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ANZ CAPITAL NOTES PROSPECTUS

PROSPECTUS FOR THE ISSUE OF
ANZ CAPITAL NOTES TO RAISE
\$1 BILLION WITH THE ABILITY
TO RAISE MORE OR LESS.

JOINT LEAD MANAGERS

ANZ SECURITIES
CITIGROUP
COMMONWEALTH BANK OF AUSTRALIA
J.P. MORGAN
NATIONAL AUSTRALIA BANK
RBS MORGANS

CO-MANAGERS

BELL POTTER
MORGAN STANLEY WEALTH MANAGEMENT
ORD MINNETT

ISSUER

AUSTRALIA AND NEW ZEALAND BANKING
GROUP LIMITED (ABN 11 005 357 522)

ONLINE MANAGER
E*TRADE

E*TRADE
AUSTRALIA

IMPORTANT NOTICES

ABOUT THIS PROSPECTUS

This prospectus relates to the offer by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ) of fully paid mandatorily convertible subordinated perpetual notes (ANZ Capital Notes or Notes) to raise \$1 billion with the ability to raise more or less.

This Prospectus is dated 10 July 2013 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. This is a replacement prospectus which replaces the prospectus dated 2 July 2013 and lodged with ASIC on that date (Original Prospectus). ASIC and ASX take no responsibility for the contents of this Prospectus nor for the merits of the investment to which this Prospectus relates.

This Prospectus expires on the date (Expiry Date) which is 13 months after 2 July 2013, being the date of the Original Prospectus, and no Notes will be issued on the basis of this Prospectus after the Expiry Date.

ANZ CAPITAL NOTES ARE NOT DEPOSIT LIABILITIES OF ANZ, ARE NOT PROTECTED ACCOUNTS AND ARE NOT GUARANTEED

ANZ Capital Notes are not deposit liabilities of ANZ, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme in Australia or any other jurisdiction or by any other person. ANZ Capital Notes are issued by ANZ under the Note Terms and Holders have no claim on ANZ except as provided in those Note Terms. The investment performance of the Notes is not guaranteed by ANZ. There are risks associated in investing in the Notes – see Section 5.

DEFINED WORDS AND EXPRESSIONS

Some capitalised words and expressions used in this Prospectus have defined meanings. The Glossary in Appendix B defines these words and expressions.

The definitions specific to Notes are in clause 17.2 of the Note Terms in Appendix A. If there is any inconsistency in definitions between those in the Prospectus and the Note Terms, the definitions in clause 17.2 of the Note Terms prevail.

A reference to time in this Prospectus is to Australian Eastern Standard Time (AEST) unless otherwise stated. A reference to \$, A\$, dollars and cents is to Australian currency unless otherwise stated. Unless otherwise stated, all figures have been rounded to two decimal places.

GOVERNING LAW

This Prospectus and the contracts which arise on acceptance of the Application Forms are governed by the law applicable in Victoria, Australia.

EXPOSURE PERIOD

Under the Corporations Act, ANZ was prohibited from processing Applications in the seven day period after 2 July 2013 (which may be extended by ASIC up to a further seven days) being the date on which the Original Prospectus was lodged with ASIC.

This period is referred to as the **Exposure Period**. The purpose of the Exposure Period was to enable the Prospectus to be examined by market participants before the raising of funds. Applications received during the Exposure Period were not processed until after the expiry of the Exposure Period. No preference was conferred on Applications received during the Exposure Period.

HOW TO OBTAIN A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) was available at www.capitalnotes.anz.com. Application Forms were not available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.capitalnotes.anz.com. If you access an electronic copy of this Prospectus, then you should read "Electronic access to Prospectus" below.

During the Offer Period, you can also request a free paper copy of the Prospectus and Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanied by a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

ELECTRONIC ACCESS TO PROSPECTUS

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus;
- your Application will only be considered where you have applied on an Application Form that was attached to or accompanied by a copy of the Prospectus; and
- the Prospectus is available electronically to you only if you are accessing and downloading or printing the electronic copy of the Prospectus in Australia.

APPLICATIONS FOR ANZ CAPITAL NOTES

Applications for Notes under this Prospectus may only be made during the Offer Period (although ANZ reserves the right to accept late Applications) and pursuant to an Application Form attached to or accompanying this Prospectus. The Offer Period may close early.

For information on who is eligible to apply for Notes under the Offer and how to make an Application – see Section 3.

ASX QUOTATION AND ISSUE DATE

ANZ has applied for the Notes to be quoted on ASX. If ASX does not grant permission for the Notes to be quoted within three months after the date of the Prospectus, the Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

If the Notes are accepted for quotation on ASX, ANZ will issue the Notes on or about 7 August 2013.

It is not intended to quote the Notes on any securities exchange apart from ASX.

PROVIDING PERSONAL INFORMATION

You will be asked to provide personal information to ANZ (directly or via its agents) if you apply for the Notes. See Section 7.13 for information on how ANZ (and its agents) collect, hold and use this personal information.

RESTRICTIONS IN FOREIGN JURISDICTIONS

For details of the selling restrictions that apply to the Notes in foreign jurisdictions – see Section 7.12.

NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

You should rely only on information in this Prospectus.

No person is authorised to provide any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied upon as having been authorised by ANZ in connection with the Offer.

The financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

THIS PROSPECTUS DOES NOT PROVIDE FINANCIAL PRODUCT OR INVESTMENT ADVICE – YOU SHOULD SEEK YOUR OWN PROFESSIONAL INVESTMENT ADVICE

The Offer and the information in this Prospectus do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor. It is important that you read this Prospectus in full before deciding whether to apply for Notes.

In particular, in considering whether to apply for Notes, it is important that you:

- consider the risk factors, including those that could affect the Notes or the financial performance and position of ANZ – see Section 5;
- carefully consider these risk factors and other information in the Prospectus in light of your investment objectives, financial situation and particular needs (including financial and tax issues); and
- seek professional investment advice from your financial adviser or other professional adviser.

DIAGRAMS

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale. The diagrams are based on information which is current as close as is practicable to the date of this Prospectus.

ENQUIRIES

If you have any questions in relation to an Application under the ANZ Securityholder Offer or General Offer, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or contact your Syndicate Broker or other professional adviser.

If you have any questions in relation to the Broker Firm Offer, please call your Syndicate Broker.

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KEY DATES

| KEY DATES FOR THE OFFER | DATE |
|---|-------------------------------|
| Lodgement of the Original Prospectus with ASIC | 2 July 2013 |
| Bookbuild to determine the Margin | 9 July 2013 |
| Announcement of the Margin and lodgement of this 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 despatched by | 12 August 2013 |
| ANZ Capital Notes commence trading on ASX (normal settlement basis) | 13 August 2013 |
| First half-yearly Distribution Payment Date ¹ | 1 March 2014 |
| Optional Exchange Date | 1 September 2021 |
| Mandatory Conversion Date ² | 1 September 2023 |

DATES MAY CHANGE

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

ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before the Notes are issued. If the Offer is withdrawn before the issue of the Notes, all Application Payments received by ANZ will be refunded (without interest) to Applicants as soon as possible after the withdrawal.

You are encouraged to apply as soon as possible after the Opening Date.

¹ Distributions are scheduled to be paid at the end of each half-yearly Distribution Period (on 1 March and 1 September each year) subject to the Payment Conditions. If any of these scheduled dates are not Business Days, then the Distribution Payment Date will occur on the next Business Day.

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 – see Section 5.1.9.

THE ASIC GUIDANCE FOR RETAIL INVESTORS

ASIC has published guidance which may be relevant to your consideration of the Notes – namely, information for retail investors who are considering investing in hybrid securities called “Hybrid securities and notes” (under the heading “Complex investments” at www.moneySMART.gov.au/investing).

Free copies of the ASIC guidance can be obtained from ASIC’s website www.moneySMART.gov.au/investing or by calling ASIC on 1300 300 630 (within Australia) or +61 3 5177 3988 (international).

HOW TO APPLY FOR ANZ CAPITAL NOTES

1. READ THIS PROSPECTUS

Read this Prospectus in full, paying particular attention to the:

- important notices on the inside front cover;
- investment overview in Section 1;
- key features of ANZ Capital Notes in Section 2;
- information about ANZ in Section 4;
- investment risks in Section 5; and
- Note Terms in Appendix A.

2. CONSIDER AND CONSULT

Consider all risks and other information about the Notes in light of your particular investment objectives and circumstances. Consult your financial adviser or other professional adviser if you are uncertain as to whether you should apply for Notes.

3. WHO MAY APPLY?

The Offer is only being made to:

- ANZ Securityholders who may apply under the ANZ Securityholder Offer;
- Australian resident members of the general public who may apply under the General Offer;
- clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer; and
- Institutional Investors who are invited by ANZ Securities to bid for Notes through the Bookbuild under the Institutional Offer.

Applications must be for a minimum of 50 Notes (\$5,000). If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, for incremental multiples of at least \$1,000.

4. WHO ARE ANZ SECURITYHOLDERS?

If you were a registered holder of Ordinary Shares, CPS1, CPS2, CPS3 or ANZ Subordinated Notes with a registered address in Australia at 7:00pm AEST on 26 June 2013, you are an ANZ Securityholder.

If there is excess demand for Notes, priority will be given to ANZ Securityholder Applicants over Applications under the General Offer in the Allocation of the Notes.

ANZ will mail a postcard to each ANZ Securityholder to inform them of the Offer.

5. COMPLETE THE APPLICATION FORM

If you have decided to apply for Notes, you need to apply pursuant to an Application Form attached to or accompanying this Prospectus, including any online

Application Form. The Prospectus and Application Forms will be available during the Offer Period. The Application process varies depending on whether you are an ANZ Securityholder Applicant, General Applicant or Broker Firm Applicant – see Section 3 for full details.

6. SUBMIT YOUR APPLICATION

If you are an ANZ Securityholder Applicant, your Application must be received by the Registry no later than the Closing Date for the ANZ Securityholder Offer, which is 5:00pm AEST on 31 July 2013 including payment. You may submit your Application pursuant to a paper Application Form accompanied by an Application Payment using either cheque(s) and/or money order(s), or online by following the instructions at www.capitalnotes.anz.com and completing a BPAY® payment.

If you are a General Applicant, your Application must be received by the Registry no later than the Closing Date for the General Offer, which is 5:00pm AEST on 31 July 2013 including payment. You may submit your Application pursuant to a paper Application Form accompanied by an Application Payment using either cheque(s) and/or money order(s), or online by following the instructions at www.capitalnotes.anz.com and completing a BPAY® payment.

If you are a Broker Firm Applicant, your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer, which is 10:00am AEST on 6 August 2013. Please contact your Syndicate Broker for their instructions on how to submit your Application.

The Offer may close early, so you are encouraged to submit your Application as soon as possible after the Opening Date.

For more information on applying for Notes – see Section 3. If you have any questions about the Offer or how to apply for Notes as an ANZ Securityholder Applicant or General Applicant, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or contact your broker or other professional adviser.

If you have any questions in relation to a Broker Firm Offer, please call your Syndicate Broker.

* Registered to BPAY® Pty Limited (ABN 69 079 137 518)

SECTION 1

INVESTMENT OVERVIEW

THIS SECTION PROVIDES A SUMMARY OF THE KEY FEATURES AND RISKS OF ANZ CAPITAL NOTES.

YOU SHOULD READ THE PROSPECTUS IN FULL BEFORE DECIDING WHETHER TO APPLY FOR ANZ CAPITAL NOTES.

1.1 KEY FEATURES OF THE OFFER AND ANZ CAPITAL NOTES

| Topic | Summary | Where to find more information |
|----------------------|--|--------------------------------|
| Issuer | Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ). | Section 4 |
| Type of instrument | <p>ANZ Capital Notes are:</p> <ul style="list-style-type: none"> ■ fully paid – at \$100 per Note; ■ convertible – in certain circumstances, ANZ will be required to Convert the Notes into Ordinary Shares; ■ redeemable and transferable – in certain circumstances, ANZ may be permitted to repay the Face Value of the Notes or transfer the Notes to a third party (but there are significant restrictions on repayment or transfer of the Notes); ■ non-cumulative – they offer non-cumulative Distributions; ■ perpetual – they do not have any fixed maturity date and could remain on issue if they are not Converted or Redeemed (in which case you would not receive your capital back or be issued any Ordinary Shares); ■ unsecured – they are not guaranteed or secured, are not deposit liabilities of ANZ and they are not protected accounts for the purposes of the Banking Act; ■ subordinated – although they have priority over Ordinary Shares and rank equally with Equal Ranking Instruments, they are subordinated to the claims of Senior Creditors (including ANZ depositors) in a winding up; and ■ listed – ANZ has applied for ANZ Capital Notes to be listed on ASX and ANZ Capital Notes are expected to trade under ASX code “ANZPD”. <p>The Note Terms are complex and derive from the detailed capital requirements which APRA applies to these instruments. ANZ’s ability to pay Distributions or to optionally Exchange the Notes is subject to a number of restrictions, including being dependent on APRA either not objecting or giving prior written approval respectively.</p> | |
| Face Value | \$100 per Note. This is the price you need to pay to apply for each Note under the Prospectus. | |
| Offer size | \$1 billion, with the ability to raise more or less. | |
| Purpose of the Offer | The Offer is 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. | |
| Distributions | <p>Distributions are cash payments on the Notes which are scheduled to be paid half-yearly until all Notes are Converted or Redeemed.</p> <p>The Distribution Rate is calculated in accordance with the following formula:</p> <p>Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate)</p> <p>Where:</p> <ul style="list-style-type: none"> ■ Margin is 3.4%, as determined under the Bookbuild; and ■ Tax Rate is the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date. | Section 2.1 |

| Topic | Summary | Where to find more information |
|--|---|--------------------------------|
| Distributions (continued) | Distributions paid on the Notes are expected to be fully or substantially franked. The effect of the Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. If a Distribution is not fully franked, ANZ will pay an additional amount in cash to compensate the Holder for the unfranked component. | Section 2.1 |
| Will Distributions always be paid? | <p>A Distribution may not always be paid. Payment is subject to:</p> <ul style="list-style-type: none"> ■ ANZ's absolute discretion; and ■ a Payment Condition not existing on the relevant Distribution Payment Date. <p>Distributions are non-cumulative which means that unpaid Distributions do not add up or accumulate and Holders will not have any right to compensation if ANZ does not pay a Distribution. Failure to pay a Distribution when scheduled will not constitute an event of default.</p> <p>If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, ANZ cannot pay or resolve to pay any Ordinary Share Dividend, or undertake any Buy-Back or Capital Reduction, until the next Distribution Payment Date (unless the Distribution is paid in full within 3 Business Days).</p> | Sections 2.1.6 and 2.1.8 |
| Distribution Payment Dates | <p>The Distribution Payment Dates are, generally, 1 March and 1 September.</p> <p>The first Distribution is expected to be paid on 1 March 2014.</p> | Section 2.1.5 |
| Do my ANZ Capital Notes have a maturity date? | <p>Holders should be aware that the Notes do not have a fixed maturity date and that Mandatory Conversion is subject to conditions which may never be met. Accordingly, if the Notes are not Exchanged (via Conversion or Redemption), they could remain on issue indefinitely. Holders have no right to request or require an Exchange.</p> <p>It is expected that the Notes will be quoted on the ASX. Unless a Conversion or Redemption occurs, Holders would need to sell their Notes on the ASX at the prevailing market price to realise their investment. That market price may be less than the Face Value, or there may be no liquid market in the Notes which may result in the Holders suffering a loss.</p> | Section 2.2 – 2.5 |
| Scheduled Mandatory Conversion on a Mandatory Conversion Date | <p>On the first to occur of 1 September 2023 (if the Mandatory Conversion Conditions are satisfied on that date) and the first Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied, ANZ must Convert all of the Notes then on issue into Ordinary Shares.</p> <p>Details of the Mandatory Conversion Conditions are set out in section 2.2.2. Those conditions may not be met which means that the Notes may not Convert and may remain on issue indefinitely.</p> | Section 2.2 |
| Mandatory Conversion Conditions/What Holders receive on Conversion | <p>The Mandatory Conversion Conditions are designed to ensure that upon Conversion (other than following a Trigger Event), Holders will receive approximately \$101 worth of Ordinary Shares for each Note that they hold, and that the Ordinary Shares they receive following the Conversion are capable of being sold on the ASX. Failure to satisfy those conditions may mean that the Notes could remain on issue indefinitely.</p> <p>The number of Ordinary Shares that Holders will receive on a Conversion will not be greater than the Maximum Conversion Number.</p> | Sections 2.2.2 and 2.2.5 |

| Topic | Summary | Where to find more information |
|--|---|--------------------------------|
| Optional Exchange (by Conversion, Redemption or Resale) | <p>With APRA's prior written approval and subject to the conditions set out in Section 2.3, ANZ may choose to Exchange all or some Notes on issue:</p> <ul style="list-style-type: none"> ■ on 1 September 2021; ■ where a Tax Event occurs (for example, this may include where a change in the relevant Australian tax law after the Issue Date results in an increase in the costs to ANZ of the Notes being on issue); or ■ where a Regulatory Event occurs (for example, this may include a change of Australian law or regulation after the Issue Date which imposes additional requirements on ANZ in relation to the Notes or where the Notes are no longer classified as Additional Tier 1 Capital), <p>by doing any, or a combination, of the following:</p> <ul style="list-style-type: none"> ■ Converting the Notes – in which case Holders would receive Ordinary Shares; ■ Redeeming the Notes – in which case Holders would receive cash; or ■ Reselling the Notes – in which case Holders would receive cash. <p>The illustrations used above are simplifications, and a more complete summary of when a Tax Event or Regulatory Event will occur is set out in section 2.3.2.</p> <p> Holders should not expect that APRA will give its approval to any Exchange.</p> | Section 2.3 |
| Mandatory Conversion following a Change of Control Event | <p>ANZ must Convert all (but not some only) Notes on the occurrence of a Change of Control Event.</p> <p>Conditions may apply to any Conversion following a Change of Control Event. Details are set out in Section 2.4.</p> | Section 2.4 |
| Mandatory Conversion following a Trigger Event | <p>ANZ may be required to Convert a number of Notes into Ordinary Shares following the occurrence of a Trigger Event which comprises:</p> <ul style="list-style-type: none"> ■ a Common Equity Capital Trigger Event; or ■ a Non-Viability Trigger Event. <p>A Conversion following a Trigger Event is not subject to any conditions.</p> <p>A Trigger Event may occur where ANZ encounters severe financial difficulty. The number of Ordinary Shares that Holders receive on a Conversion will not be greater than the Maximum Conversion Number. As a result, in the event of a Conversion following a Trigger Event, depending on the market price of Ordinary Shares at the relevant time, Holders may receive Ordinary Shares that are worth less, or significantly less, than approximately \$101 for each Note they hold and may suffer loss as a consequence. 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 those Holders will not have their capital repaid.</p> | Section 2.5 |

TABLE 1: SUMMARY OF CERTAIN EVENTS THAT MAY OCCUR DURING THE TERM OF ANZ CAPITAL NOTES

The table below 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 share price, the occurrence of contingencies and in some cases election by ANZ. As a result the events may not occur.

| Event | When? | Is APRA approval needed? ¹ | 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 (if the Mandatory Conversion Conditions are satisfied on that date) or the first Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied | No | Yes | Approximately \$101 ² | Variable number of Ordinary Shares |
| Optional Conversion | 1 September 2021 | Yes | Yes | Approximately \$101 ² | Variable number of Ordinary Shares |
| Optional Redemption | 1 September 2021 | Yes | Yes | \$100 | Cash |
| Optional Resale | 1 September 2021 | Yes | No | \$100 | Cash |
| Conversion in other circumstances | If a Tax Event or Regulatory Event occurs | Yes | Yes | Approximately \$101 ^{2,3} | Variable number of Ordinary Shares |
| | If a Change of Control Event occurs | No | Yes | Approximately \$101 ^{2,3} | Variable number of Ordinary Shares |
| | If a Trigger Event occurs | No | No | Depending on the market price of the Ordinary Shares, approximately \$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 at the relevant time, the Notes will be Written Off ⁴ |
| Redemption in other circumstances | If a Tax Event or Regulatory Event occurs | Yes | Yes | \$100 ³ | Cash |
| Resale in other circumstances | If a Tax Event or Regulatory Event occurs | Yes | No | \$100 ³ | Cash |

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

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

3 If an Exchange occurs on a day that is not a scheduled half-yearly Distribution Payment Date, Holders whose Notes are being Exchanged will also receive a Distribution in respect of these Notes for the period from the immediately preceding Distribution Payment Date to (but excluding) the date on which the Exchange occurs (at ANZ's discretion and provided the conditions to payment are met).

