect of the Note will be terminated, and the Holder will not have their capital repaid



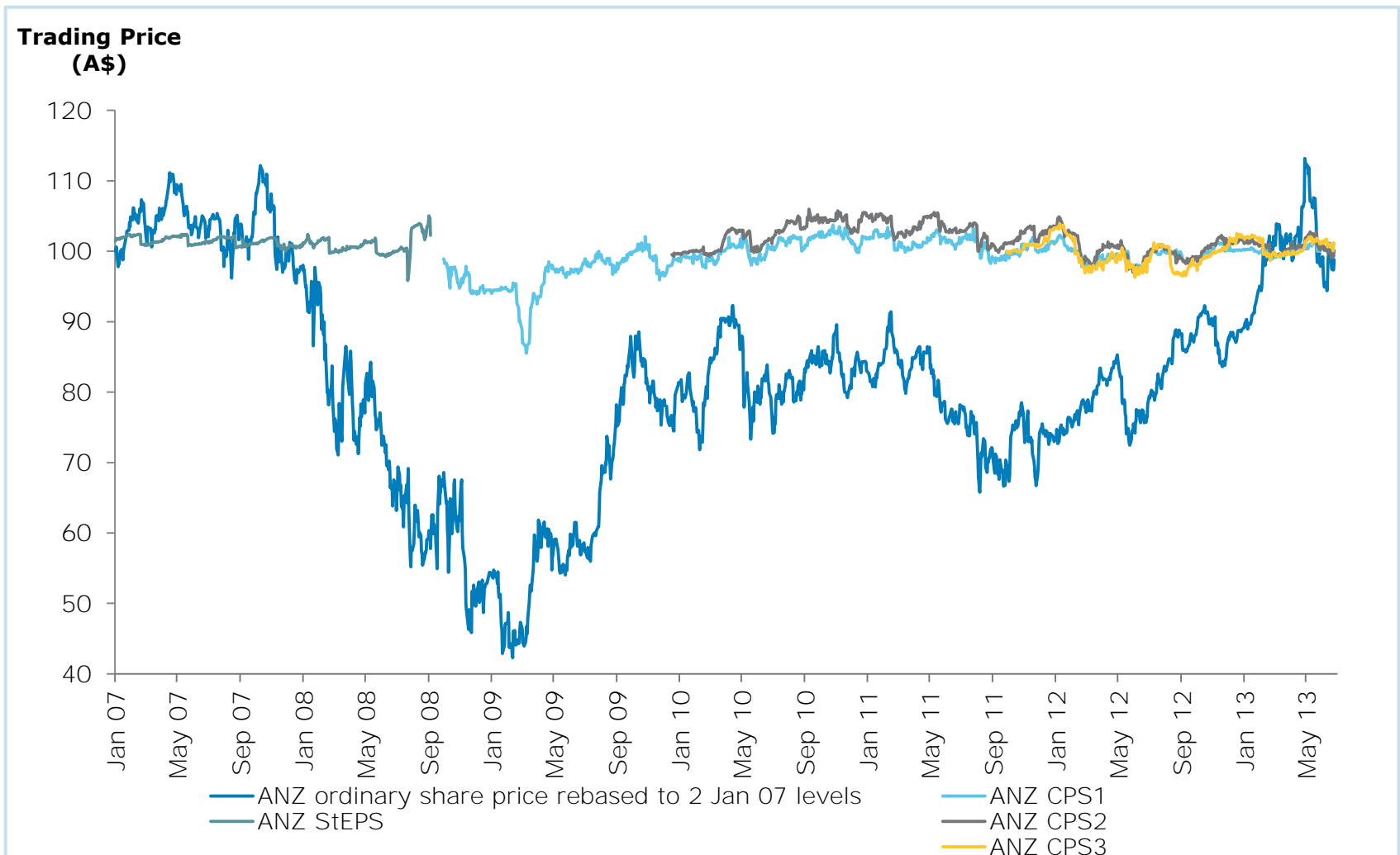
ANZ's Common Equity Capital Ratio



- The Notes mandatorily Convert into ANZ Ordinary Shares following a Common Equity Capital Trigger Event if ANZ's Common Equity Capital Ratio equals or is less than 5.125%
- ANZ's Common Equity Capital Ratio is the Common Equity Tier 1 Capital (CET1) ratio of ANZ at Level 1 and Level 2 determined under APRA's new Basel 3 capital adequacy standards (effective from 1 January 2013)
- ANZ's Basel 3 CET1 ratio of 8.2% (on a Level 2 basis) and 8.4% (on a Level 1 basis) as at 31 March 2013:
 - is well in excess of current and proposed minimum prudential requirements; and
 - equates to over \$9.8bn (on a Level 2 basis) and \$9.5bn (on a Level 1 basis) surplus CET1 in excess of a CET1 ratio of 5.125% which is the point at which a Common Equity Capital Trigger Event would occur
- The issue of \$750m ANZ Capital Notes would increase ANZ's proforma Basel 3 Tier 1 ratio (on a Level 2 basis) from 9.8% as at 31 March 2013 to 10%

1. The Common Equity Capital Ratio shown here is of the ANZ Level 2 Group. ANZ gives no assurance as to what its capital ratios will be at any time as they may be significantly impacted by unexpected events affecting its business, operations and financial condition.

Trading prices of selected ANZ Hybrids compared to an adjusted ANZ Ordinary Share price



Key dates for the Offer¹

Lodgement of initial Prospectus with ASIC	2 July 2013
Bookbuild to determine the Margin	9 July 2013
Announcement of the Margin and lodgement of the replacement Prospectus with ASIC	10 July 2013
Opening Date	10 July 2013
Closing Date for ANZ Securityholder Offer and General Offer	5:00pm AEST on 31 July 2013
Closing Date for Broker Firm Offer	10:00am AEST on 6 August 2013
Issue Date	7 August 2013
ANZ Capital Notes commence trading on ASX (deferred settlement basis)	8 August 2013
Confirmation Statements dispatched by	12 August 2013
ANZ Capital Notes commence trading on ASX (normal settlement basis)	13 August 2013
First half-yearly Distribution Payment Date	1 March 2014
Optional Exchange Date	1 September 2021
Mandatory Conversion Date ²	1 September 2023

1. The key dates for the Offer are indicative only and may change without notice

2. The Mandatory Conversion Date may be later than 1 September 2023, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied

2013 Half Year Results

(released 30 April 2013)

ANZ Capital Notes Offer



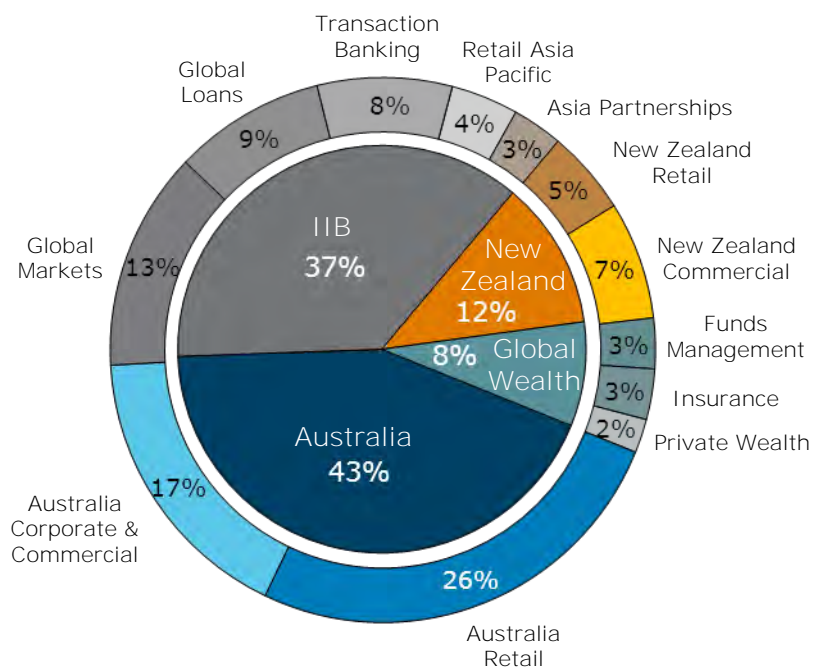
Overview of 1H13 financial performance

	1H13 \$M	Growth vs 2H12	Growth vs 1H12
Cash Profit	3,182	+8%	+10%
Operating Income	9,086	Flat	+4%
Expenses	4,034	-8%	-2%
Provisions	599	-13%	+5%
Statutory Net Profit After Tax	2,940	+7%	+1%
EPS (cents)	117	+7%	+7%
Dividend per Share (cents)	73	n/a	+11%
Net Interest Margin	2.25%	-3bps	-10bps
Customer deposits	344,135	+5%	+12%
Net loans and advances (incl. acceptances)	441,980	+3%	+7%

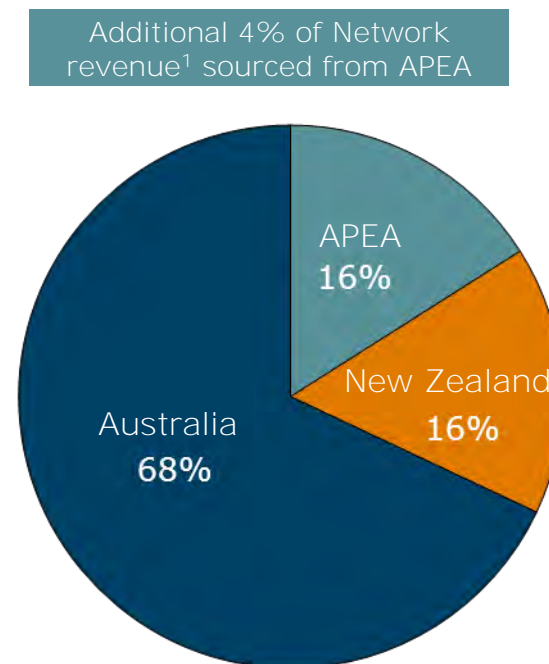
All figures other than Statutory Net Profit after Tax and Dividend are presented on Cash basis