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

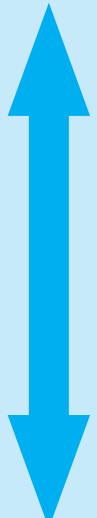
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RANKING

In a winding-up of ANZ, Notes rank ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including CPS1, CPS2 and CPS3) and behind all Senior Creditors of ANZ, including depositors, as shown in Table 2. However, the ranking of Holders in a winding-up will be adversely affected if a Trigger Event occurs. If, following a Trigger Event, Notes are Converted into Ordinary Shares, Holders will have a claim as an Ordinary Shareholder. If, following a Trigger Event, Notes are Written Off, all rights in relation to those Notes will be terminated, and Holders will not have their capital repaid.

TABLE 2: ILLUSTRATION OF RANKING ON WINDING UP

The table below illustrates how the Notes would rank upon a winding-up of ANZ, if they are on issue at the time. In the table, a 'higher ranking' obligation is one which will be paid out of ANZ's available assets in a winding-up before obligations with a lower ranking. It may be that lower ranking securityholders, including Holders, will only have part or none of their obligations paid (in the case of Holders, the claim for the Face Value), as there may be insufficient assets remaining to do so after higher ranking obligations have been paid.

| | Examples | Examples of existing ANZ obligations and securities ^{5,6} |
|---|---|--|
| Higher ranking/ earlier priority  | Senior obligations | Liabilities preferred by law and secured debt |
| | | Unsubordinated unsecured debt |
| | | Term subordinated unsecured debt |
| | | Perpetual subordinated unsecured 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 | |
| | 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 | |
| | ANZ Subordinated Notes and other equal ranking dated subordinated unsecured debt obligations | |
| | Perpetual Capital Floating Rate Notes issued in 1986 | |
| | Equal ranking obligations | Preference shares and 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/ later priority | Lower ranking obligations | Ordinary shares |
| | Ordinary Shares | Ordinary Shares |

⁵ 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.

⁶ If a Note is Written Off, all rights (including to Distributions) in respect of that Note will be terminated, and the Holder will not have their capital repaid. If a Note is Converted, the Ordinary Shares a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding up of ANZ.

1.2 KEY RISKS OF ANZ CAPITAL NOTES

Before deciding whether to apply for Notes, you should consider whether the Notes are a suitable investment for you. There are risks associated with investing in Notes and in ANZ. Many of those risks are outside the control of ANZ and its Directors. The key risks are detailed in Section 5 and you should read that section in full before deciding to invest. The section below outlines the key risks associated with an investment in the Notes.

| Topic | Summary | Further Information |
|---|---|--------------------------|
| ANZ Capital Notes are not deposit liabilities or protected accounts | ANZ Capital Notes do not constitute deposit liabilities of ANZ, are not protected accounts for the purposes of the Banking Act or any other accounts with ANZ and are not guaranteed or insured by any person. | Section 5.1.15 |
| Financial market conditions and liquidity | <p>The market price of the Notes may fluctuate up or down due to various factors that affect financial market conditions. It is possible that the Notes may trade at a market price below their Face Value of \$100. This means that Holders who seek to sell their Notes at that time may do so at a loss.</p> <p>The liquidity of the Notes may be low and the market for the Notes may be volatile. This means that Holders may not be able to sell their Notes at an acceptable price, at or above Face Value or at all. The market for the Notes may be less liquid and/or more volatile than the market for Ordinary Shares or comparable securities issued by ANZ or other entities.</p> | Sections 5.1.1 and 5.1.2 |
| Distributions may not be paid | <p>There is a risk that Distributions may not be paid.</p> <p>Failure to pay a scheduled Distribution on the Notes will not constitute an event of default. This means that if a Distribution is not paid in full on a Distribution Payment Date, Holders have no claim or entitlement in respect of non-payment nor any right to receive that Distribution at any later time.</p> | Section 5.1.5 |
| Changes in Distribution Rate | The Distribution Rate will fluctuate up or down over time as a result of movements in the Bank Bill Rate. There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on comparable securities. | Section 5.1.7 |
| Mandatory Conversion may not occur on the Mandatory Conversion Date | <p>ANZ Capital Notes have no fixed maturity date but will Convert into Ordinary Shares on 1 September 2023 if the Mandatory Conversion Conditions are satisfied. If these conditions are not met on 1 September 2023, Conversion will occur on the next Distribution Payment Date on which they are satisfied. There is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied.</p> <p>If the Mandatory Conversion Conditions are never satisfied there is a risk that the Notes may never Convert and could remain on issue indefinitely.</p> | Sections 2.2.2 and 5.1.9 |
| Holders have no right to request early Exchange | Holders have no right to request that their Notes be Exchanged. Unless their Notes are Exchanged, to realise their investment, Holders would need to sell their Notes on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market in the Notes. | Section 5.1.11 |

| Topic | Summary | Further Information |
|---|--|--|
| Mandatory Conversion or Write Off following a Trigger Event | <p>If Conversion occurs following a Trigger Event, the number of Ordinary Shares received is limited to the Maximum Conversion Number. This means that, depending on the market price of Ordinary Shares at the time, Holders may receive less, or significantly less, than approximately \$101 worth of Ordinary Shares per Note and may suffer loss as a consequence. Where ANZ is prevented from Converting the Notes on the relevant date for any reason and Conversion is not effected within five Business Days after the Trigger Event Conversion Date, the Notes will be Written Off.</p> <p>If the Notes are Written Off, all rights (including to Distributions) in respect of those Notes will be terminated. A Holder's investment will lose all of its value, they will not have their capital repaid and they will not receive any compensation.</p> <p>A Trigger Event may occur at any time before or after the Scheduled Mandatory Conversion Date.</p> | Section 5.1.10 |
| Ranking in a winding-up of ANZ | <p>On a winding-up of ANZ, the Notes rank for payment ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including CPS1, CPS2 and CPS3), and behind all Senior Creditors, including depositors. This means that, on a winding-up, there is a risk that Holders will lose all or some of their investment. If the Notes have been Converted into Ordinary Shares prior to a winding up of ANZ, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares and rank lower than they would have had they still remained ANZ Capital Notes. If Notes are Written Off, Holders will not have their capital repaid and will not be entitled to any return in a winding-up.</p> | Section 5.1.15 |
| ANZ may issue further securities | <p>There is no limit on the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by ANZ at any time, which may affect a Holder's ability to be repaid on a winding up of ANZ.</p> | Section 5.1.20 |
| Fluctuation in Ordinary Share price | <p>The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions, ANZ's financial performance and position, and transactions affecting the share capital of ANZ. As a result, the price used to calculate the number of Ordinary Shares received by Holders upon Conversion may be different to the market price of the Ordinary Shares when they are issued or thereafter.</p> | Sections 5.1.2, 5.1.3, 5.1.4 and 5.1.9 |
| ANZ's financial performance and position | <p>The market price of the Notes (and the Ordinary Shares into which they can Convert) may be affected by ANZ's financial performance and position. For specific risks associated with an investment in ANZ, see Section 5.2.</p> <p>ANZ's financial performance and position may also affect the credit rating associated with ANZ's securities, which may impact the market price and liquidity of the Notes. ANZ's credit rating may be revised, withdrawn or suspended by ratings agencies at any time.</p> | Section 5.2 |

1.3 INFORMATION ABOUT THE OFFER

| Topic | Summary | Where to find more information |
|---|--|--------------------------------|
| Offer Structure | <p>The Offer comprises:</p> <ul style="list-style-type: none"> ■ an ANZ Securityholder Offer; ■ a General Offer; ■ a Broker Firm Offer; and ■ an Institutional Offer. <p>Information about the different types of offer and how to apply is set out in Section 3.</p> | Section 3 |
| Key Dates | <p>Offer Period:</p> <ul style="list-style-type: none"> ■ the Offer opens on 10 July 2013; ■ the ANZ Securityholder Offer and General Offer close on 31 July 2013; and ■ the Broker Firm Offer and Institutional Offer close on 6 August 2013. <p>Issue Date: The Notes are expected to be issued on 7 August 2013.</p> <p>Commencement of trading on ASX: Trading is expected to commence on 8 August 2013.</p> <p>Despatch of Confirmation Statements: Confirmation Statements are expected to be despatched by 12 August 2013.</p> | Section 3 |
| How to Apply | <p>ANZ Securityholder Applicants and General Applicants should either apply online at www.capitalnotes.anz.com and pay their application monies electronically or complete a paper Application Form attached to the back of this Prospectus and pay their application monies by cheque or money order.</p> <p>Broker Firm Applicants should contact their Syndicate Broker. Application and settlement procedures for Institutional Investors will be advised by ANZ Securities.</p> | Section 3 |
| Minimum Application | 50 Notes (\$5,000) and thereafter in multiples of 10 Notes (\$1,000). | Section 3 |
| Brokerage and stamp duty | No brokerage, commission or stamp duty is payable for Applications for the Notes. Holders may need to pay subsequent brokerage on any subsequent transfer of the Notes on ASX after quotation. | Section 3 |
| Tax consequences | <p>The taxation implications of investing in the Notes will depend on an investor's individual circumstances. You should obtain your own taxation advice before investing.</p> <p>A general outline of the Australian taxation implications is included in the Taxation Summary in Section 6.</p> | Section 6 |
| Fees and expenses associated with the Offer | ANZ has incurred certain fees and expenses in connection with the Offer and the Prospectus. | Section 7 |
| More information | <p>If you have any questions about the Offer or how to apply for the Notes under the ANZ Securityholder Offer or General Offer, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or contact your broker or other professional adviser. If you have any questions in relation to a Broker Firm Offer, please call your broker.</p> | |

For personal use only

SECTION 2

ABOUT ANZ CAPITAL NOTES

THIS SECTION IS AN OVERVIEW OF THE KEY FEATURES OF ANZ CAPITAL NOTES.

WHERE INDICATED, MORE DETAILED INFORMATION IS PROVIDED IN OTHER SECTIONS OF THIS PROSPECTUS AND THE NOTE TERMS.

IT IS IMPORTANT THAT YOU READ THIS PROSPECTUS IN FULL BEFORE DECIDING WHETHER TO APPLY FOR ANZ CAPITAL NOTES. IF YOU HAVE ANY QUESTIONS, YOU SHOULD SEEK PROFESSIONAL INVESTMENT ADVICE FROM YOUR FINANCIAL ADVISER OR OTHER PROFESSIONAL ADVISER.

KEY QUESTIONS ABOUT ANZ CAPITAL NOTES

2.1 DISTRIBUTIONS

- 2.1.1 How will the Distribution Rate be calculated?
- 2.1.2 How will the Distribution be calculated for each Distribution Period?
- 2.1.3 What is the impact of franking credits?
- 2.1.4 What is the Bank Bill Rate?
- 2.1.5 When are the Distribution Payment Dates?
- 2.1.6 What are the Payment Conditions?
- 2.1.7 What is the Distribution Restriction and when will it apply?
- 2.1.8 Are any deductions made on the Distributions?

2.2 MANDATORY CONVERSION ON A MANDATORY CONVERSION DATE

- 2.2.1 When is the Mandatory Conversion Date?
- 2.2.2 What are the Mandatory Conversion Conditions?
- 2.2.3 What can happen if the Mandatory Conversion Conditions are not satisfied?
- 2.2.4 How many Ordinary Shares will Holders receive on Conversion?
- 2.2.5 What is the Maximum Conversion Number?
- 2.2.6 What adjustments to the Issue Date VWAP are made to account for changes to ANZ's capital?

2.3 OPTIONAL EXCHANGE BY ANZ

- 2.3.1 When is the Optional Exchange Date?
- 2.3.2 What is a Tax Event or Regulatory Event?
- 2.3.3 What are the requirements for Conversion to be elected as the Exchange Method?
- 2.3.4 What are the Optional Conversion Restrictions?
- 2.3.5 What are the further Conversion restrictions on the Exchange Date?
- 2.3.6 Are there any restrictions on Redemption?
- 2.3.7 What happens on Resale?
- 2.3.8 Can Holders request Exchange?

2.4 CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT

- 2.4.1 What Exchange Method can be elected by ANZ on a Change of Control Event?
- 2.4.2 What are the further Conversion restrictions on a Change of Control Conversion Date?
- 2.4.3 What happens if Conversion does not occur on a Change of Control Conversion Date?

2.5 CONVERSION FOLLOWING A TRIGGER EVENT

- 2.5.1 What is a Trigger Event?
- 2.5.2 What is a Common Equity Capital Trigger Event?
- 2.5.3 What is a Non-Viability Trigger Event?
- 2.5.4 What is the Common Equity Capital Ratio?
- 2.5.5 When does Conversion on account of a Trigger Event occur?
- 2.5.6 How many Notes need to be Converted or Written Off on the occurrence of a Trigger Event?
- 2.5.7 When will a Note be Written Off?
- 2.5.8 What happens if a Note is Written Off?

2.6 OTHER

- 2.6.1 Can ANZ issue further Notes or other instruments?
- 2.6.2 What voting rights do Notes carry?
- 2.6.3 Can ANZ amend the Note Terms?
- 2.6.4 What is an Approved NOHC Event?
- 2.6.5 What is the ANZ Capital Notes Deed Poll?
- 2.6.6 What if a Holder is not resident in Australia?

2.7 COMPARISON OF ANZ CAPITAL NOTES TO OTHER ANZ INSTRUMENTS

| Topic | Summary | Where to find more information |
|-------|---------|--------------------------------|
|-------|---------|--------------------------------|

2.1 DISTRIBUTIONS

ANZ Capital Notes are expected to pay half-yearly Distributions, which are expected to be fully or substantially franked. Payment of the Distributions are at ANZ’s discretion and subject to the payment not resulting in ANZ breaching APRA’s capital adequacy requirements or becoming (or being likely to become) insolvent, or APRA objecting to the payment (the **Payment Conditions**). The Payment Conditions are described in Section 2.1.6 below.