ANZ continues to diversify operating income by customer, product and geography

Operating Income Mix by Division (1H13)



Operating Income Mix by Geography (1H13)



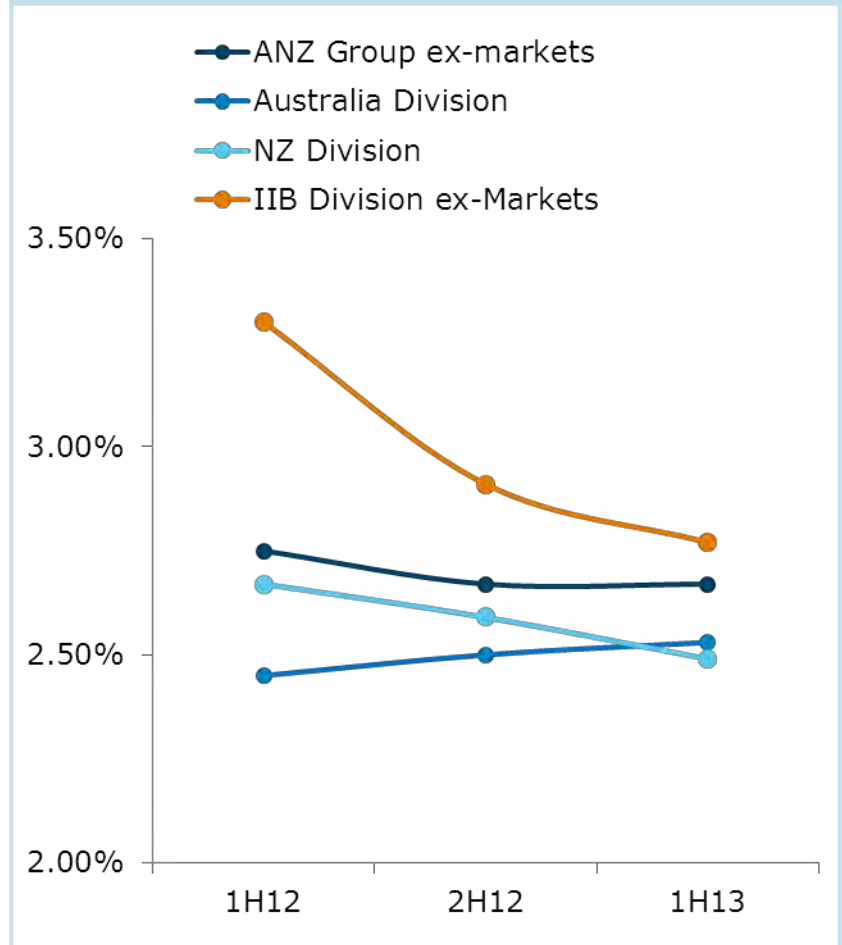
1. Network revenue represents income booked in a jurisdiction different to where a client relationship is managed

Net Interest Margin drivers and volume trends

Net Interest Income 1H13 v 2H12

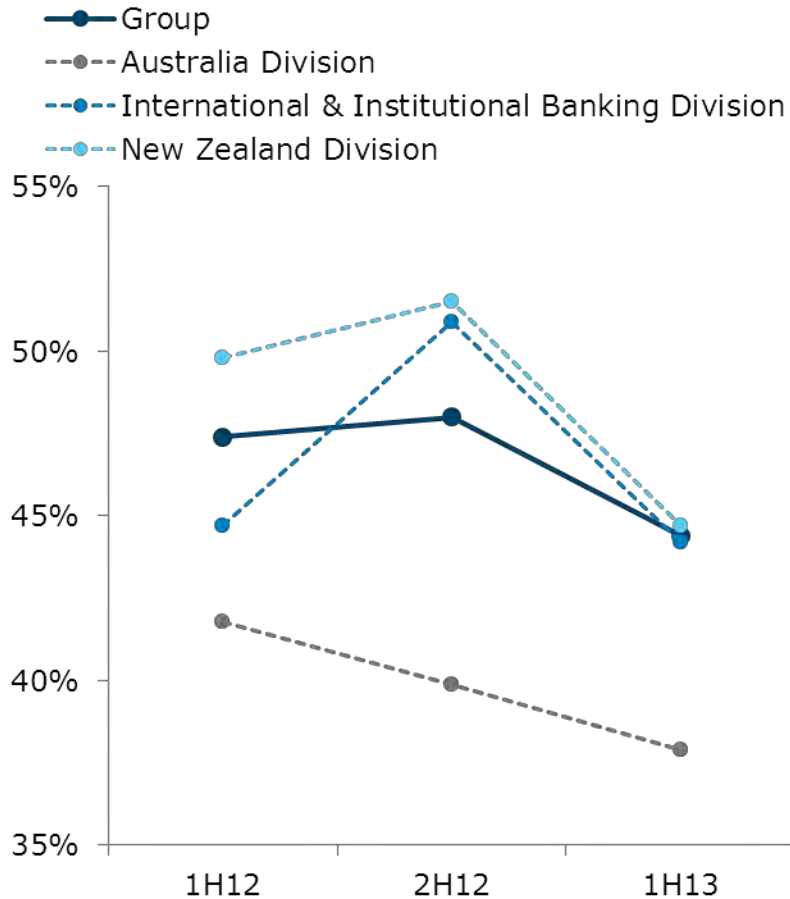


Net Interest Margin

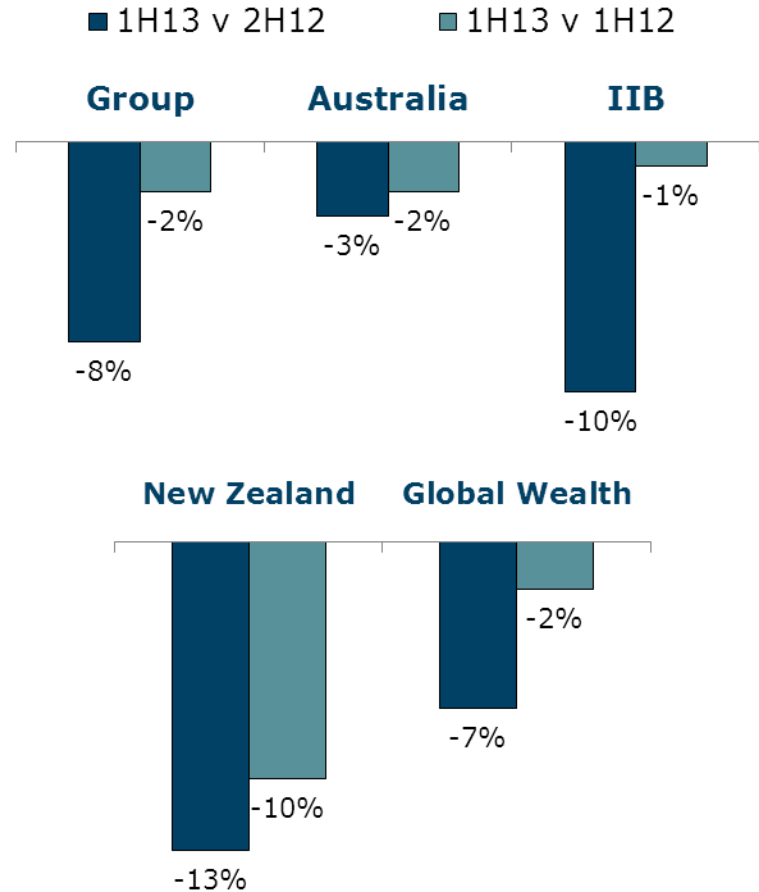


Productivity and cost management remains a key focus

Cost to Income Ratio



Operating Expense Growth

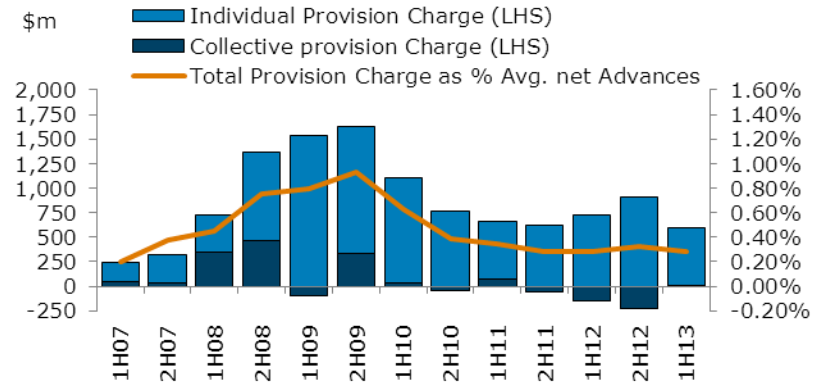


Credit quality in line with expectations

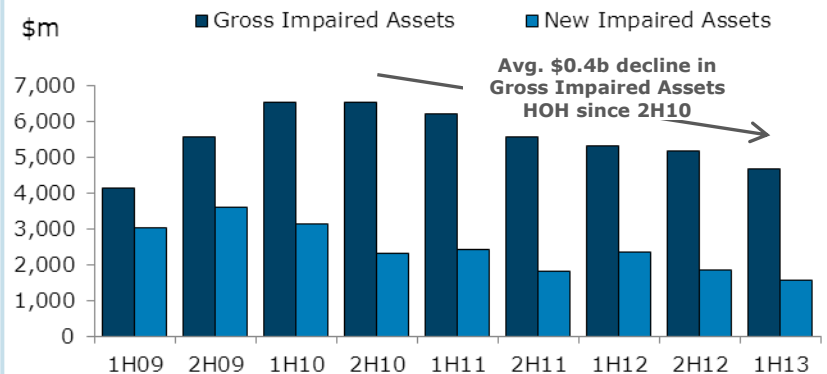
Credit Quality trends

- The 1H13 Provision charge of \$599m represents a 13% reduction HOH
- This lower Provision charge driven by reduction in both new individual provisions and top-up provisions to existing impaireds
- ANZ remains appropriately provided for the collective provision ratio at 1.01% following the introduction of APRA Basel 3 standards (1.06% on a Basel 2 basis)
- This coverage level reflects the ongoing improvement in credit quality of the Group's portfolio
- New impaired assets declined 15% HOH to \$1.6b, with all divisions seeing HOH reductions in new impaireds
- Gross impaired assets reduced 10% HOH to \$4.7b