Distributions on Notes are based on a floating rate and are non-cumulative. This means that if a Distribution or part of a Distribution is not paid on a Distribution Payment Date, Holders have no claim or entitlement in respect of non-payment nor any right to receive that Distribution at any later time. All payments of Distributions are subject to applicable law.

| | | | | | | | | | | | | |
|---|---|----------------|-------------------|-----------------|---------------------|--|-------------------|------------------------------|--------|---|--------------------------|-------------------------------------|
| <p>2.1.1 How will the Distribution Rate be calculated?</p> | <p>The Distribution Rate for each Distribution Period will be set on the first Business Day of each Distribution Period and will be calculated using the following formula:</p> <p>Distribution Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate) where:</p> <p>Bank Bill Rate means the Bank Bill Rate on the first Business Day of the Distribution Period – see Section 2.1.4;</p> <p>Margin is 3.4%, as determined under the Bookbuild; and</p> <p>Tax Rate is the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date. As at the date of this Prospectus, the relevant rate is 30%.</p> <p>As an example, assuming the Bank Bill Rate on the first Business Day of the Distribution Period is 2.8% per annum and given that the Margin is 3.4% per annum, then the Distribution Rate for that Distribution Period would be calculated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Bank Bill Rate</td> <td style="text-align: right; padding: 2px;">2.8000% per annum</td> </tr> <tr> <td style="padding: 2px;">Plus the Margin</td> <td style="text-align: right; padding: 2px;">+ 3.4000% per annum</td> </tr> <tr> <td style="border-top: 1px solid black; padding: 2px;">Equivalent unfranked distribution rate</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">6.2000% per annum</td> </tr> <tr> <td style="padding: 2px;">Multiplied by (1 – Tax Rate)</td> <td style="text-align: right; padding: 2px;">x 0.70</td> </tr> <tr> <td style="border-top: 1px solid black; padding: 2px;">Indicative fully franked Distribution Rate</td> <td style="text-align: right; border-top: 1px solid black; padding: 2px;">4.3400% per annum</td> </tr> </table> | Bank Bill Rate | 2.8000% per annum | Plus the Margin | + 3.4000% per annum | Equivalent unfranked distribution rate | 6.2000% per annum | Multiplied by (1 – Tax Rate) | x 0.70 | Indicative fully franked Distribution Rate | 4.3400% per annum | <p>Clause 3.1 of the Note Terms</p> |
| Bank Bill Rate | 2.8000% per annum | | | | | | | | | | | |
| Plus the Margin | + 3.4000% per annum | | | | | | | | | | | |
| Equivalent unfranked distribution rate | 6.2000% per annum | | | | | | | | | | | |
| Multiplied by (1 – Tax Rate) | x 0.70 | | | | | | | | | | | |
| Indicative fully franked Distribution Rate | 4.3400% per annum | | | | | | | | | | | |

| Topic | Summary | Where to find more information | | | | | | | | | | | | |
|---|---|--|-------------------|------------------------------|------------|--|-------|----------------|-------|-------|--|---|-----------------|---|
| 2.1 DISTRIBUTIONS (CONT) | | | | | | | | | | | | | | |
| <p>2.1.2 How will the Distribution be calculated for each Distribution Period?</p> | <p>Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula:</p> $\text{Distribution} = \frac{\text{Face Value} \times \text{Distribution Rate} \times \text{N}}{365}$ <p>where:</p> <p>Face Value means \$100 per Note;</p> <p>Distribution Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.1; and</p> <p>N means the number of days in the Distribution Period calculated as set out in the Note Terms.</p> <p>As an example, if the fully franked Distribution Rate was 4.3400% per annum, then the Distribution on each Note for that Distribution Period (if the Distribution Period was for 182 days) would be calculated as follows:</p> <table border="0" data-bbox="459 952 1129 1131"> <tr> <td>Indicative fully franked Distribution Rate</td> <td>4.3400% per annum</td> </tr> <tr> <td>Multiplied by the Face Value</td> <td>x \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period⁷</td> <td>x 182</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Indicative fully franked Distribution payment for the Distribution Period per Note</td> <td>\$2.1641</td> </tr> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Distribution payable for any Distribution Period. Actual Distributions may be higher or lower than this example.</p> <p>The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin of 3.4% determined under the Bookbuild. For the purposes of calculating the first Distribution, there are 206 days in the first Distribution Period.</p> <p>Distributions will be paid in Australian dollars by direct credit into an Australian dollar account (excluding credit card accounts) maintained in Australia with a financial institution nominated by the Holder or, at ANZ's option if no such account is notified, by sending a cheque on or before the payment date.</p> | Indicative fully franked Distribution Rate | 4.3400% per annum | Multiplied by the Face Value | x \$100.00 | Multiplied by the number of days in the Distribution Period ⁷ | x 182 | Divided by 365 | ÷ 365 | <hr/> | | Indicative fully franked Distribution payment for the Distribution Period per Note | \$2.1641 | <p>Clauses 3.1, 13 and 17.2 of the Note Terms</p> |
| Indicative fully franked Distribution Rate | 4.3400% per annum | | | | | | | | | | | | | |
| Multiplied by the Face Value | x \$100.00 | | | | | | | | | | | | | |
| Multiplied by the number of days in the Distribution Period ⁷ | x 182 | | | | | | | | | | | | | |
| Divided by 365 | ÷ 365 | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | |
| Indicative fully franked Distribution payment for the Distribution Period per Note | \$2.1641 | | | | | | | | | | | | | |

⁷ Distribution Periods will generally contain 181 to 184 days with the exception of the first Distribution Period which will contain 206 days.

| Topic | Summary | Where to find more information |
|-------|---------|--------------------------------|
|-------|---------|--------------------------------|

2.1 DISTRIBUTIONS (CONT)

2.1.3
What is the impact of franking credits?

Distributions are expected to be fully or substantially franked and, accordingly, Holders are expected to receive a combination of cash Distributions and franking credits.

If any Distribution is not franked or only partially franked, the amount of the Distribution will be increased to compensate for the unfranked component, subject to the Payment Conditions.

If the potential value of the franking credits is taken into account in full, the fully franked Distribution Rate of 4.3400% per annum in the example in Section 2.1.2 would be equivalent to an unfranked distribution rate of approximately 6.2000% per annum. Assuming Notes are fully franked, Holders only receive the lower fully franked amount in cash. However, Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder.

Holders should refer to the Taxation Summary in Section 6 and seek professional advice in relation to their tax position.

Section 5
Clause 3.2 of the Note Terms

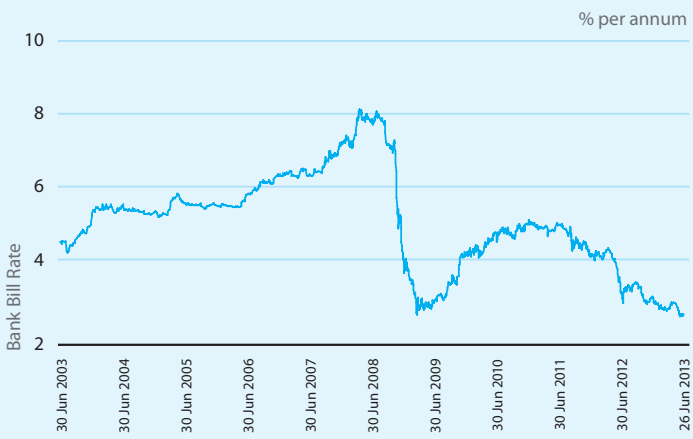
2.1.4
What is the Bank Bill Rate?

The Bank Bill Rate is a benchmark interest rate for the Australian money market, commonly used by major Australian financial institutions to lend short-term cash to each other over a 180 day period. This rate changes to reflect the supply and demand within the cash market.

The graph below illustrates the movement in the Bank Bill Rate over the last 10 years. The rate on 26 June 2013 was 2.8325% per annum.

Section 5.1.23
Clause 3.1 of the Note Terms

180 DAY BANK BILL RATE FROM 30 JUNE 2003 TO 26 JUNE 2013



The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and subsequent Distribution Periods may be higher or lower than the rates in the above graph.

| Topic | Summary | Where to find more information |
|---|---|--|
| 2.1 DISTRIBUTIONS (CONT) | | |
| <p>2.1.5 When are the Distribution Payment Dates?</p> | <p>Subject to the Payment Conditions, Distributions are payable half-yearly in arrears on the Distribution Payment Dates. The first Distribution Payment Date is 1 March 2014.</p> <p>Subsequent Distribution Payment Dates occur on 1 September and 1 March each year, subject to adjustment for Business Days. If any of these dates are not Business Days, then the Distribution Payment Date will occur on the next Business Day.</p> <p>In addition, if Exchange occurs on a day that is not a scheduled Distribution Payment Date, subject to the Payment Conditions, Holders that are being Exchanged will also receive a Distribution in respect of those Notes for the period from the immediately preceding Distribution Payment Date to (but excluding) the date on which Exchange occurs.</p> | <p>Clauses 3.3, 3.5 and 17.2 of the Note Terms</p> |
| <p>2.1.6 What are the Payment Conditions?</p> | <p>Distributions may not always be paid. The payment of each Distribution is subject to ANZ's absolute discretion and no Payment Condition existing in respect of the relevant Distribution Payment Date.</p> <p>A Payment Condition will exist where:</p> <ul style="list-style-type: none"> ■ the payment of Distributions will result in ANZ (on a Level 1 basis) or the Group (on a Level 2 basis or, if applicable, a Level 3 basis) not complying with APRA's then current capital adequacy requirements; ■ the payment of Distributions would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or ■ APRA objects to the payment of the Distribution. <p>All payments are subject to applicable law.</p> | <p>Clauses 3.3, 13.9 and 17.2 of the Note Terms</p> |
| <p>2.1.7 What is the Distribution Restriction and when will it apply?</p> | <p>If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the Relevant Distribution Payment Date), ANZ must not, subject to certain exceptions, without approval of a Special Resolution, until and including the next Distribution Payment Date:</p> <ul style="list-style-type: none"> ■ resolve to pay or pay any Ordinary Share Dividend; or ■ undertake any Buy-Back or Capital Reduction, <p>unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.</p> | <p>Clauses 3.8 and 3.9 of the Note Terms</p> |
| <p>2.1.8 Are any deductions made on the Distributions?</p> | <p>ANZ may deduct from any Distribution payable in accordance with the ANZ Capital Note Terms the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount (Tax).</p> <p>ANZ may also make a deduction on account of FATCA and is not required to pay an additional amount (or take any further action) where it has made a deduction on account of Tax or FATCA.</p> | <p>Clauses 3.7, 11, 13.10 and 17.2 of the Note Terms</p> |

| Topic | Summary | Where to find more information |
|-------|---------|--------------------------------|
|-------|---------|--------------------------------|

2.2 MANDATORY CONVERSION ON A MANDATORY CONVERSION DATE

Holders' Notes will be Converted into Ordinary Shares on 1 September 2023, if the Notes have not been Exchanged prior, provided that certain conditions are met. These conditions may never be satisfied and therefore Notes may never Convert into Ordinary Shares. The number of Ordinary Shares that Holders will receive on a Mandatory Conversion will never be greater than the Maximum Conversion Number.

Upon Conversion on a Mandatory Conversion Date, Holders will receive approximately \$101 worth of Ordinary Shares per Note based on the VWAP during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date.⁸

| | | |
|--|--|---|
| 2.2.1 When is the Mandatory Conversion Date? | <p>The Mandatory Conversion Date is 1 September 2023 provided that all of the Mandatory Conversion Conditions are satisfied (see Section 2.2.2).</p> <p>If any of the Mandatory Conversion Conditions are not satisfied with respect to 1 September 2023, then the Mandatory Conversion Date will be deferred until the first Distribution Payment Date following 1 September 2023 in respect of which all of the Mandatory Conversion Conditions are satisfied.</p> | Clause 4 of the Note Terms |
| 2.2.2 What are the Mandatory Conversion Conditions? | <p>The Mandatory Conversion Conditions are as follows:</p> <p>First Mandatory Conversion Condition: the VWAP on the 25th Business Day immediately preceding (but not including) a possible Mandatory Conversion Date (or, if no trading in Ordinary Shares took place on that 25th Business Day, the first Business Day on which trading in Ordinary Shares took place immediately preceding (but not including) that date) is greater than 56.00% of the Issue Date VWAP.</p> <p>The Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which any Notes were issued, subject to certain adjustments.</p> <p>Second Mandatory Conversion Condition: the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) a possible Mandatory Conversion Date (Second Test Period) is greater than 50.51% of the Issue Date VWAP.</p> <p>The Maximum Conversion Number for such a Mandatory Conversion is generally calculated by reference to 50% of the Issue Date VWAP (see Section 2.2.5). Setting the Second Mandatory Conversion Condition at 50.51% reflects this 50% limit adjusted for the 1% conversion discount.</p> <p>The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to Holders from receiving less than approximately \$101 worth of Ordinary Shares per Note on Conversion (based on the VWAP, during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date).⁹</p> | Clauses 4.3, 6.1 and 17.2 of the Note Terms |

⁸ 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 Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

⁹ 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 Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

| Topic | Summary | Where to find more information |
|--|---|---|
| 2.2 MANDATORY CONVERSION ON A MANDATORY CONVERSION DATE (CONT) | | |
| 2.2.2 (CONT) What are the Mandatory Conversion Conditions? | <p>Third Mandatory Conversion Condition: On the possible Mandatory Conversion Date, Ordinary Shares remain listed and admitted to trading on ASX, the trading of Ordinary Shares has not been suspended (or, if it has been suspended, such suspension has not been for more than five consecutive Business Days prior to the possible Mandatory Conversion Date and the suspension is not continuing on the possible Mandatory Conversion Date), and no Inability Event subsists (which means that ANZ is prevented by law or other reasons from Converting the Notes).</p> <p>The Third Mandatory Conversion Condition is intended to provide protection to Holders to enable them to sell the Ordinary Shares they receive on ASX, if they wish to do so. See Section 5.1.1 regarding the risk of liquidity as it relates to Ordinary Shares.</p> | Clauses 4.3 and 17.2 of the Note Terms |
| 2.2.3 What can happen if the Mandatory Conversion Conditions are not satisfied? | <p>If any of the Mandatory Conversion Conditions for Mandatory Conversion are not satisfied, Conversion is deferred until the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are satisfied.</p> <p>Conversion following a Trigger Event is not subject to the Mandatory Conversion Conditions or other conditions.</p> <p>Conversion following a Change of Control Event is subject to certain conditions and restrictions.</p> | Clauses 4.2, 4.4, 4.9, 4.10 and 6 of the Note Terms |
| 2.2.4 How many Ordinary Shares will Holders receive on Conversion? | <p>If Notes are Converted, Holders will receive a number of Ordinary Shares per Note that is equivalent to the number calculated using the following formula:</p> $\frac{\text{Face Value}}{99\% \times \text{VWAP}}$ <p>VWAP for this purpose will depend on the circumstances giving rise to the Conversion. If the Conversion occurs as a result of a Trigger Event the VWAP is the VWAP during the 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Conversion Date. If the Conversion occurs on a Mandatory Conversion Date, the VWAP is the VWAP during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date. If the Conversion occurs as a result of a Change of Control Event, the VWAP is the VWAP during (generally) the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Business Day before the Change of Control Conversion Date.¹⁰ Conversion is subject to the Maximum Conversion Number (see Section 2.2.5).</p> | Clauses 6 and 17.2 of the Note Terms |

¹⁰ Failure to satisfy the Mandatory Conversion Conditions may mean that the Notes remain on issue indefinitely.

| Topic | Summary | Where to find more information | | | | | | | | | | | | |
|---|--|--------------------------------------|----------|----------------------------------|-------------|---|---------------|------------|----------|----------------------------------|------------|---|----------------|--------------------------------------|
| 2.2 MANDATORY CONVERSION ON A MANDATORY CONVERSION DATE (CONT) | | | | | | | | | | | | | | |
| 2.2.5 What is the Maximum Conversion Number? | <p>The Maximum Conversion Number is determined using the following formula:</p> $\frac{\text{Face Value}}{\text{Issue Date VWAP} \times \text{Relevant Number}}$ <p>Where Relevant Number means:</p> <p>(i) if Conversion occurs on a Mandatory Conversion Date, 0.5; and (ii) if Conversion occurs on any other date, 0.2.</p> <p>The Maximum Conversion Number is set to reflect a VWAP of 50% of the Issue Date VWAP if the Conversion occurs on a Mandatory Conversion Date and 20% if the Conversion occurs at any other time.</p> <p>For example:</p> <ul style="list-style-type: none"> if the Issue Date VWAP is \$27.84, then the Maximum Conversion Number on a Mandatory Conversion Date would be calculated as follows: <table border="0" data-bbox="485 936 1031 1016"> <tr> <td>Face Value</td> <td style="text-align: right;">\$100.00</td> </tr> <tr> <td>Divided by Issue Date VWAP × 0.5</td> <td style="text-align: right;">÷ \$13.9200</td> </tr> <tr> <td>Indicative Maximum Conversion Number</td> <td style="text-align: right;">7.1839</td> </tr> </table> if the Issue Date VWAP is \$27.84, then the Maximum Conversion Number if a Conversion occurs at any time other than on a Mandatory Conversion Date would be calculated as follows: <table border="0" data-bbox="485 1173 1031 1245"> <tr> <td>Face Value</td> <td style="text-align: right;">\$100.00</td> </tr> <tr> <td>Divided by Issue Date VWAP × 0.2</td> <td style="text-align: right;">÷ \$5.5680</td> </tr> <tr> <td>Indicative Maximum Conversion Number</td> <td style="text-align: right;">17.9598</td> </tr> </table> <p>The above examples are for illustrative purposes only and do not indicate, guarantee or forecast the actual Issue Date VWAP or Maximum Conversion Number. The actual Issue Date VWAP and Maximum Conversion Number may be higher or lower than in the examples and these factors may be adjusted after the Issue Date in limited circumstances (see Section 2.2.6).</p> | Face Value | \$100.00 | Divided by Issue Date VWAP × 0.5 | ÷ \$13.9200 | Indicative Maximum Conversion Number | 7.1839 | Face Value | \$100.00 | Divided by Issue Date VWAP × 0.2 | ÷ \$5.5680 | Indicative Maximum Conversion Number | 17.9598 | Clauses 6.1 to 6.7 of the Note Terms |
| Face Value | \$100.00 | | | | | | | | | | | | | |
| Divided by Issue Date VWAP × 0.5 | ÷ \$13.9200 | | | | | | | | | | | | | |
| Indicative Maximum Conversion Number | 7.1839 | | | | | | | | | | | | | |
| Face Value | \$100.00 | | | | | | | | | | | | | |
| Divided by Issue Date VWAP × 0.2 | ÷ \$5.5680 | | | | | | | | | | | | | |
| Indicative Maximum Conversion Number | 17.9598 | | | | | | | | | | | | | |
| 2.2.6 What adjustments to the Issue Date VWAP are made to account for changes to ANZ's capital? | <p>The Issue Date VWAP, and consequently the Maximum Conversion Number, may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Note Terms (but not other transactions, including rights issues, which may affect the capital of ANZ).</p> <p>However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect.</p> | Clauses 6.2 to 6.8 of the Note Terms | | | | | | | | | | | | |

| Topic | Summary | Where to find more information |
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2.3 OPTIONAL EXCHANGE BY ANZ

On the Optional Exchange Date, ANZ may choose to Exchange all or some Notes on issue.

ANZ may also choose to Exchange some or all Notes on issue after the occurrence of a Tax Event or Regulatory Event.

In this context, **Exchange** means, subject to APRA's prior written approval and provided certain conditions are satisfied:

- Notes may be Converted into a variable number of Ordinary Shares with a value¹¹ of approximately \$101 per Note;
- Notes may be Redeemed for \$100 per Note;
- Notes may be Resold to a purchaser nominated by ANZ (that cannot be ANZ or a Related Entity of ANZ) for \$100 per Note; or
- a combination of the above.

Importantly, ANZ may only elect to Redeem the Notes if the Notes are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement is done under conditions that are suitable for ANZ's income capacity or APRA is satisfied that ANZ's regulatory capital position will remain adequate following the Redemption. This is intended to protect ANZ's creditors (including depositors).

Holders should not expect that APRA will give its approval to any Exchange.