Provision Charge



Impaired Assets

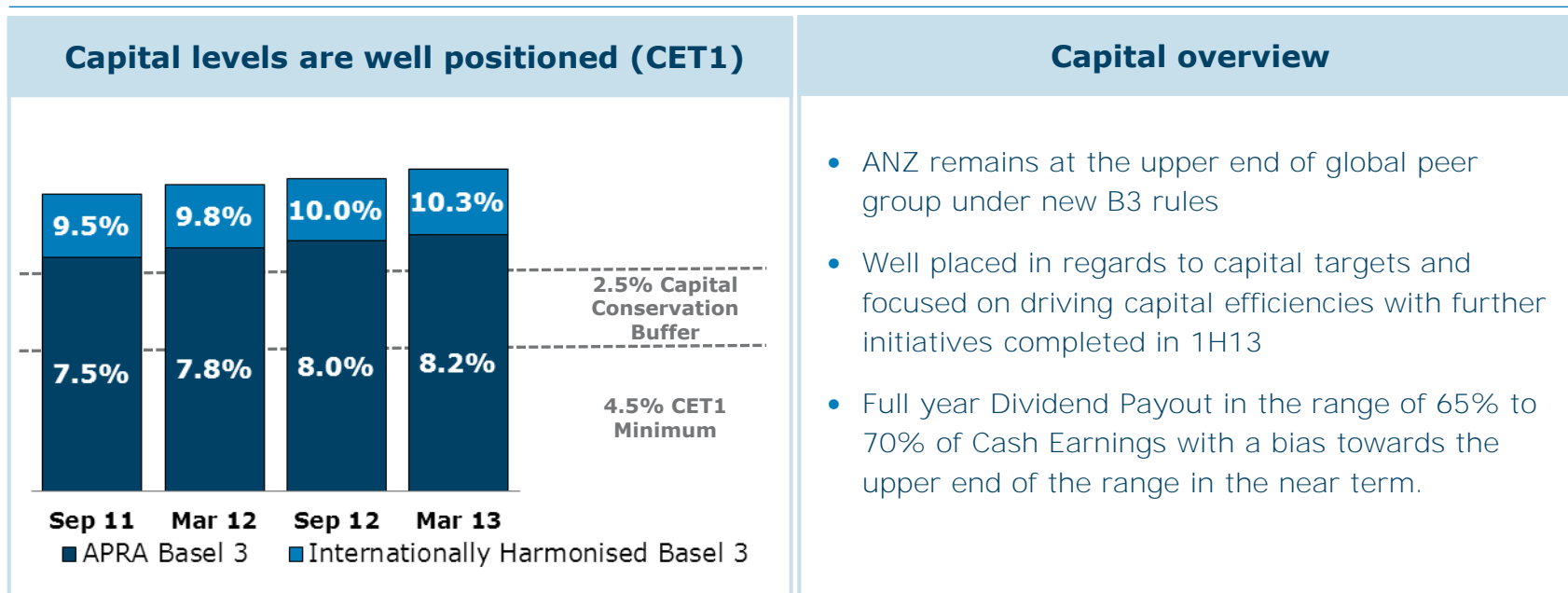


Balance Sheet

ANZ Capital Notes Offer



Strongly capitalised under new Basel 3 rules

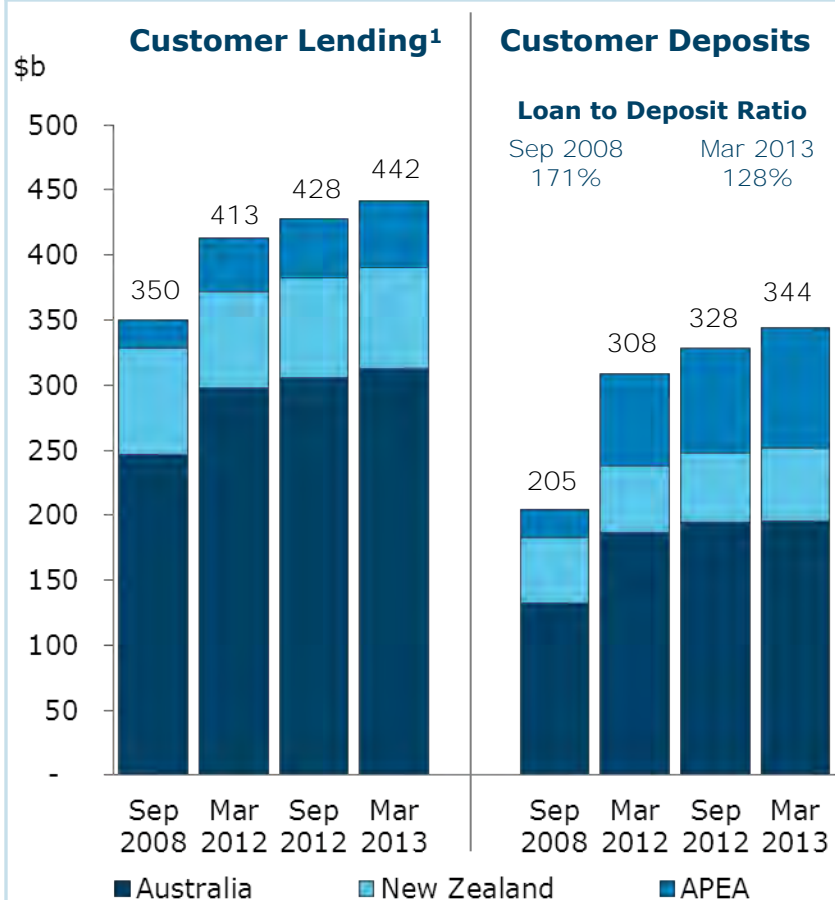


Capital position reconciliation under Basel 3

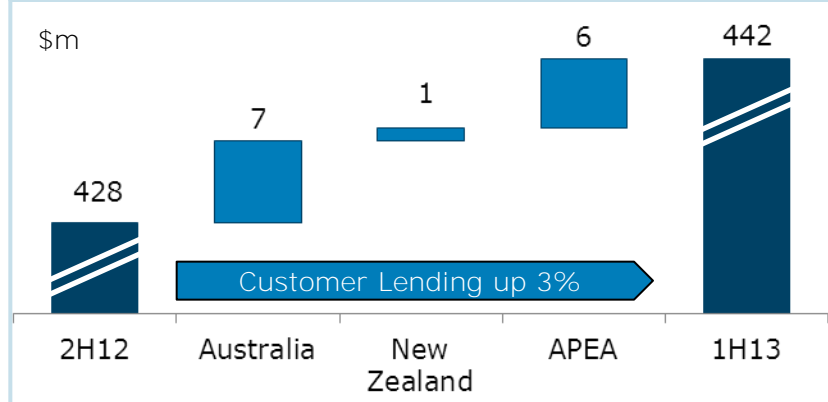
	CET1	Tier-1	Total Capital
Mar-13 APRA	8.2%	9.8%	11.7%
10% allowance for investments in insurance subs and ADIs	0.8%	0.8%	0.7%