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| 2.3.1 When is the Optional Exchange Date? | The Optional Exchange Date is 1 September 2021. | Clause 17.2 of the Note Terms |
| 2.3.2 What is a Tax Event or Regulatory Event? | <p>A summary of these events which give ANZ a right to Exchange Notes is as follows:</p> <ul style="list-style-type: none"> ■ a Tax Event will broadly occur if ANZ receives professional advice that, as a result of: <ul style="list-style-type: none"> ■ a change in the tax law in Australia; or ■ an administrative pronouncement or ruling affecting taxation in Australia, on or after the Issue Date (and which on the Issue Date was not expected by ANZ to occur), there is more than an insubstantial risk which the Directors determine to be unacceptable that ANZ would be exposed to more than an insignificant increase in its costs in relation to Notes being on issue or any Distribution would not be a frankable distribution for tax purposes; and ■ a Regulatory Event will broadly occur if ANZ receives legal advice that, as a result of a change of Australian law or regulation on or after the Issue Date (and which on the Issue Date was not expected by ANZ to occur), additional requirements would be imposed on ANZ in relation to Notes which the Directors determine to be unacceptable, or the Directors determine that ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital (and which on the Issue Date was not expected by ANZ to occur). | Clauses 5.1 and 17.2 of the Note Terms |

¹¹ Based on the VWAP during a period, usually 20 Business Days, on which trading in Ordinary Shares took place immediately preceding (but not including) the Exchange Date. The VWAP of Ordinary Shares during the relevant period before the Exchange Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Exchange Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

| Topic | Summary | Where to find more information |
|---|---|---|
| 2.3 OPTIONAL EXCHANGE BY ANZ (CONT) | | |
| 2.3.3 What are the requirements for Conversion to be elected as the Exchange Method? | <p>ANZ may not choose to Convert Notes under an optional Exchange if, on the second Business Day before the date on which ANZ sends a notice advising Holders that it wishes to Convert Notes (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (Non-Conversion Test Date), an Optional Conversion Restriction applies (see Section 2.3.4).</p> <p>Further, if ANZ has chosen to Convert Notes, ANZ may not proceed to Convert Notes if, on the Exchange Date, certain further restrictions apply (see Section 2.3.5).</p> | Clauses 5.2, 5.4 and 5.5 of the Note Terms |
| 2.3.4 What are the Optional Conversion Restrictions? | <p>The Optional Conversion Restrictions are:</p> <p>First Optional Conversion Restriction: the VWAP on the Non-Conversion Test Date is less than or equal to 22.50% of the Issue Date VWAP; and</p> <p>Second Optional Conversion Restriction: on the Non-Conversion Test Date Ordinary Shares are not listed and admitted to trading on ASX, the trading of Ordinary Shares has been suspended for at least five consecutive Business Days prior to the Non-Conversion Test Date and remains suspended on the Non-Conversion Test Date, or an Inability Event subsists.</p> | Clauses 5.4 and 17.2 of the Note Terms |
| 2.3.5 What are the further Conversion restrictions on the Exchange Date? | <p>The further Conversion restrictions on the Exchange Date are that the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date.</p> <p>If the Conversion restrictions on the Exchange Date apply, ANZ will notify Holders and the Conversion will be deferred until the next Distribution Payment Date (under clause 3.5(a) of the Note Terms) on which the Mandatory Conversion Conditions would be satisfied as if that Distribution Payment Date were a possible Mandatory Conversion Date unless otherwise Exchanged earlier.</p> | Clause 5.5 of the Note Terms |
| 2.3.6 Are there any restrictions on Redemption? | <p>ANZ may only elect to Redeem Notes with APRA's prior written approval. ANZ is not permitted to Redeem any Note at any time unless those Notes being Redeemed are 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 capital position is well above its minimum capital requirements after ANZ elects to Redeem the Notes.</p> | Clauses 3.7, 5.2(c) and 7 of the Note Terms |
| 2.3.7 What happens on Resale? | <p>If ANZ elects for Notes to be Resold, subject to payment by the purchaser nominated any ANZ of the Face Value of those Notes, the Holder's Notes will be transferred to the purchaser on the Exchange Date. If the purchaser does not pay the Face Value of any Notes, these Notes will not be transferred and the Holder has no claim against ANZ as a result of the non-payment.</p> | Clause 8 of the Note Terms |

| Topic | Summary | Where to find more information |
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2.3 OPTIONAL EXCHANGE BY ANZ (CONT)

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| 2.3.8 Can Holders request Exchange? | Holders do not have a right to request Exchange. | Clause 9.11(g) of the Note Terms |
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2.4 CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT

ANZ must Convert all Notes on issue if a Change of Control Event occurs, subject to certain restrictions.

A Change of Control Event occurs if certain takeover bids or schemes of arrangement occur in relation to ANZ and certain further approvals or conditions needed for the acquisition to occur or be implemented have been obtained, satisfied or waived.

As with other types of Conversion (other than where a Trigger Event occurs), there are conditions to Conversion following a Change of Control Event which are designed to ensure that Holders receive approximately \$101 worth of Ordinary Shares for each Note that they hold, and that the Ordinary Shares they receive following Conversion are capable of being sold on the ASX.

There is a risk that these conditions may never be satisfied. Therefore, the Notes may never Convert into Ordinary Shares following a Change of Control Event.

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| 2.4.1 What Exchange Method can be elected by ANZ on a Change of Control Event? | If a Change of Control Event occurs, ANZ must, subject to certain further restrictions, give a Change of Control Conversion Notice to Convert each Note into a number of Ordinary Shares with a value of approximately \$101 (based on the VWAP during a period, usually 20 Business Days, on which trading in Ordinary Shares took place immediately preceding (but not including) the Business Day before the Change of Control Conversion Date), provided certain conditions are satisfied (see below). ¹² | Clauses 4.10 and 17.2 of the Note Terms |
| 2.4.2 What are the further Conversion restrictions on a Change of Control Conversion Date? | On the occurrence of a Change of Control Event, ANZ may not proceed to Convert Notes if, on the date on which Conversion is to occur (Change of Control Conversion Date), certain further restrictions apply. These Conversion restrictions on the Change of Control Conversion Date apply if the Second Mandatory Conversion Condition (applied as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of the Change of Control Conversion Date as if the Change of Control Conversion Date were a possible Mandatory Conversion Date. | Clause 4.10 of the Note Terms |
| 2.4.3 What happens if Conversion does not occur on a Change of Control Conversion Date? | If ANZ has given a Change of Control Conversion Notice but the restrictions prevent Conversion, ANZ will, unless the restrictions apply, give a new Change of Control Conversion Notice which will specify Conversion as the Exchange Method for Conversion on the next Distribution Payment Date (under clause 3.5(a) of the Note Terms). Conversion will not occur if the restrictions described in Section 2.4.2 apply on that date. This process will be repeated until a Conversion occurs. | Section 2.4.2 Clause 4.10 of the Note Terms |

¹² 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 on which trading in Ordinary Shares took place immediately preceding (but not including) the Business Day before the Change of Control Conversion Date. See clause 17.2 (definition of "VWAP Period") of the Note Terms. The VWAP during the relevant period before the Change of Control Conversion Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Change of Control Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

| Topic | Summary | Where to find more information |
|---|--|---|
| 2.5 CONVERSION FOLLOWING A TRIGGER EVENT | | |
| ANZ Capital Notes may be required to be Converted following the occurrence of a Trigger Event. | | |
| The Mandatory Conversion Conditions do not apply to a Conversion following a Trigger Event. The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number. | | |
| A Trigger Event may occur where ANZ encounters severe financial difficulty. In the event of a Conversion following a Trigger Event, depending on the market price of Ordinary Shares at the relevant time, Holders may receive Ordinary Shares that are worth less, or significantly less, than approximately \$101 for each Note they hold and may suffer loss as a consequence. 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. | | |
| 2.5.1 What is a Trigger Event? | <p>A Trigger Event is constituted by either a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.</p> <p>ANZ may be required to Convert a number of Notes into Ordinary Shares following the occurrence of a Trigger Event. A Conversion following a Trigger Event is not subject to the Mandatory Conversion Conditions.</p> <p>If Conversion occurs following a Trigger Event, the number of Ordinary Shares received is limited to the Maximum Conversion Number. This means that, depending on the market price of Ordinary Shares at the relevant time, Holders may receive less, or significantly less, than approximately \$101 worth of Ordinary Shares per Note and a Holder may suffer a loss as a consequence.</p> <p>If Notes cannot be Converted at that time and Conversion has not been effected within 5 Business Days after the Trigger Event Conversion Date, they will be Written Off (see below at Section 2.5.7).</p> | Clauses 4.5, 4.6, 4.9, 6.1, 6.12 and 17.2 of the Note Terms |
| 2.5.2 What is a Common Equity Capital Trigger Event? | <p>A Common Equity Capital Trigger Event will occur if, at any time ANZ determines, or APRA has notified ANZ in writing that it believes, that a Common Equity Capital Ratio is equal to or less than 5.125%.</p> <p>ANZ must immediately notify APRA in writing if it makes such a determination.</p> | Clause 4.5 of the Note Terms |
| 2.5.3 What is a Non-Viability Trigger Event? | <p>A Non-Viability Trigger Event will occur if, at any time:</p> <ul style="list-style-type: none"> ■ APRA notifies ANZ in writing that conversion or write off of Relevant Securities is necessary because, without it, APRA considers that ANZ would become non-viable; or ■ APRA notifies ANZ in writing that it has determined that without a public sector injection of capital (or equivalent support) ANZ would become non-viable. <p>APRA has not provided guidance on when it will consider an entity to be non-viable. However, it is likely that APRA will consider an entity to be non-viable when, for example, the entity is suffering from significant financial stress, is insolvent or cannot raise money in the public or private market.</p> | Clause 4.6 of the Note Terms |

| Topic | Summary | Where to find more information | | | | | | | | | | | | | | | | | | |
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| 2.5 CONVERSION FOLLOWING A TRIGGER EVENT (CONT) | | | | | | | | | | | | | | | | | | | | |
| <p>2.5.4 What is the Common Equity Capital Ratio?</p> | <p>The Common Equity Capital Ratio is the ratio of Common Equity Tier 1 Capital of the ANZ Level 1 Group or the ANZ Level 2 Group (as applicable) (including ordinary shares, retained earnings and certain reserves but net of Common Equity Tier 1 Capital Deductions) to the risk weighted assets of the ANZ Level 1 Group or the ANZ Level 2 Group respectively, as prescribed by APRA.</p> <p>At 31 March 2013, the Common Equity Capital Ratio of the ANZ Level 2 Group was 8.2%. Under Basel III, an ADI is required to maintain a buffer of capital over the required minimum Common Equity Capital Ratio of 4.5%. At a minimum, these capital buffers would normally require ANZ to hold a minimum Common Equity Capital Ratio exceeding 7% from 1 January 2016. In order to avoid a breach of its minimum prudential capital requirements, ANZ will target operating at or around the current Common Equity Capital Ratio which is well above the Common Equity Capital Trigger Event level of 5.125%. However, ANZ gives no assurance as to what its Common Equity Capital Ratio for the ANZ Level 1 Group or ANZ Level 2 Group will be at any time as they may be significantly impacted by unexpected events affecting its business, operations and financial condition. (See Section 4.3 for more information about the Common Equity Capital Ratio).</p> <p>The graph below illustrates the historical Common Equity Capital Ratio of the ANZ Level 2 Group under APRA regulations applicable at the time.</p> <p>ANZ COMMON EQUITY CAPITAL RATIO^{1,2,3}</p>  <table border="1" data-bbox="464 1256 1155 1653"> <thead> <tr> <th>Period</th> <th>Common Equity Capital Ratio (%)</th> <th>Regulation</th> </tr> </thead> <tbody> <tr> <td>FY09</td> <td>9.0%</td> <td>Basel II</td> </tr> <tr> <td>FY10</td> <td>8.0%</td> <td>Basel II</td> </tr> <tr> <td>FY11</td> <td>8.5%</td> <td>Basel III</td> </tr> <tr> <td>FY12</td> <td>8.8%</td> <td>Basel III</td> </tr> <tr> <td>HY13</td> <td>8.2%</td> <td>Basel III</td> </tr> </tbody> </table> <p>¹ The Common Equity Capital Ratio shown here is of the ANZ Level 2 Group.</p> <p>² ANZ's financial year, denoted "FY" above, finishes on 30 September of each year whilst HY13 is the half year ended 31 March 2013.</p> <p>³ APRA's new Basel III Prudential Standards came into effect from 1 January 2013 and ANZ reported its Basel III capital ratios for the first time for HY13. Prior to that ANZ reported its capital ratios under the previous Basel II framework as implemented by APRA. The Basel III capital ratios for FY11 and FY12 are calculated based on APRA's Basel III Prudential Standards.</p> <p>The above graph is for illustrative purposes only and does not indicate, guarantee or forecast ANZ's Common Equity Capital Ratio. The ratio may be higher or lower and may be affected by unexpected events affecting ANZ's business, operations and financial condition.</p> | Period | Common Equity Capital Ratio (%) | Regulation | FY09 | 9.0% | Basel II | FY10 | 8.0% | Basel II | FY11 | 8.5% | Basel III | FY12 | 8.8% | Basel III | HY13 | 8.2% | Basel III | <p>Sections 4.3.3, 4.3.4 and 5.1.10</p> <p>Clause 17.2 of the Note Terms</p> |
| Period | Common Equity Capital Ratio (%) | Regulation | | | | | | | | | | | | | | | | | | |
| FY09 | 9.0% | Basel II | | | | | | | | | | | | | | | | | | |
| FY10 | 8.0% | Basel II | | | | | | | | | | | | | | | | | | |
| FY11 | 8.5% | Basel III | | | | | | | | | | | | | | | | | | |
| FY12 | 8.8% | Basel III | | | | | | | | | | | | | | | | | | |
| HY13 | 8.2% | Basel III | | | | | | | | | | | | | | | | | | |

| Topic | Summary | Where to find more information |
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| 2.5 CONVERSION FOLLOWING A TRIGGER EVENT (CONT) | | |
| 2.5.5 When does Conversion on account of a Trigger Event occur? | If a Trigger Event occurs, ANZ must notify Holders as soon as practicable of that event occurring. That notice must state a date on which the Notes Convert (Trigger Event Conversion Date) which is the date that, in the case of a Common Equity Capital Trigger Event, ANZ determines that a Common Equity Capital Trigger Event has occurred or APRA has notified ANZ that it has determined that a Common Equity Capital Trigger Event has occurred or, in the case of a Non-Viability Trigger Event, APRA notifies ANZ of such Non-Viability Trigger Event. | Clauses 4.7 and 4.8 of the Note Terms |
| 2.5.6 How many Notes need to be Converted or Written Off on the occurrence of a Trigger Event? | <p>If a Trigger Event occurs, ANZ must convert or write off sufficient Relevant Securities (including some or all Notes) to restore the Common Equity Capital Ratio to a percentage above 5.125%, or to satisfy APRA that ANZ is viable without further conversion or write off (as applicable).</p> <p>If ANZ is required to Convert some Notes, ANZ must treat Holders on an approximately pro-rata basis among themselves and other Relevant Securities or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable. This is subject to such adjustment as ANZ may determine to take account of the effect on marketable parcels of Notes and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue, provided that such determination does not impede the immediate Conversion of the relevant number of Notes.</p> <p>Holders should be aware that:</p> <ul style="list-style-type: none"> ■ Relevant Securities such as Notes will be converted or written off before any Tier 2 Capital instruments are converted or written off; ■ CPS1, CPS2, the 2003 Trust Securities and the 2004 Trust Securities are not Relevant Securities (and will not be converted or written off before or pro rata with Notes); ■ CPS3 are Relevant Securities only in the case where the Trigger Event is a Common Equity Capital Trigger Event where the Common Equity Capital Ratio of the ANZ Level 2 Group is at or below 5.125% and not in the case of any other Trigger Event. Where the CPS3 are a Relevant Security, the terms of the CPS3 require that they be converted in full. The terms of the CPS3 do not permit or require the CPS3 to be written off if an Inability Event exists to prevent such conversion. As such, if an Inability Event occurs to prevent Conversion of the Notes in accordance with the Note Terms, the Notes may be Written Off in circumstances where CPS3 are not also written off; and ■ ANZ has no obligation to maintain on issue CPS3 or any Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be converted or written off before Notes or in full. <p>The Conversion of Notes into Ordinary Shares on the Trigger Event Conversion Date following the occurrence of a Trigger Event is not subject to the Mandatory Conversion Conditions described in Section 2.2.2 being satisfied. This means that, due to the application of the Mandatory Conversion Number, depending on the market price of Ordinary Shares at the time, Holders may receive less, or significantly less, than approximately \$101 worth of Ordinary Shares per Note and may suffer loss as a consequence.</p> | Clauses 4.8, 4.9 and 9.12 of the Note Terms |

| Topic | Summary | Where to find more information |
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| 2.5 CONVERSION FOLLOWING A TRIGGER EVENT (CONT) | | |
| 2.5.7 When will a Note be Written Off? | If, following a Trigger Event, ANZ is prevented by applicable law or court order or any other reason from Converting any Notes (broadly an Inability Event), and the Conversion has not been effected within 5 Business Days of the Trigger Event Conversion Date, those Notes will not be Converted but instead will be Written Off. | Clauses 4.9, 6.12 and 17.2 of the Note Terms |
| 2.5.8 What happens if a Note is Written Off? | If a Note is Written Off, the Note: <ul style="list-style-type: none"> will not be Converted on that date and will not be Exchanged on any other date; and on and from the sixth Business Day after the relevant Trigger Event Conversion Date, the relevant Holder's rights (including to payment of Distributions and Face Value) in relation to such Note are immediately and irrevocably terminated and written off. | Clause 6.12 of the Note Terms |
| 2.6 OTHER | | |
| 2.6.1 Can ANZ issue further Notes or other instruments? | ANZ reserves the right to issue further securities of any kind without the consent of the Holders. Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of shares in ANZ's capital. | Clause 9.12 of the Note Terms |
| 2.6.2 What voting rights do Notes carry? | Holders do not have voting rights at a meeting of members of ANZ. | Clause 10.2 of the Note Terms |
| 2.6.3 Can ANZ amend the Note Terms? | Subject to complying with all applicable laws, ANZ may amend the Note Terms without the consent of Holders in certain circumstances. ANZ may also amend the Note Terms if the amendment has been approved by a Special Resolution. No amendment to the Note Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis. | Clause 14 of the Note Terms |
| 2.6.4 What is an Approved NOHC Event? | An Approved NOHC Event is an event initiated by the Directors which would result in ANZ having an ultimate holding company which is a "non-operating holding company" within the meaning of the Banking Act (NOHC) and where, following the occurrence of that event: <ul style="list-style-type: none"> the ordinary shares of the NOHC are listed on ASX; the NOHC assumes all of ANZ's obligations to Convert the Notes into ordinary shares in the NOHC; and the NOHC agrees to comply with the Distribution Restriction (with appropriate modifications). <p>If an Approved NOHC Event occurs, the Note Terms may be amended to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including following the Mandatory Conversion Date). The Approved NOHC will use all reasonable endeavours to procure quotation on ASX of all these shares at the time of Conversion.</p> | Clauses 9.11, 11, 14.2 and 17.2 of the Note Terms |

| Topic | Summary | Where to find more information |
|---|---|--|
| 2.6 OTHER (CONT) | | |
| <p>2.6.4 (Cont) What is an Approved NOHC Event?</p> | <p>The occurrence of an Approved NOHC Event does not allow ANZ to elect to Exchange Notes nor does it entitle Holders to Exchange their Notes.</p> <p>Holders may not have any right to vote on an Approved NOHC Event and Holders have no rights to require ANZ to give an Approved NOHC Substitution Notice. Where an Approved NOHC Event is accompanied by a transfer of assets from ANZ to the Approved NOHC or another subsidiary of the Approved NOHC, ANZ may as a result have reduced assets which may affect its credit rating and its ability to meet the claims of its creditors and shareholders (including Holders).</p> <p>Following the substitution of an Approved NOHC as issuer of the Ordinary Shares on Conversion, prior to Conversion, Holders continue to hold a security in ANZ which ranks for payment of Distributions and in a winding-up of ANZ as described in Table 2 in Section 1 and which is convertible into ordinary shares in the Approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in ANZ. Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.</p> | <p>Clauses 9.11, 11, 14.2 and 17.2 of the Note Terms</p> |
| <p>2.6.5 What is the ANZ Capital Notes Deed Poll?</p> | <p>A trustee has not been appointed for ANZ Capital Notes. Instead, there is an ANZ Capital Notes Deed Poll made by ANZ in favour of each person who is from time to time a Holder. The ANZ Capital Notes Deed Poll gives legal effect to ANZ's obligations in the Note Terms.</p> <p>Under the ANZ Capital Notes Deed Poll, ANZ also undertakes to appoint the Registry and procure the Registry to establish and maintain a principal Register.</p> <p>The ANZ Capital Notes Deed Poll also includes provisions for meetings of Holders.</p> <p>Holders will be bound by the terms of the ANZ Capital Notes Deed Poll, the Note Terms and this Prospectus when ANZ Capital Notes are issued or transferred to them or they purchase ANZ Capital Notes.</p> <p>The Registry holds the original executed ANZ Capital Notes Deed Poll on behalf of Holders. Each Holder can enforce ANZ's obligations under the ANZ Capital Notes Deed Poll, including the Note Terms and the provisions for meetings, independently of the Registry and each other.</p> <p>A copy of the ANZ Capital Notes Deed Poll can be obtained from http://www.capitalnotes.anz.com.</p> | <p>ANZ Capital Notes Deed Poll</p> |
| <p>2.6.6 What if a Holder in not resident in Australia?</p> | <p>If the Register indicates that a Holder's address is outside of Australia (or ANZ believes that a Holder may not be a resident of Australia) (such a Holder, a Foreign Holder) and that Foreign Holder's Notes are to be Converted, ANZ may elect for the relevant Ordinary Shares to be issued to a nominee (who may not be ANZ or a Related Entity of ANZ) who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the Foreign Holder.</p> | <p>Clauses 6.10 and 17.2 of the Note Terms</p> |

| Topic | Summary | Where to find more information |
|-------|---------|--------------------------------|
|-------|---------|--------------------------------|

2.7 COMPARISON OF ANZ CAPITAL NOTES TO OTHER ANZ INSTRUMENTS

ANZ Capital Notes are different from term deposits. They are also different from ANZ Subordinated Notes and CPS3. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for Notes.

| | Term deposit | ANZ Subordinated Notes | CPS3 | ANZ Capital Notes |
|---|--|--|--|--|
| Protected under the Financial Claims Scheme | Yes | No | No | No |
| Term | Often between 1 month and 5 years | Approximately 10.25 years ¹³ | Perpetual, subject to mandatory conversion into Ordinary Shares after approximately eight years | Perpetual, subject to Mandatory Conversion into Ordinary Shares after approximately 10 years ¹⁴ |
| Margin | Varies from product to product | 2.75% | 3.10% | 3.40% |
| Distribution rate | Fixed | Floating | Floating | Floating |
| Distribution payment dates | Often at the end of term or per annum | Quarterly | Half-yearly | Half-yearly |
| Rights if distributions not fully franked | N/A – interest payments are not franked | N/A – interest payments are not franked | Franked, subject to gross up for a non-franked portion | Franked, subject to gross up for a non-franked portion |
| Conditions to payment of distributions | None, subject to applicable laws and any specific conditions | No, unless ANZ is not solvent at the time the payment is due or will not be solvent immediately after making the payment | Yes, subject to absolute director discretion and certain payment conditions | Yes, subject to ANZ's absolute discretion and Payment Conditions |
| Dividend restriction if dividend not paid | N/A | No | Yes, applies to Ordinary Shares until the next dividend payment date | Yes, applies to Ordinary Shares until the next Distribution Payment Date |
| Transferable | No | Yes – quoted on ASX as “ANZHA” | Yes – quoted on ASX as “ANZPC” | Yes – expected to be quoted on ASX as “ANZPD” |
| Mandatory Conversion into Ordinary Shares | No | No | Yes | Yes |
| ANZ's early conversion option | No | No | Yes, with prior written approval of APRA | Yes, with prior written approval of APRA |
| ANZ's early redemption option | No | Yes, on 20 June 2017 with APRA's prior written approval | Yes, on 1 September 2017 with APRA's prior written approval | Yes, on 1 September 2021 with APRA's prior written approval |
| Other ANZ early redemption options | No | Tax events | Tax, regulatory and acquisition events | Tax and regulatory events |
| Trigger Event | No | No | Yes, Common Equity Capital Trigger Event in respect of the ANZ Level 2 Group only | Yes, Common Equity Capital Trigger Event in respect of the ANZ Level 1 Group and the ANZ Level 2 Group and Non-Viability Trigger Event |
| Capital classification | None | Tier 2 ¹⁵ | Additional Tier 1 Capital ¹⁵ | Additional Tier 1 Capital |
| Voting rights | N/A | No | No right to vote at general meeting of holders of Ordinary Shares, except in limited circumstances | No right to vote at general meeting of holders of Ordinary Shares |
| Ranking | Senior to ANZ Subordinated Notes | Senior to CPS3 | Equal to ANZ Capital Notes, senior to Ordinary Shares | Equal to CPS3, senior to Ordinary Shares |

In a winding up of ANZ, ANZ Capital Notes rank ahead of Ordinary Shares, equally with Equally Ranking Instruments (including CPS3) and behind Senior Creditors, including depositors. However, the ranking will be adversely affected if a Trigger Event occurs

¹³ Subject to early redemption by ANZ with APRA's prior written approval.

¹⁴ ANZ Capital Notes are scheduled to Convert into Ordinary Shares on the Mandatory Conversion Date. Subject to certain exceptions, ANZ Capital Notes can also be Exchanged on 1 September 2021 or on the occurrence of a Tax Event or Regulatory Event. ANZ may be required to Convert as a result of a Trigger Event or a Change of Control Event. In addition, ANZ Capital Notes may be Written Off in certain circumstances. If a Note is written off, all rights in relation to that Note will be terminated, and the Holder will not have their capital repaid.

¹⁵ CPS3 have been classified as Additional Tier 1 Capital and ANZ Subordinated Notes have been classified as Tier 2 Capital under the Prudential Standards on a Basel III transitional basis.

SECTION 3 ABOUT THE OFFER

THIS SECTION SETS OUT:

- WHO THE OFFER IS MADE TO ;
- WHAT YOU MUST DO IF YOU WISH TO APPLY FOR NOTES;
- DETAILS OF ASX QUOTATION AND TRADING; AND
- OTHER INFORMATION RELEVANT TO THE OFFER AND YOUR APPLICATION.

3.1 OFFER

The Offer is for the issue of Notes to raise \$1 billion with the ability to raise more or less.

There is no minimum amount to be raised by the Offer.

The Offer comprises:

- an ANZ Securityholder Offer made to ANZ Securityholder Applicants;
- a General Offer made to General Applicants;
- a Broker Firm Offer made to Broker Firm Applicants; and
- an Institutional Offer made to certain Institutional Investors.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes outside Australia. This Prospectus does not constitute an offer of securities in the United States or to any US Persons, or to any person acting for the account or benefit of a US Person. Notes may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 7.12.

For details of how to apply for Notes under the Offer – see Section 3.2.1.

3.1.1 AUSTRALIAN RESIDENT ANZ SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS

If you apply online, you will be required to pay for Notes using BPAY® – see Section 3.3.1 for BPAY® payment instructions.

BPAY® is an electronic payment service that enables you to pay for your Notes directly from your cheque or savings account online through participating Australian banks, credit unions or building societies.

Please note that your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY® and payment cut-off times may vary between different financial institutions. For more information, please see www.bpay.com.au or your own financial institution.

To apply using the blue paper ANZ Securityholder Application Form, or under the General Offer using the white paper Application Form attached to the back of this Prospectus, Application Payments must be in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution.

3.2 OBTAINING A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of the Original Prospectus (without an Application Form) was available at www.capitalnotes.anz.com. Application Forms were not available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.capitalnotes.anz.com and may be available through your Syndicate Broker. If you access an electronic copy of this Prospectus, then you should read the paragraphs below and the “Electronic access to Prospectus” paragraph in the “Important Notices” Section at the start of this Prospectus.

During the Offer Period, you can also request a free paper copy of this Prospectus and an Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, a printed copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Your Application will only be considered where you have applied pursuant to an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus, and have made your Application Payment.

Applying for ANZ Capital Notes

3.2.1 OVERVIEW

| WHO CAN APPLY FOR ANZ CAPITAL NOTES? | HOW MANY NOTES CAN YOU APPLY FOR? | WHEN TO APPLY ¹⁶ | HOW DO I APPLY ONLINE? | HOW DO I APPLY USING A PAPER APPLICATION FORM? |
|---|---|--|--|---|
| <p>ANZ Securityholder Applicant – that is, a holder of Ordinary Shares, CPS1, CPS2, CPS3 or ANZ Subordinated Notes shown on the Register at 7:00pm AEST on 26 June 2013 with an address in Australia applying through the ANZ Securityholder Offer.</p> | <p>Your Application must be for a minimum of 50 Notes (\$5,000).</p> <p>If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, for incremental multiples of at least \$1,000.</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any ANZ Securityholder Applicant a lesser number of Notes than that applied for.</p> | <p>Applications will only be accepted during the Offer Period, which is expected to open on 10 July 2013.</p> <p>The Closing Date¹⁷ for the ANZ Securityholder Offer is 5:00pm AEST on 31 July 2013.</p> <p>Your completed personalised blue paper ANZ Securityholder Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>You can apply online at www.capitalnotes.anz.com.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>You will be asked to identify the holding that gives you the entitlement to apply by providing your SRN or HIN which can be found on your confirmation statement or payment advice.</p> <p>When applying online, you will be required to pay for Notes using BPAY[®] – see Section 3.3.1.</p> | <p>You can request a paper copy of the Prospectus and your personalised blue paper ANZ Securityholder Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST).</p> <p>Instructions on how to complete your personalised blue paper ANZ Securityholder Application Form are set out on the Application Form.</p> <p>You will be required to pay for Notes by 31 July 2013. The method of payment may be either by cheque(s) and/or money order(s) – see Section 3.3.1. BPAY[®] is not available for ANZ Securityholder Applicants using a personalised blue paper ANZ Securityholder Application Form. If you wish to pay by BPAY[®] you need to make an online Application.</p> <p>You will be required to post your completed personalised blue paper ANZ Securityholder Application Form to the Registry – see Section 3.2.2.</p> |
| <p>General Applicant – that is, a member of the general public who is an Australian resident applying through the General Offer.</p> <p>An ANZ Securityholder who does not use their personalised blue paper ANZ Securityholder Application Form will be treated as a General Applicant.</p> | <p>Your Application must be for a minimum of 50 Notes (\$5,000).</p> <p>If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, for incremental multiples of at least \$1,000</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any General Applicant a lesser number of Notes than that applied for.</p> | <p>Applications will only be accepted during the Offer Period, which is expected to open on 10 July 2013.</p> <p>The Closing Date¹⁸ for the General Offer is 5:00pm AEST on 31 July 2013.</p> <p>Your completed white paper Application Form attached to the back of this Prospectus or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>You can apply online at www.capitalnotes.anz.com.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>When applying online, you will be required to pay for Notes using BPAY[®] – see Section 3.3.1.</p> | <p>You can request a paper copy of the Prospectus and white paper Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST).</p> <p>Instructions on how to complete the white paper Application Form attached to the back of this Prospectus are set out on the Application Form.</p> <p>If applying using the white paper Application Form, you will be required to pay for Notes using cheque(s) and/or money order(s) – see Section 3.3.1. BPAY[®] is not available for General Applicants using a white paper Application Form. If you wish to pay by BPAY[®] you need to make an online Application.</p> <p>You will be required to post your completed white paper Application Form to the Registry – see Section 3.2.2.</p> |

¹⁶ The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before ANZ Capital Notes are issued.

¹⁷ The ANZ Securityholder Offer and General Offer have a different Closing Date to the Broker Firm Offer to allow sufficient time for the processing of cheques and money orders received with Applications made under the ANZ Securityholder Offer and General Offer.

¹⁸ The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before ANZ Capital Notes are issued.

3.2.1 OVERVIEW (CONT)

| WHO CAN APPLY FOR ANZ CAPITAL NOTES? | HOW MANY NOTES CAN YOU APPLY FOR? | WHEN TO APPLY ¹⁹ | HOW DO I APPLY? |
|---|--|---|--|
| <p>Broker Firm Applicant – that is, a retail client of a Syndicate Broker invited to participate through the Broker Firm Offer.²¹</p> | <p>Your Application must be for a minimum of 50 Notes (\$5,000).</p> <p>If your Application is for more than 50 Notes, then you must apply in incremental multiples of 10 Notes – that is, for incremental multiples of at least \$1,000.</p> <p>Your Syndicate Broker will inform you of your Allocation.</p> | <p>Applications will only be accepted during the Offer Period, which is expected to open on 10 July 2013.</p> <p>The Closing Date²⁰ for the Broker Firm Offer is 10:00am AEST on 6 August 2013.</p> <p>Your completed white paper Application Form attached to the back of this Prospectus and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</p> | <p>There are white paper Application Forms in the back of this Prospectus that should be used by Broker Firm Applicants.</p> <p>General instructions on how to complete the white paper Application Form are set out on the Application Form.</p> <p>You must contact your Syndicate Broker for their specific instructions on how to submit the white paper Application Form and your Application Payment to your Syndicate Broker.</p> <p>You must NOT return your white paper Application Form to the Registry.</p> <p>Your Syndicate Broker:</p> <ul style="list-style-type: none"> ■ must have received your completed white paper Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – being 10:00am AEST on 6 August 2013; and ■ will act as your agent in processing your white paper Application Form and providing your Application details and Application Payment to ANZ. |
| <p>Institutional Investor – that is, an investor who was invited by ANZ Securities to bid for Notes in the Bookbuild, who is not an ANZ Securityholder Applicant, General Applicant or Broker Firm Applicant and who is applying through the Institutional Offer.²¹</p> | <p>Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.</p> | <p>The Bookbuild was conducted on 9 July 2013.</p> | <p>Application and settlement procedures for Institutional Investors will be advised by ANZ Securities.</p> |

¹⁹ The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before ANZ Capital Notes are issued.

²⁰ The ANZ Securityholder Offer and General Offer have a different Closing Date to the Broker Firm Offer to allow sufficient time for the processing of cheques and money orders received with Applications made under the ANZ Securityholder Offer and General Offer.

²¹ ANZ Capital Notes may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 7.12.

3.2.2 DELIVERING PAPER APPLICATION FORMS – ANZ SECURITYHOLDER OFFER AND GENERAL OFFER

If you are an ANZ Securityholder Applicant or you are a General Applicant and paying by cheque and/or money order, you must return your completed paper Application Form and Application Payment to the address below so that they are received by the Registry before the Closing Date, which is 5:00pm AEST on 31 July 2013.

By mail to the Registry:

ANZ Capital Notes Offer
c/Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

Paper Application Forms and Application Payments will not be accepted at any other address or office and will not be accepted at ANZ's registered office or any other ANZ office or branch or at other offices or branches of the Registry.

3.3 How to pay

3.3.1 OVERVIEW

| | ONLINE APPLICATION | PAPER APPLICATION FORM |
|--------------------------|--|---|
| ANZ Securityholder Offer | <p>If you apply using an online Application Form at www.capitalnotes.anz.com, you must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by ANZ.</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> ■ access your participating BPAY® financial institution either through telephone banking or internet banking; ■ select BPAY® and follow the prompts; ■ enter the biller code supplied; ■ enter the unique Customer Reference Number supplied for each Application; ■ enter the total amount to be paid which corresponds to the number of Notes you wish to apply for under each Application (that is, a minimum of \$5,000 – 50 Notes, and incremental multiples of \$1,000 – 10 Notes). Note that your financial institution may apply limits on your use of BPAY® and that you should make enquiry about the limits that apply in your own personal situation; ■ select the account you wish your payment to be made from; ■ schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and ■ record your BPAY® receipt number and date paid. Retain these details for your records. <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>If you apply under the ANZ Securityholder Offer using a personalised blue paper ANZ Securityholder Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ Capital Notes Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply under the ANZ Securityholder Offer using a personalised blue paper ANZ Securityholder Application Form. If you wish to pay by BPAY®, you will need to make an online Application – see adjacent column.</p> <p>Your completed personalised blue paper ANZ Securityholder Application Form and Application Payment must be received by the Registry by the Closing Date.</p> |

3.3 How to pay

3.3.1 OVERVIEW (CONT)

| | ONLINE APPLICATION | PAPER APPLICATION FORM |
|-------------------|--|---|
| General Offer | <p>If you apply using an online Application Form at www.capitalnotes.anz.com, you must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for each of your Applications. Follow the BPAY® instructions above for the ANZ Securityholder Offer to complete your Application. If you do not make a BPAY® payment your Application will be incomplete and will not be accepted by ANZ.</p> <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>If you apply under the General Offer using a white paper Application Form attached to the back of this Prospectus, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ Capital Notes Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply under the General Offer using a white paper Application Form. If you wish to pay by BPAY®, you need to make an online Application – see adjacent column.</p> <p>Your completed white paper Application Form and Application Payment must be received by the Registry by the Closing Date.</p> |
| Broker Firm Offer | <p>You must contact your Syndicate Broker for information on how to submit the white paper Application Form attached to the back of this Prospectus and your Application Payment to your Syndicate Broker. You may be able to apply for Notes under the Broker Firm Offer using an online application and payment facility.</p> | |

* Registered to BPAY® Pty Limited ABN 69 079 137 518

3.3.2 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your Notes on ASX after Notes have been quoted on ASX.