Mortgage 20% LGD floor and other measures	0.4%	0.5%	0.6%
IRRBB RWA (APRA Pillar 1 approach)	0.4%	0.5%	0.5%
Up to 5% allowance for deferred tax asset	0.2%	0.2%	0.2%
Other capital items	0.3%	0.3%	0.3%
Mar-13 Internationally Harmonised	10.3%	12.1%	14.0%

Continue to diversify balance sheet and increase proportion of customer funding

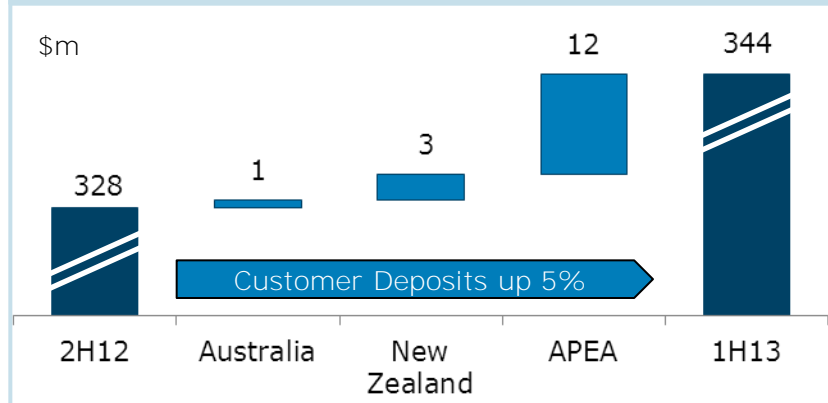
Customer Lending & Deposits by Geography