3.3.3 APPLICATION PAYMENTS HELD ON TRUST

All Application Payments received before Notes are issued will be held by ANZ on trust in an account established solely for the purposes of depositing Application Payments received. Any interest that accrues in that account will be retained by ANZ. After Notes are issued to successful Applicants, the Application Payments held on trust will be payable to ANZ.

3.3.4 REFUNDS

If you are not allotted any Notes or you are allotted fewer Notes than the number that you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

In the event that the Offer does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable.

3.4 PROVISION OF PERSONAL INFORMATION

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your Notes. For information about the acknowledgements and privacy statement in relation to personal information that you provide to ANZ by completing an Application Form – see Section 7.13.

3.5 ALLOCATION POLICY

3.5.1 OVERVIEW

The Allocation policy for Notes to be issued to or as directed by Syndicate Brokers and Institutional Investors was determined under the Bookbuild – see Section 3.5.2. The Bookbuild allocation has been agreed by the Joint Lead Managers and ANZ following completion of the Bookbuild.

Allocations for the ANZ Securityholder Offer and the General Offer will be determined by ANZ in consultation with the Joint Lead Managers after the Closing Date – as set out in Section 3.5.4. There is no specified proportion of the Offer that may be allocated to the ANZ Securityholder Offer or the General Offer. ANZ (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from ANZ Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the day Notes commence trading on a deferred settlement basis – expected to be 8 August 2013.

3.5.2 BOOKBUILD

The Bookbuild is a process that was conducted by the Joint Lead Managers in consultation with ANZ before the Opening Date to determine the Margin and firm Allocations of Notes to Bookbuild participants. In this process, the Bookbuild participants were invited to lodge bids for a number of Notes. On the basis of those bids, the Joint Lead Managers and ANZ, by mutual agreement, determined the Margin and the firm Allocations to Syndicate Brokers. ANZ Securities and ANZ by mutual agreement determined the firm Allocations to certain Institutional Investors. The Bookbuild was conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by ANZ and the Joint Lead Managers in the Offer Management Agreement – see Section 7.6.

ANZ Securities may increase the size of its Allocation following the close of the Bookbuild, in order to meet demand for Allocation from its clients and from ANZ customers.

3.5.3 SETTLEMENT

The Joint Lead Managers have agreed with ANZ to bid into the Bookbuild on a broker firm basis. This means that each Joint Lead Manager (other than ANZ Securities) is responsible for ensuring that payment is made for all Notes allocated to them or at their direction.

The Offer Management Agreement may be terminated by the Joint Lead Managers in certain circumstances – see Section 7.6. If the Offer Management Agreement is terminated, Bookbuild participants can withdraw their firm Allocations. For details of the fees payable under the Offer Management Agreement – see Section 7.8.

3.5.4 ALLOCATIONS

| | |
|--|--|
| Institutional Offer | Allocations to Institutional Investors have been agreed by ANZ Securities and ANZ. |
| Broker Firm Offer | Allocations to Syndicate Brokers have been agreed by the Joint Lead Managers and ANZ. Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. |
| ANZ Securityholder Offer and General Offer | <p>ANZ Securityholder Applicants and General Applicants who submit a valid Application Form and Application Payment may receive an Allocation, subject to the right of ANZ in consultation with the Joint Lead Managers to determine the Allocations, when the Offer closes.</p> <p>If there is excess demand for Notes, priority will be given to ANZ Securityholder Applicants over General Applicants.</p> <p>ANZ, after consultation with the Joint Lead Managers, has absolute discretion to determine the method and extent of the priority Allocation.</p> <p>ANZ (at its discretion and in consultation with the Joint Lead Managers) and the Joint Lead Managers reserve the right to:</p> <ul style="list-style-type: none"> ■ allocate to any ANZ Securityholder Applicant or General Applicant all Notes for which they have applied; ■ reject any Application by an ANZ Securityholder Applicant or a General Applicant; or ■ allocate to any ANZ Securityholder Applicant or General Applicant a lesser number of Notes than that applied for, including less than the minimum Application of Notes or none at all. <p>No assurance is given that any ANZ Securityholder Applicant or General Applicant will receive an Allocation.</p> |

3.6 ASX QUOTATION, CONFIRMATION STATEMENTS AND OTHER INFORMATION

3.6.1 ASX QUOTATION

ANZ has applied to ASX for Notes to be quoted on ASX. If ASX does not grant permission for Notes to be quoted within three months after the date of this Prospectus, Notes will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

It is expected that Notes will begin trading on ASX on a deferred settlement basis on 8 August 2013 under ASX code "ANZPD". Trading is expected to continue on that basis until 13 August 2013, when it is anticipated that trading of Notes will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Confirmation Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in Notes. If you are a successful Applicant and sell your Notes before receiving your Confirmation Statement, you do so at your own risk.

You may call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or your Syndicate Broker, after the Issue Date to enquire about your Allocation. Alternatively, if you are an ANZ Securityholder, you can check your holding online at www.investorcentre.com. To use this facility, you will need internet access and your HIN or SRN to pass the security features on the website.

3.6.2 CONFIRMATION STATEMENTS

ANZ will apply for Notes to participate in CHESS. No certificates will be issued for Notes. ANZ expects that Confirmation Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 12 August 2013.

3.6.3 PROVISION OF BANK ACCOUNT DETAILS FOR DISTRIBUTIONS

ANZ's current policy is that Distributions will be paid in Australian dollars by direct credit into nominated Australian financial institution accounts (excluding credit card accounts) for Holders with a registered address in Australia. For all other Holders, ANZ's current policy is that Distributions will be paid by Australian dollar cheque.

3.6.4 PROVISION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER

If you are an ANZ Securityholder Applicant or a General Applicant who has not already quoted your TFN or ABN and you are issued any Notes, then you may be contacted in relation to quoting your TFN, ABN or both.

The collection and quotation of TFNs and ABNs are authorised, and their use and disclosure is strictly regulated, by tax laws and the Privacy Act.

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, in respect of Holders, ANZ may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.50% including the Medicare levy, increasing to 47% from 1 July 2014) on the amount of any Distribution (to the extent the Distribution is not fully franked) unless you provide one of the following:

- TFN;
- TFN exemption number (if applicable); or
- ABN (if Notes are held in the course of an enterprise carried on by you).

Successful Applicants who do not have an address in Australia registered with the Registry, or who direct the payment of any Distribution to an address outside of Australia, may have an amount deducted for Australian withholding tax from any Distribution paid, to the extent that the Distribution is not fully franked.

3.7 ENQUIRIES

3.7.1 ANZ SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS

You can call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) if you:

- have further questions on how to apply for Notes;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether Notes are a suitable investment for you, you should consult your financial adviser or other professional adviser.

3.7.2 BROKER FIRM APPLICANTS

If you have further questions about your Application under the Broker Firm Offer, please call your Syndicate Broker.

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SECTION 4

ABOUT ANZ

THIS SECTION SETS OUT:

- A DESCRIPTION OF ANZ'S BUSINESS INCLUDING SUMMARY FINANCIAL INFORMATION;
- FINANCIAL INFORMATION DEMONSTRATING THE EFFECT OF THE OFFER ON ANZ; AND
- A DESCRIPTION OF ANZ'S CAPITAL MANAGEMENT INITIATIVES AND CAPITAL RATIOS, FUNDING AND LIQUIDITY

4.1 OVERVIEW OF ANZ

ANZ is one of the four major banking groups headquartered in Australia. ANZ began its Australian operations in 1835, and its New Zealand operations in 1840. ANZ is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on July 14, 1977. ANZ's registered office is located at ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia and the telephone number is +61 3 9683 9999. Its Australian Company Number is 005 357 522.

As at the close of trading on 31 March 2013, ANZ had a market capitalisation of approximately \$78.3 billion. As at 31 March 2013, ANZ had total assets of \$672.6 billion, and shareholders' equity of \$42.5 billion. ANZ's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange (NZX).

ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. It conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. ANZ also operates in a number of other countries including the United Kingdom and the United States of America.

PRINCIPAL ACTIVITIES OF SEGMENTS

The Group operates and manages its cash results on a divisional structure comprising Australia, International & Institutional Banking (IIB), New Zealand and Global Wealth. Group Centre comprises functions that service the organisation globally.

4.1.1 AUSTRALIA

The Australia division comprises Retail and Corporate and Commercial Banking and business units. Retail includes Mortgages, Cards and Unsecured Lending and Deposits. Corporate and Commercial Banking includes Corporate Banking, Esanda, Regional Business Banking, Business Banking and Small Business Banking.

RETAIL

- **Retail Distribution** delivers banking solutions to customers via the Australian branch network, ANZ Direct and specialist sales channels.
- **Retail Products** is responsible for delivering a range of products including mortgages, credit cards, personal loans, transaction banking, savings accounts and deposits, using capabilities in product, analytics, customer research, segmentation, strategy and marketing. It also provides online and electronic payment solutions for businesses.
 - Mortgages provides housing finance to consumers in Australia for both owner occupied and investment purposes.
 - Cards and Payments provides consumer and commercial credit cards, personal loans and merchant services.
 - Deposits provides transaction banking, savings and investment products, such as term deposits and cash management accounts.

CORPORATE & COMMERCIAL BANKING

- **Corporate Banking** provides a full range of banking services offering traditional relationship banking and sophisticated financial solutions, largely to privately-owned companies with a turnover greater than A\$125 million.
- **Esanda** provides motor vehicle and equipment finance products and investment products.
- **Regional Business Banking** provides a full range of banking services to non metropolitan business banking customers.
- **Business Banking** provides a full range of banking services to metropolitan based small to medium sized business clients with annual turnover up to A\$125 million.
- **Small Business Banking** provides a full range of banking services for metropolitan and regional based small businesses in Australia with lending up to A\$1 million.

4.1.2 INTERNATIONAL AND INSTITUTIONAL BANKING

The International and Institutional Banking division comprises Global Institutional, Retail Asia Pacific and Asia Partnerships business units, along with Relationship & Infrastructure.

- **Global Institutional** provides global financial services to government, corporate and institutional clients with a focus on solutions for clients with complex financial needs, based on a deep understanding of their businesses and industries, with particular expertise in natural resources, agriculture and infrastructure. Institutional delivers transaction banking, specialised and relationship lending and markets solutions in Australia, New Zealand, Asia Pacific, Europe and America.
 - **Transaction Banking** provides working capital solutions including deposit products, cash transaction banking management, trade finance, international payments, and clearing services principally to institutional and corporate customers.
 - **Global Markets** provides risk management services to corporate and institutional clients globally in relation to foreign exchange, interest rates, credit, commodities, debt capital markets, wealth solutions and equity derivatives. Markets provides origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Markets also manages the Group's interest rate risk position and liquidity portfolio.
 - **Global Loans** provides term loans, working capital facilities and specialist loan structuring. It provides specialist credit analysis, structuring, execution and ongoing monitoring of strategically significant customer transactions, including project and structured finance, debt structuring and acquisition finance, loan product structuring and management, structured asset and export finance.
- **Retail** which provides retail and small business banking services to customers in the Asia Pacific region and also includes investment and insurance products and services for Asia Pacific customers.
- **Asia Partnerships** which is a portfolio of strategic partnerships in Asia. This includes investments in Indonesia with PT Bank Pan Indonesia, in the Philippines with Metrobank Cards Corporation, in China with Bank of Tianjin and Shanghai Rural Commercial Bank, in Malaysia with AMMB Holdings Berhad and in Vietnam with Saigon Securities Incorporation.
- **Relationship & Infrastructure** includes client relationship management teams for global institutional and financial institution customers in Australia and Asia, commercial customers in Asia, corporate advisory and central support functions. Relationship and infrastructure also includes businesses within IIB which are discontinued.

4.1.3 NEW ZEALAND

The New Zealand division comprises Retail and Commercial business units, and Operations and Support which include the central support functions (including Treasury funding).

RETAIL

- Includes Mortgages, Credit Cards and Unsecured Lending to personal customers in New Zealand.

COMMERCIAL

- Commercial & Agri (**CommAgri**) provides financial solutions through a relationship management model for medium-sized businesses, including agri-business, with a turnover of up to NZ\$150 million. Asset Finance (including motor vehicle and equipment finance), operating leases and investment products are provided under the UDC brand.
- Small Business Banking provides a full range of banking services to small enterprises, typically with turnover of less than NZ\$5 million.

4.1.4 GLOBAL WEALTH

- The Global Wealth division comprises Funds Management, Insurance and Private Wealth which provides investment, superannuation, insurance products and services (including Private Banking) for customers across Australia, New Zealand and Asia.
- Funds Management includes the Pensions and Investment business of OnePath Group (in Australia and New Zealand), E*Trade and Investment Lending.
- Insurance includes the insurance business of OnePath Group (in Australia and New Zealand) and Lender's Mortgage Insurance.
- Private Wealth specialises in assisting individuals and families to manage, grow and preserve their wealth. The businesses within Private Wealth include Private Bank, ANZ Trustees and Super Concepts.

4.1.5. GROUP CENTRE

Group Centre comprises Global Services & Operations, Group Technology, Group Human Resources, Group Risk, Group Strategy, Group Corporate Affairs, Group Corporate Communications, Group Treasury, Global Internal Audit, Group Finance, and Group Marketing, Innovation and Digital and Shareholder functions. In addition, Group Centre includes certain items which are removed from the divisional results because they are not considered integral to the ongoing performance of the divisions.

4.2 FINANCIAL INFORMATION ABOUT ANZ

4.2.1 2012 FINANCIAL YEAR

ANZ's profit after tax for the year ended 30 September 2012 was \$5,661 million, as compared to \$5,355 million for the year ended 30 September 2011, representing an increase of 6%. The dividend for the year ended 30 September 2012 was 145 cents per Ordinary Share (fully franked), representing a dividend payout ratio of 69.3%, as compared to 140 cents per Ordinary Share (fully franked) for the year ended 30 September 2011 representing a dividend payout ratio of 68.6%.

Cash profit²² was \$5,830 million, as compared to \$5,467 million for the year ended 30 September 2011, representing an increase of 7% and the cash profit before provisions and tax was \$9,329 million for the year ended 30 September 2012, as compared to \$8,862 million for the year ended 30 September 2011, representing an increase of 5%.

Cash operating income increased 6% for the year ended 30 September 2012 to \$17,848 million. Cash operating expenses increased 6%, from \$8,023 million to \$8,519 million and hence the cash cost to income ratio rose to 47.7% for the year ended 30 September 2012 from 47.5%. The cash provision for credit impairment increased 3% to \$1,258 million reflecting the economic conditions across Australia and New Zealand.

4.2.2 2013 INTERIM RESULTS

All growth rates for the half year ended 31 March 2013 are expressed relative to the half year ended 31 March 2012.

ANZ's profit after tax for the half year ended 31 March 2013 increased from \$2,919 million to \$2,940 million, or 1% on the same half last year. The 2013 interim dividend of 73 cents per Ordinary Share (fully franked) represented an increase of 11% on the 2012 interim dividend.

Cash profit increased from \$2,896 million to \$3,182 million, or 10%, while cash profit before provisions and tax increased from \$4,587 million for the half year ended 31 March 2012 to \$5,052 million for the half year ended 31 March 2013, or 10%.

Cash operating income increased from \$8,720 million to \$9,086 million, or 4%, while cash operating expenses decreased from \$4,133 million to \$4,034 million, or 2%. The cash cost to income ratio decreased from 47.4% to 44.4%. The provision for credit impairment charge of \$599 million was 5% higher, than \$570 million for the half year ended 31 March 2012.

4.2.3 HISTORICAL RESULTS

The profit information in Section 4.2.1 and Section 4.2.2 is historical information and is not a forecast of results to be expected in future periods.

4.2.4 IMPACT OF THE OFFER ON ANZ'S CONSOLIDATED BALANCE SHEET

The issue of the Notes will increase ANZ's loan capital liabilities by \$985 million (\$1 billion gross proceeds of the Offer, less \$15 million Offer costs) and increase ANZ's liquid assets by \$985 million, with no impact on ANZ's net assets or shareholders' equity. Total assets and total liabilities will increase by approximately 0.15%.

ANZ may raise more or less than \$1 billion pursuant to the Offer and these figures will be impacted accordingly.

²² Cash profit has been derived by excluding non-core items from statutory profit, to determine the result for the ongoing business activities of the Group. Cash profit is not subject to review by the external auditor.

4.3 CAPITAL ADEQUACY

4.3.1 PRUDENTIAL REGULATION

APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies and most members of the superannuation industry. APRA's website at www.apra.gov.au includes further details of its functions and Prudential Standards.

ANZ is regulated by APRA because of its status as an ADI. APRA's Prudential Standards aim to ensure that ADIs (including ANZ) remain adequately capitalised to support the risks associated with their activities and to generally protect Australian depositors.

To ensure that ADIs are adequately capitalised on both a standalone and group basis, APRA adopts a tiered approach to the measurement of an ADI's capital adequacy by assessing the ADI's financial strength at three levels:

- Level 1 – the ADI on a standalone basis (i.e. ANZ and a limited number of APRA approved subsidiaries). This is the ANZ Level 1 Group;
- Level 2 – the consolidated banking group (i.e. the consolidated financial group less certain subsidiaries and associates excluded under APRA's Prudential Standards principally the insurance subsidiaries and associated offshore financial institutions). This is the ANZ Level 2 Group; and
- Level 3 – the conglomerate group at its widest level. ANZ will be required to calculate its Level 3 capital level for the first time from 1 January 2014.

ANZ must also comply with a common framework issued by the Basel Committee for the calculation of capital adequacy for banks worldwide (the **Basel Framework**). The objective of the Basel Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks. The Basel Framework is based on three "pillars":

- Pillar one covers the capital requirements for banks;
- Pillar two covers the supervisory review process; and
- Pillar three relates to market disclosure.

On 1 January 2013, APRA's new Prudential Standards, implementing a capital reform package released by the Basel Committee (**Basel III**) with the aim of strengthening the global capital and liquidity framework to improve the banking sector's ability to absorb shocks arising from financial and economic stress, came into effect.

Basel III also aims to increase the quality, quantity, consistency and transparency of banks' capital bases, whilst strengthening the risk coverage of the capital framework. APRA has fully adopted the majority of the Basel III capital reform package in Australia, although APRA is requiring ADIs to satisfy in full the minimum capital requirements from 1 January 2013 and the capital conservation buffer from 1 January 2016. In particular, APRA's new capital standards:

- increase the minimum level of capital, with new minimum capital requirements for Common Equity Tier 1 Capital (4.5%), Tier 1 Capital (6.0%) and Total Capital (8.0%), although APRA may set higher targets for individual ADIs;
- increase the capital buffers that ADIs are required to hold for stress scenarios and to dampen the impact of pro cyclical elements of the previous prudential regulations. These include a capital conservation buffer of 2.5% and a counter cyclical buffer of between 0.0% and 2.5%. Failure to maintain the full capital buffers will result in limitations on the amount of current year earnings that can be paid as discretionary bonuses and to holders of Tier 1 Capital instruments as coupons and capital returns;
- increase Common Equity Tier 1 Capital Deductions;
- increase the focus on Common Equity Tier 1 Capital and tighten the regulations for Additional Tier 1 Capital and Tier 2 Capital instruments, including that, at the time of 'non viability' of an ADI, these instruments will be either converted to Ordinary Shares or written off. Existing Tier 1 Capital and Tier 2 Capital instruments that do not have these requirements will be phased out between 2013 and 2022; and
- increase the capital requirements for traded market risk, credit risk and securitisation transactions.

These standards may be supplemented by yet to be finalised proposals from APRA as to:

- supplementing the risk adjusted capital ratio requirements 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 to address the impact of systematic risk and inter-connectedness risk; and
- improving the transparency of reporting capital ratio calculations in the financial statements.

The effect of the Offer on the capital adequacy ratios of the ANZ Level 2 Group is set out in Section 4.3.5.

4.3.2 PRUDENTIAL CAPITAL CLASSIFICATION

APRA currently classifies an ADI's regulatory capital into three tiers for its supervisory purposes – referred to as Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital.

Common Equity Tier 1 Capital comprises the highest quality components of capital and includes paid up ordinary shares, certain reserves and retained earnings (excluding of subsidiaries that are not consolidated for capital adequacy purposes), together with minority interests, less Common Equity Tier 1 Capital Deductions such as intangible assets (including goodwill), investments in insurance subsidiaries and financial institutions, the excess of, expected losses over eligible provisions, capitalised expenses and software, and net deferred tax assets. The ratio of Common Equity Tier 1 Capital to risk weighted assets is called the Common Equity Capital Ratio.

Additional Tier 1 Capital comprises high quality components of capital and consists of certain securities not classified as Common Equity Tier 1 Capital but with loss absorbing characteristics (such as ANZ's CPS securities and the ANZ Capital Notes). Additional Tier 1 Capital together with Common Equity Tier 1 Capital constitutes Tier 1 Capital and the ratio of Tier 1 Capital to risk weighted assets is called the Tier 1 Capital Ratio.

Tier 2 Capital consists of subordinated instruments and, whilst a lesser form of capital than Tier 1 Capital, still has a capacity to absorb losses and contributes to the overall capital framework. Tier 2 Capital together with Tier 1 Capital constitutes Total Capital and the ratio of Total Capital to risk weighted assets is called the Total Capital Ratio.

APRA has provided confirmation that Notes will, once issued, constitute Additional Tier 1 Capital.

4.3.3 CAPITAL MANAGEMENT STRATEGY

ANZ pursues an active approach to capital management. This involves ongoing review of the level and composition of ANZ's capital base, assessed against a range of objectives including maintaining:

- regulatory compliance, particularly as required by APRA, the RBNZ and the US Federal Reserve Board;
- an appropriate level of capital to meet the risks in the business as measured by ANZ's economic capital methodology;
- ANZ's preferred credit rating category for long-term unsecured senior debt consistent with its applicable risk appetite;
- sufficient capital to meet strategic and business development plans; and
- an appropriate balance between maximising shareholder returns and prudent capital management principles.

4.3.4 COMMON EQUITY CAPITAL RATIO

APRA's new Basel III Prudential Standards require a minimum Common Equity Capital Ratio of 4.5% from 1 January 2013, although APRA may require ADIs, such as ANZ, to maintain a higher capital ratio which may not be disclosed. From 1 January 2016, APRA also requires ADIs to hold a capital conservation buffer of 2.5% which, at a minimum, would require ANZ to normally hold a minimum Common Equity Capital Ratio exceeding 7.0%.

APRA has indicated that it may require ADIs to hold additional amounts of Common Equity Tier 1 Capital in the form of additional buffers such as the counter-cyclical capital buffer and any buffer applied to domestic systemically important banks, however, until APRA releases the final rules for such buffers, any impact on ANZ cannot be determined.

ANZ's Common Equity Capital Ratio of 8.2% (for the ANZ Level 2 Group) and 8.4% (for the ANZ Level 1 Group) as at 31 March 2013 is well in excess of the current minimum prudential requirement of 4.5% and the 7.0% minimum prudential requirement applicable from 1 January 2016. It also equates, as at 31 March 2013, to over \$9.8 billion and \$9.5 billion of surplus Common Equity Tier 1 Capital for the ANZ Level 2 Group and ANZ Level 1 Group respectively in excess of a Common Equity Capital Ratio of 5.125% which is the point at which a Common Equity Capital Trigger Event would occur. (See section 2.5.4 for details of the historical Common Equity Capital Ratio of the ANZ Level 2 Group).

The differences between the Common Equity Capital Ratios for the ANZ Level 1 Group and ANZ Level 2 Group relate principally to the capital held within offshore banking subsidiaries. ANZ expects that those capital ratios will move in a similar way based on the application of ANZ's capital management strategy to its offshore banking subsidiaries.

In order to avoid a breach of these minimum prudential capital requirements, ANZ will target operating at or around the current Common Equity Capital Ratio. ANZ gives no assurance as to what its Common Equity Capital Ratio will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

As a result of APRA's new Basel III Prudential Standards, the Common Equity Capital Ratio reduced by an amount equal to the 2013 interim dividend on 1 July 2013. Previously, the impact of the payment of the dividend on ANZ's Common Equity Capital Ratio was spread over the period to which it related rather than taken into account in full at the time of payment, which now creates a more cyclical and volatile ratio over each half-year. On 29 May 2013, ANZ announced that it will undertake an on-market buy-back of \$425 million worth of Ordinary Shares to largely offset the value of Ordinary Shares issued on 1 July 2013 under ANZ's dividend reinvestment plan and bonus option plan for the 2013 interim dividend. The net impact is to reduce the Common Equity Capital Ratio in respect of the ANZ Level 1 Group and ANZ Level 2 Group by approximately 0.7% and 0.6% respectively.

4.3.5 PRO FORMA CONSOLIDATED CAPITAL ADEQUACY POSITION AS AT 31 MARCH 2013

The summarised consolidated capital adequacy ratios of the ANZ Level 2 Group set out below are derived from supplementary information included in the consolidated results for the half year ended 31 March 2013. This information is not subject to KPMG's review opinion.

The purpose of the pro forma capital adequacy ratios is to present the regulatory capital adequacy position of the ANZ Level 2 Group as at 31 March 2013 adjusted for the effect of the issue of Notes pursuant to the Offer.

The first column presents the summarised consolidated regulatory capital ratio of the ANZ Level 2 Group as at 31 March 2013 and the second column reflects the impact of the issue of Notes pursuant to the Offer.

ANZ SUMMARISED CONSOLIDATED REGULATORY CAPITAL ADEQUACY RATIOS AS AT 31 MARCH 2013

| | ANZ 31 March 2013 ²³ | Pro-forma Adjustments ²⁴ | Pro forma ANZ ²⁵ |
|-----------------------------|------------------------------------|--|--------------------------------|
| Common Equity Capital Ratio | 8.2% | 0.0% | 8.2% |
| Tier 1 Capital Ratio | 9.8% | 0.3% | 10.1% |
| Tier 2 Capital | 1.9% | 0.0% | 1.9% |
| TOTAL CAPITAL RATIO | 11.7% | 0.3% | 12.0% |

²³ Capital adequacy position of the ANZ Level 2 Group as at 31 March 2013.

²⁴ Additional Tier 1 Capital raising of \$1 billion less Common Equity Tier 1 Capital Deductions of \$15 million, being the estimated costs of the Offer. If there is over or under-subscription for ANZ Capital Notes, the Tier 1 Capital Ratio and Total Capital Ratio will be adjusted for the amount of the over or under-subscription and associated transaction costs.

²⁵ ANZ's capital adequacy ratios will also be impacted by the capital initiatives identified in Section 4.3.4 along with organic capital growth, changes in provisions and risk weighted assets growth since 31 March 2013.

4.4 FUNDING AND LIQUIDITY

4.4.1 EXISTING FRAMEWORK

ANZ's liquidity and funding risks are governed by a detailed policy framework which is approved by the Board. The management of the liquidity and funding positions and risks is overseen by the Group Asset and Liability Committee (GALCO). In addition to the policy framework, ANZ maintains a Liquidity Crisis Contingency Plan, which details the identification, escalation and management procedures in the event of a liquidity crisis.

ANZ manages liquidity and funding risk using various reporting and modelling techniques, including but not limited to the following:

- Name Crisis scenario modelling: ANZ requires that it remains cash flow positive under stressed "name-crisis" scenarios, whereby a proportion of deposits are assumed to be withdrawn by customers and ANZ's access to wholesale capital markets is severely restricted. These stresses capture "name-crisis" scenarios under both normal and stressed financial market conditions.
- Funding Market Stress scenario modelling: ANZ requires that it remains cash flow positive for an extended period of time under stressed funding market scenarios, whereby access to wholesale funding markets is severely restricted. These stresses capture both global and offshore specific funding market disruptions.
- Normal Business Conditions scenario modelling: ANZ monitors its expected liquidity position under normal conditions, based on statistical modelling of balance sheet behaviour.

- **Liquid Asset Portfolio:** ANZ's liquidity and funding risk is reduced through the holding of a portfolio of highly liquid assets. In a market stress event, these assets are pledgeable securities with the RBA and other central banks for cash.
- **Wholesale Funding Maturity Concentration Limits:** Maturity Concentration Limits are applied with the aim of preventing ANZ's wholesale funding requirements from being overly reliant on large issuance over a short period. These limits require funding to be well diversified by tenor.
- **Structural Liquidity Metrics:** ANZ requires that a high proportion of long term assets are funded with long term and "sticky" forms of funding. These metrics aim to ensure a high level of funding sustainability, thereby reducing the vulnerability of the balance sheet to market and/or name specific stress.

ANZ strictly observes its prudential obligations in relation to liquidity and funding risk as required by APRA Prudential Standard APS 210, as well the prudential requirements of overseas regulators on ANZ's offshore operations.

4.4.2 REGULATORY CHANGE

The Basel III liquidity changes include the introduction of two new liquidity ratios to measure liquidity risk (the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR)). A component of the liquidity required under the proposed standards will likely be met via the previously announced Committed Liquidity Facility from the Reserve Bank of Australia (RBA), however the size and availability of the facility is not yet agreed with APRA and the RBA. While ANZ has an existing stress scenario framework and structural liquidity risk metrics and limits in place, the requirements proposed are in general more challenging. These changes may impact the future composition and size of ANZ's liquidity portfolio, the size and composition of ANZ's funding base and consequently could affect future profitability. The Basel Committee released revised LCR details in January 2013 which included the re-calibration of certain balance sheet "run-off factors". In May 2013, APRA released a consultation paper and draft Prudential Standard which largely reflect the re-calibration of "run-off factors" announced by Basel. APRA have confirmed that they will not be adopting the "phasing" of the LCR between 2015 and 2019.

SECTION 5

INVESTMENT RISKS

THIS SECTION DESCRIBES SOME OF THE POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN ANZ CAPITAL NOTES AND IN ANZ.

THE SELECTION OF RISKS HAS BEEN BASED ON AN ASSESSMENT OF A COMBINATION OF THE PROBABILITY OF THE RISK OCCURRING AND IMPACT OF THE RISK IF IT DID OCCUR. THERE IS NO GUARANTEE OR ASSURANCE THAT THE IMPORTANCE OF DIFFERENT RISKS WILL NOT CHANGE OR OTHER RISKS EMERGE.

Before applying for Notes, you should consider whether Notes are a suitable investment for you. There are risks associated with an investment in Notes and in ANZ, many of which are outside the control of ANZ and its Directors. These risks include those in this Section and other matters referred to in this Prospectus.

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5.1 RISKS ASSOCIATED WITH INVESTING IN ANZ CAPITAL NOTES

5.1.1 LIQUIDITY

There may be no liquid market for Notes. The market for Notes may be less liquid than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. Holders who wish to sell their Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Notes.

Notes are expected to Convert into Ordinary Shares on 1 September 2023 (subject to certain conditions being satisfied) unless Notes are otherwise Exchanged on or before that date. Where Notes are Converted, there may be no liquid market for Ordinary Shares at or after the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

5.1.2 FINANCIAL MARKET CONDITIONS

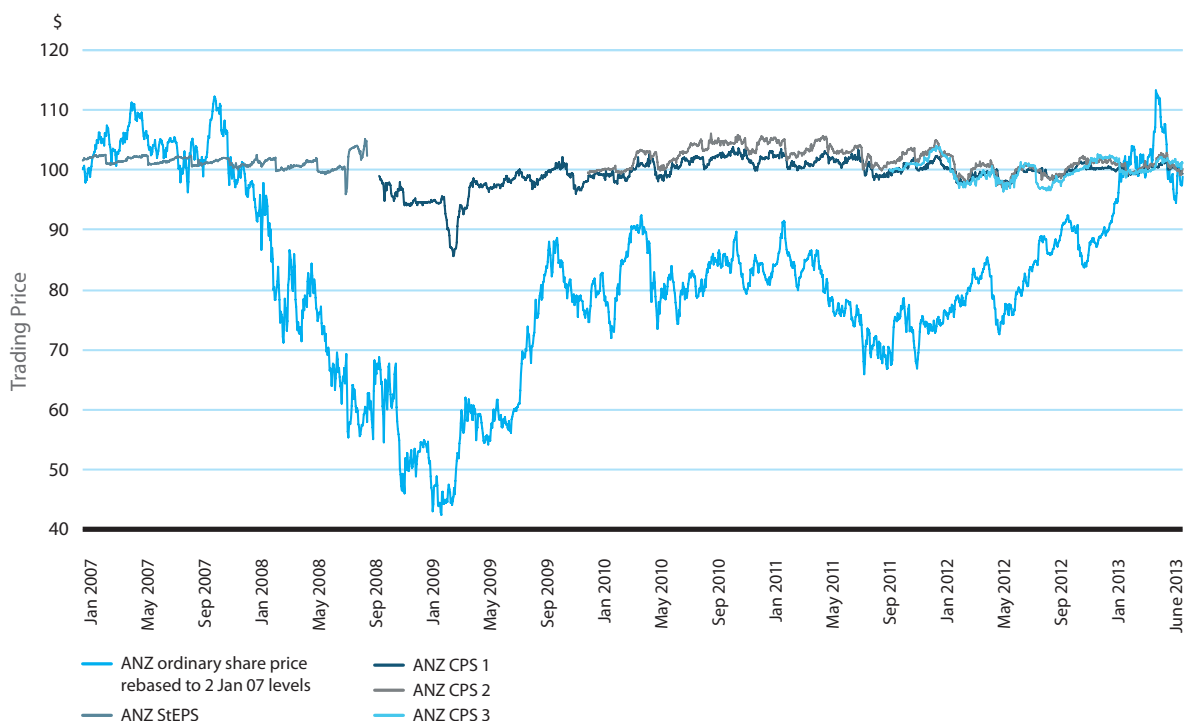
The market price of Notes may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, credit spreads, movements in the market price of Ordinary Shares or senior or subordinated debt, and factors that may affect ANZ's financial performance and position. Notes may trade at a market price below the Face Value.

The market price of Notes may be more sensitive than that of Ordinary Shares to changes in interest rates and credit spreads. Increases in relevant interest rates or ANZ's credit spread may adversely affect the market price of Notes. In recent years markets have become more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before making any investment in Notes.

The Ordinary Shares held as a result of any Conversion of Notes will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the Mandatory Conversion Date or other date on which Notes are Converted. That market is also subject to the factors outlined above and may also be volatile.

TRADING PRICES OF SELECTED ANZ HYBRIDS COMPARED TO AN ADJUSTED ANZ ORDINARY SHARE PRICE



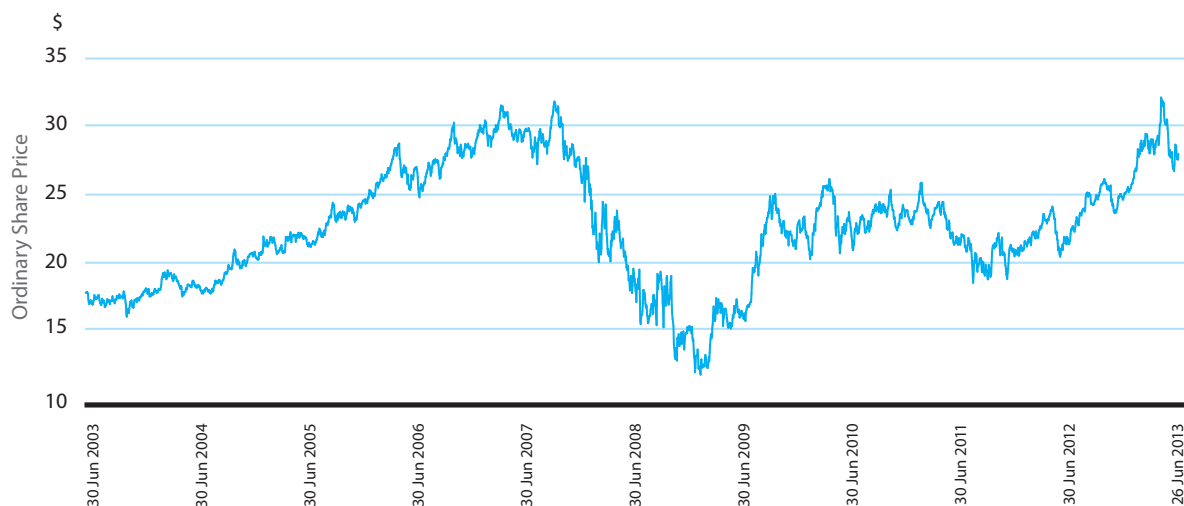
5.1.3 EXPOSURE TO ANZ'S FINANCIAL PERFORMANCE AND POSITION

If ANZ's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Notes could decline in value even if Notes have not been Converted. Accordingly, when you evaluate whether to invest in Notes, you should carefully evaluate the investment risks associated with an investment in ANZ – see Section 5.2.