Customer Lending¹ movement 1H13 v 2H12

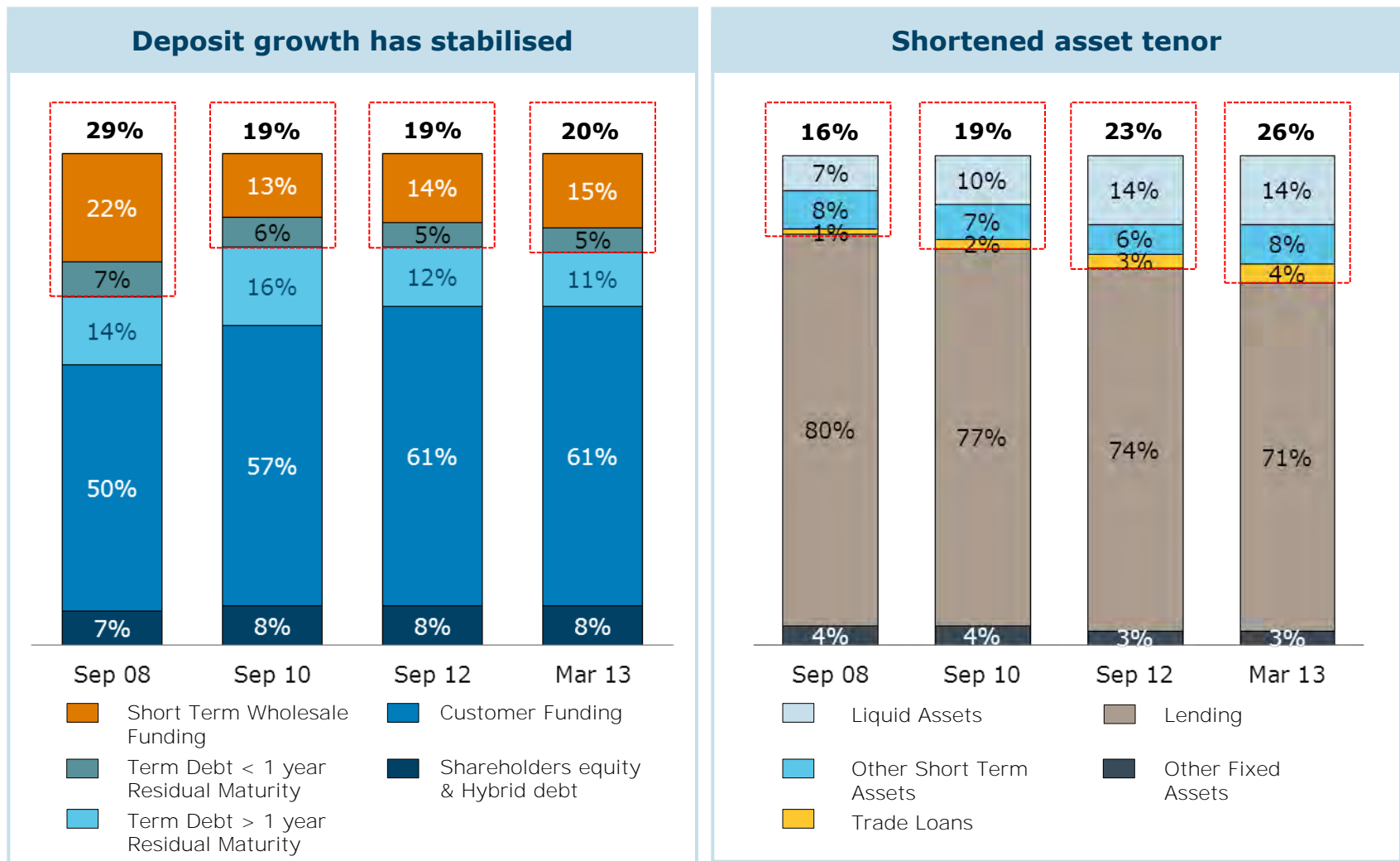


Customer Deposits movement 1H13 v 2H12

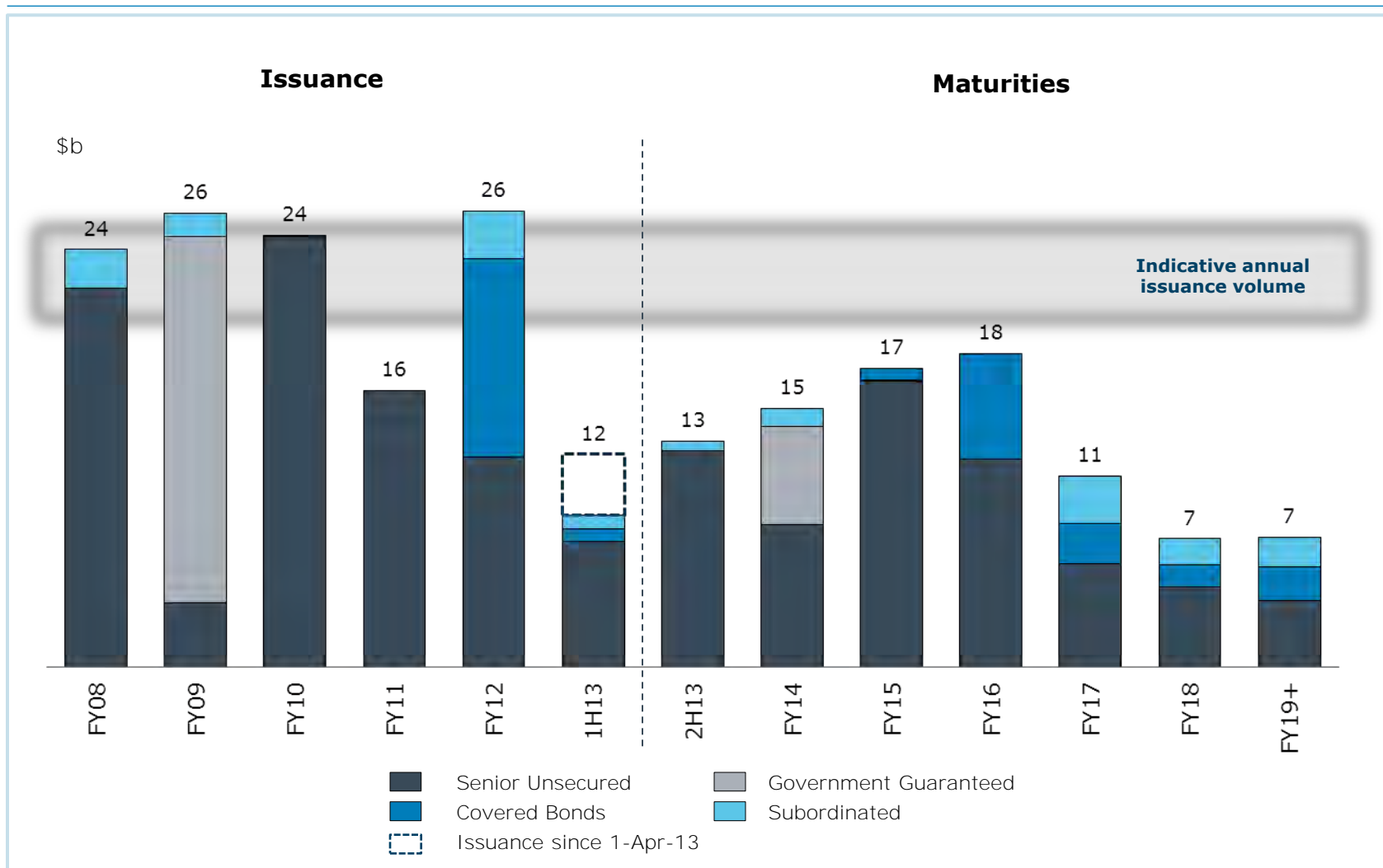


1. Customer lending represents Net Loans & Advances including acceptances

Structural liquidity position strengthened – driven by growth in customer funding and shortened asset tenor



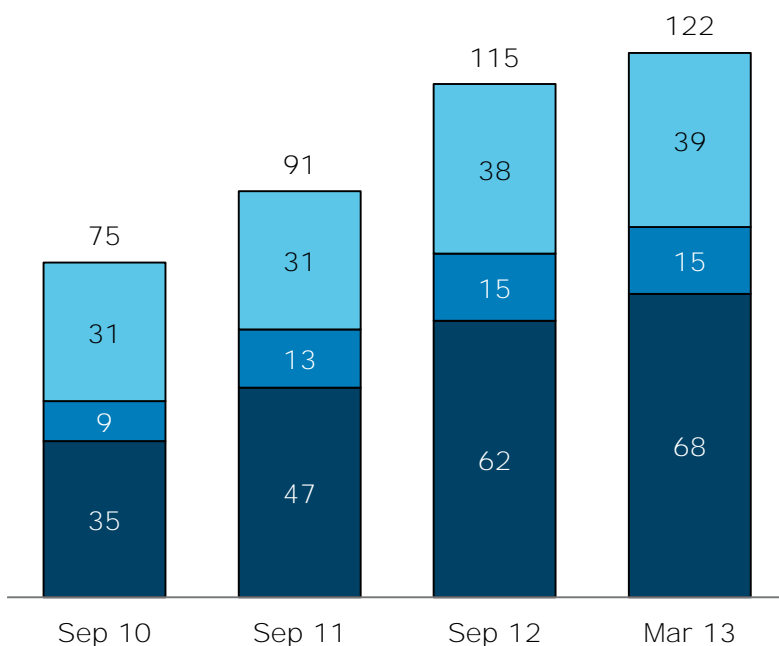
A sustainable term wholesale funding profile¹



1. As at 30 April 2013. Funding shown in year of issuance. Includes transactions with a call date or maturity date greater than 12 months at time of issue.

Strong liquid asset position

Liquidity Portfolio



- Internal RMBS
- Private Sector Securities and precious metals
- Cash, Government & Semi-Government Securities

Basel 3 Liquidity Rules

- In January 2013, the Basel Committee announced revised details on the Liquidity Coverage Ratio ("LCR") including amendments to the outflow assumptions
- As a result of the shortage of HQLA (including Government bonds) in Australia, banks will be permitted to meet some of their liquidity requirement via the Committed Liquidity Facility ("CLF")
- The size and availability of the CLF has yet to be agreed with APRA and the RBA

Contact details

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