5.1.4 FLUCTUATION IN ORDINARY SHARE PRICE

Upon Conversion (other than Conversion resulting from a Trigger Event – see Section 5.1.10), Holders will receive approximately \$101 worth of Ordinary Shares per Note (based on the VWAP during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date or other date on which Notes are Converted).²⁶ The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions and ANZ's financial performance and position – see Section 5.1.2.

ANZ ORDINARY SHARE PRICE FROM 30 JUNE 2003 – 26 JUNE 2013



5.1.5 DISTRIBUTIONS MAY NOT BE PAID

There is a risk that Distributions will not be paid. Notes do not oblige ANZ to pay Distributions. Distributions will only be paid at ANZ's discretion and ANZ is under no obligation to pay a Distribution.

The payment of Distributions is also subject to the Payment Conditions – see Section 2.1.6. The Payment Conditions require, among other things, that making the payment will not result in ANZ not complying with APRA's current capital adequacy arrangements, making the payment would not result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act or APRA not objecting to the Distribution being paid. There is a risk that one or more elements of the Payment Conditions will not be satisfied, and there is therefore a risk that a Distribution may not be paid in full or at all.

The Note Terms contain no events of default and, accordingly, failure to pay a Distribution when scheduled will not constitute an event of default. Further, in the event that ANZ does not pay a Distribution when scheduled, a Holder:

- has no right to apply for ANZ to be wound up, or placed in administration, or cause a receiver or a receiver and manager to be appointed in respect of ANZ merely on the grounds that ANZ does not pay a Distribution when scheduled; and
- will have no right of set-off and no offsetting rights or claims on ANZ.

Distributions are non-cumulative, and therefore if a Distribution is not paid Holders will have no recourse whatsoever to payment from ANZ and will not receive payment of those Distributions.

However, if ANZ does not pay a Distribution in full on a Distribution Payment Date, then the Distribution Restriction applies to ANZ unless the Distribution is paid in full within 3 Business Days of that date – see Section 2.1.7 for more details.

²⁶ The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

ANZ may also be prevented from paying Distributions by the terms of other securities (such as Tier 1 Capital securities) if a dividend or other distribution has not been paid on those securities. If such a constraint applies, ANZ may not be able to pay Distributions on Notes without the approval of the holders of those other securities – see Section 5.1.8.

Changes in regulations applicable to ANZ may impose additional requirements which prevent ANZ from paying a Distribution in additional circumstances.

5.1.6 DISTRIBUTIONS MAY NOT BE FULLY FRANKED

ANZ expects Distributions to be fully or substantially franked. However, there is no guarantee that ANZ will have sufficient franking credits in the future to fully frank Distributions.

If a Distribution is unfranked or partially franked, any Distribution paid on the Distribution Payment Date for that Distribution will be increased to compensate for the unfranked component, subject to the Payment Conditions – see Sections 2.1.3 and 2.1.6.

The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. Holders should also refer to the Taxation Summary in Section 6 and seek professional advice in relation to their tax position.

5.1.7 CHANGES IN DISTRIBUTION RATE

The Distribution Rate is calculated for each Distribution Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Distribution Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate – see Section 2.1.4.

As the Distribution Rate fluctuates, there is a risk that it may become less attractive when compared to the rates of return available on comparable securities issued by ANZ or other entities.

5.1.8 DISTRIBUTIONS ON ANZ CAPITAL NOTES MAY BE RESTRICTED BY THE TERMS OF OTHER SIMILAR SECURITIES

The terms of ANZ's other outstanding and future securities could limit ANZ's ability to make payments on Notes. If ANZ does not make payments on other securities (such as CPS1 and CPS2), payments may not be permitted to be made in respect of Notes.

The payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the Payment Conditions applying to Notes. Accordingly, ANZ may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on Notes. In these circumstances, the distribution restrictions on the other securities may then apply, preventing ANZ from making a payment on Notes. Similarly, ANZ may not be permitted to make a payment on Notes in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on Notes, ANZ may not be able to pay Distributions when scheduled to do so under the Note Terms and may not be able to Redeem Notes. ANZ is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or distribution restrictions – see also Section 5.1.20.

The distribution restriction on ANZ's outstanding securities differ from, and in the case of CPS1 and CPS2 are substantially more restrictive than, the Distribution Restriction in Notes. The Distribution Restriction only restricts distributions in respect of Ordinary Shares. The restriction only applies until the next Distribution Payment Date. The dates for distribution with respect to Ordinary Shares are determined by ANZ and do not bear a fixed relation to the Distribution Payment Dates for Notes. Accordingly as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Distribution is paid in full) ANZ will not be restricted from making a distribution on its Ordinary Shares.

5.1.9 ANZ CAPITAL NOTES ARE PERPETUAL AND MANDATORY CONVERSION MAY NOT OCCUR ON THE SCHEDULED MANDATORY CONVERSION DATE OR AT ALL

Notes are expected to Convert into Ordinary Shares on 1 September 2023 (subject to certain conditions being satisfied). However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to, for example, a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if Ordinary Shares cease to be quoted on ASX, or have been suspended from trading for at least five consecutive Business Days

prior to, and remain suspended on, the Mandatory Conversion Date. The Ordinary Share price may be affected by transactions affecting the share capital of ANZ, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of the consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues of Ordinary Shares as described in clause 6 of the Note Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The Note Terms do not limit the transactions which ANZ may undertake with respect to its share capital and any such action may affect whether Conversion will occur and may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the first Distribution Payment Date following the Scheduled Mandatory Conversion Date on which all of the Mandatory Conversion Conditions are satisfied unless Notes are otherwise Exchanged before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date, Distributions may continue to be paid on Notes so long as they are on issue, subject to the Payment Conditions.

However, Notes are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied and, if this occurs, Notes will never Convert.

5.1.10 CONVERSION ON ACCOUNT OF A TRIGGER EVENT

There are two types of Trigger Events:

- a Common Equity Capital Trigger Event; and
- a Non-Viability Trigger Event.

ANZ must Convert Notes into Ordinary Shares if at any time a Trigger Event occurs. This could be before or after the Scheduled Mandatory Conversion Date. Accordingly, any such Conversion on account of a Trigger Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

The Common Equity Capital Trigger Event is based on APRA's definition of the Common Equity Capital Ratio which means (i) in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group and (ii) in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group, in each case, as prescribed by APRA from time to time.

The Common Equity Capital Ratio may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of ANZ. Accordingly, there is a risk that ANZ's Common Equity Capital Ratio falls to 5.125% or below and that as a result, Notes Convert into Ordinary Shares before the Scheduled Mandatory Conversion Date.

The Non-Viability Trigger Event means the earlier of:

- the issuance of a notice in writing by APRA to ANZ that conversion or write off of Relevant Securities is necessary because, without it, APRA considers that ANZ would become non-viable; or
- a determination by APRA, notified to ANZ in writing, that without a public sector injection of capital, or equivalent support, ANZ would become non-viable.

APRA has indicated that at this time it will not provide guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of ANZ's financial position and insolvency. However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures, and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event.

Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of ANZ. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, globally and in Australia and New Zealand may affect the viability of ANZ.

Conversion resulting from the occurrence of a Trigger Event is not subject to the Mandatory Conversion Conditions or other conditions. This may mean that Holders receive significantly less than \$101 worth of Ordinary Shares per Note (and suffer loss as a consequence) because:

- the number of Ordinary Shares issued per Note is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101;
- if the number of Ordinary Shares to be issued is calculated, based on VWAP, to be less than the Maximum Conversion Number, the VWAP may differ from the Ordinary Share price on or after the Trigger Event Conversion Date. In particular, if Ordinary Shares are suspended from trading at the Trigger Event Conversion Date, VWAP prices may be based wholly or partly on trading days which occurred before the Trigger Event Conversion Date;
- the Ordinary Shares received on Conversion as well as ANZ's Ordinary Shares generally may not be listed and so may not be able to be sold at prices reflecting their values (calculated based on VWAP) or at all; and/or
- as noted in Section 2.2.6, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of ANZ Ordinary Shares and pro rata bonus issues as set out in the Note Terms. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The Note Terms do not limit the transactions that ANZ may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so may adversely affect the position of Holders.

If, following a Trigger Event, ANZ is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of ANZ) or for any other reason from Converting Notes (broadly, an **Inability Event**) (and Conversion has not been effected within five Business Days after the Trigger Event Conversion Date) which would otherwise be Converted, Notes will not be Converted, but instead, the rights of the Holder (including to the payment of Distributions and Face Value) in relation to such Notes will be immediately and irrevocably written off and terminated and Holders will suffer loss as a result.

The laws under which an Inability Event may arise include laws relating to the insolvency, winding up or other external administration of ANZ. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of Notes may change and the change may be adverse to the interests of Holders.

Holders should be aware that:

- Relevant Securities such as Notes will be converted or written off before any Tier 2 Capital instruments are converted or written off;
- CPS1 and CPS2 are not Relevant Securities (and may not be converted or written off before or pro rata with Notes);
- CPS3 are Relevant Securities only in the case where the Trigger Event is a Common Equity Capital Trigger Event where the Common Equity Capital Ratio of the ANZ Level 2 Group is at or below 5.125% and not in the case of any other Trigger Event. Where the CPS3 are a Relevant Security, the terms of the CPS3 require that they be converted in full. The terms of the CPS3 do not permit or require the CPS3 to be written off if an Inability Event exists to prevent such conversion. As such, if an Inability Event occurs to prevent Conversion of the Notes in accordance with the Note Terms, the Notes may be Written Off in circumstances where CPS3 are not also written off; and
- ANZ has no obligation to maintain on issue CPS3 or any Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be converted or written off before Notes or in full.

5.1.11 EXCHANGE AND EXCHANGE METHOD MAY BE AT ANZ'S OPTION

ANZ may (subject to APRA's prior written approval) elect to Exchange some or all Notes on an Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event, in accordance with the Note Terms. Holders have no right to request or require an Exchange.

Any such Exchange at ANZ's option may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which Holders will be entitled to the benefit of the rights attaching to Notes (such as Distributions) is unknown.

Subject to certain conditions, ANZ also has in many cases a discretion to elect which Exchange Method will apply to an Exchange. The method chosen by ANZ may be disadvantageous to Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

For example, if APRA approves an election by ANZ to Redeem or Resell the Notes, Holders will receive cash equal to \$100 per Note rather than Ordinary Shares and, accordingly, they will not benefit from any subsequent increases in the Ordinary Share price after the Redemption or Resale occurs. In addition, where Holders receive cash on

Redemption or Resale, the rate of return at which they could reinvest their funds may be lower than the Distribution Rate at the time. Where Holders receive Ordinary Shares on Conversion, they will have the same rights as other Shareholders, which are different to the rights attaching to Notes.

If ANZ elects to Resell Notes but the purchaser does not pay the Face Value of any Notes on the Exchange Date, those Notes will not be transferred and a Holder has no claim on ANZ as a result of that non-payment.

5.1.12 CONVERSION ON CHANGE OF CONTROL EVENT

If a Change of Control Event occurs, ANZ is required to Convert all Notes in accordance with the Note Terms (see clause 4.10 of the Note Terms). ANZ must, subject to clause 4.10 of the Note Terms, give a Change of Control Conversion Notice to Convert the Notes.

The Notes cannot Convert on the occurrence of a Change of Control Event if the restrictions on Conversion described in Section 2.4.2 apply.

If the restrictions prevent Conversion, ANZ will, unless the restrictions to Conversion apply, as noted in Section 2.4.3, give a new Change of Control Conversion Notice which will specify Conversion as the Exchange Method for Conversion on the next Distribution Payment Date (under clause 3.5(a) of the Note Terms). Conversion will not occur if the restrictions described in Section 2.4.2 apply on that date. This process will be repeated for each Distribution Payment Date (under clause 3.5(a) of the Note Terms) until a Conversion occurs. If these restrictions continue to apply, there is a risk that the Notes remain on issue following the occurrence of a Change of Control Event.

5.1.13 OPTIONAL EXCHANGE BY ANZ IS SUBJECT TO CERTAIN EVENTS OCCURRING

If ANZ elects to Exchange by way of Conversion (other than where it is obliged to Convert) or Redemption, APRA's prior written approval is required. Holders should not expect that APRA will give its approval to any Exchange.

The choice of Conversion as the Exchange Method is subject to the level of the Ordinary Share price on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in the Ordinary Shares occurred). If the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP, ANZ is not permitted to choose Conversion as the Exchange Method. Also if a Delisting Event has occurred in respect of that date, ANZ is not permitted to choose Conversion as the Exchange Method.

The conditions to Conversion on the Exchange Date are that the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) and the Third Mandatory Conversion Condition must both be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date.

If the conditions to Conversion on the Exchange Date are not satisfied, ANZ will notify Holders and the Conversion will be deferred until the first Distribution Payment Date (under clause 3.5(a) of the Note Terms) following that Exchange Date on which the Mandatory Conversion Conditions would be satisfied as if that Distribution Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method is subject to the condition that Notes the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity, or that APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to Redeem Notes.

5.1.14 CONVERSION CONDITIONS

The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of an Exchange at ANZ's option or a Conversion following a Change of Control Event the conditions expressly applicable to such Conversion under clause 4.10 or 5 of the Note Terms (as the case may be). No other conditions will affect the Conversion except as expressly provided by the Note Terms – see clause 9.11(e) of the Note Terms.

Other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for listing or any practical issues which affect that listing, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

Furthermore, as set out in Section 5.1.10, Conversion following a Trigger Event is not subject to any conditions.

5.1.15 RESTRICTIONS ON RIGHTS AND RANKING IN A WINDING-UP OF ANZ

Notes are not deposit liabilities of ANZ and the payment of Distributions and payment on Redemption or Resale is not guaranteed by ANZ. Notes are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. Notes are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. Notes are issued by ANZ under the Note Terms. A Holder has no claim on ANZ in respect of Notes except as provided in the Note Terms. Notes are unsecured.

In the event of a winding-up of ANZ, and assuming Notes have not been Converted or Redeemed (including on account of a Trigger Event), Holders will be entitled to claim for an amount equal to the Face Value. The claim for this amount ranks ahead of Ordinary Shares, equally with the CPS1, the CPS2 and the CPS3, equally with the preference shares comprised in the 2003 Trust Securities and the 2004 Trust Securities and equally with any other Equal Ranking Instruments, but behind all senior ranking securities and instruments and all depositors and other creditors. Claims in respect of Notes are subordinated and, notwithstanding a winding-up of ANZ, rank as Preference Shares as set out in the Note Terms. However, the claim of Holders in a winding up will be adversely affected if a Trigger Event occurs. If, following a Trigger Event, Notes are Converted into Ordinary Shares, Holders will have a claim as an Ordinary Shareholder. If, following a Trigger Event, Notes are Written Off, all rights in relation to those Notes will be terminated and Holders will not have their capital repaid.

If there is a shortfall of funds on a winding-up of ANZ to pay all amounts ranking senior to and equally with Notes, there is a significant risk that Holders will not receive all (or any part of) an amount equal to the Face Value in a winding-up of ANZ. Although the Notes may pay a higher rate of distribution than comparable instruments which are not subordinated, there is a significant risk that a Holder will lose all or some of their investment should ANZ become insolvent.

5.1.16 CHANGES TO CREDIT RATINGS

ANZ's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected if it fails to maintain credit ratings (including any long term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though Notes will not be rated, such changes could adversely affect the market price, liquidity and performance of Notes or Ordinary Shares received on Conversion of Notes.

5.1.17 REGULATORY CLASSIFICATION

APRA has provided confirmation that Notes will, once issued, constitute Additional Tier 1 Capital. However, if APRA subsequently determines that all of the Notes are not or will not qualify as Additional Tier 1 Capital, ANZ may decide that a Regulatory Event has occurred. A Regulatory Event will not arise where at the Issue Date ANZ expected the event would occur. A Regulatory Event will allow Exchange of all or some Notes on issue at the option of ANZ (subject to APRA's prior written approval). For the risks attaching to ANZ's discretion to Exchange in certain specified circumstances – see Section 5.1.11.

5.1.18 AUSTRALIAN TAX CONSEQUENCES

A general outline of the tax consequences of investing in Notes for certain potential investors is set out in the Taxation Summary in Section 6. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

If a change is made to the Australian tax system and that change leads to a more than insubstantial risk of:

- a significant increase in ANZ's costs in relation to Notes being on issue; or
- a distribution on Notes not being frankable,

ANZ is entitled to Exchange all or some Notes (subject to APRA's prior written approval where required) – see Section 5.1.11. ANZ will not be entitled to Exchange in these circumstances if ANZ was in a position to anticipate the event on the Issue Date.

If the corporate tax rate were to change, the relative components of Distributions, which are in the form of cash and franking credits, will change.

ANZ has applied for a class ruling from the Australian Taxation Office for confirmation of certain Australian tax consequences for Holders as discussed in the Taxation Summary in Section 6. The issue of any class ruling is expected in July 2013.

5.1.19 ACCOUNTING STANDARDS

A change in accounting standards by either the International Accounting Standards Board or Australian Accounting Standards Board may affect the reported earnings and financial position of ANZ in future financial periods. This may adversely affect the ability of ANZ to pay Distributions.

5.1.20 FUTURE ISSUES OR REDEMPTIONS OF SECURITIES BY ANZ

Notes do not in any way restrict ANZ from issuing further securities or from incurring further indebtedness. ANZ's obligations under Notes rank subordinate and junior in right of payment and in a winding-up to ANZ's obligations to holders of senior ranking securities and instruments, and its depositors and other creditors, including subordinated creditors. Accordingly, ANZ's obligations under Notes will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to Notes.

The Notes do not restrict ANZ from issuing securities of any kind. Accordingly, ANZ may in the future issue securities that:

- rank for dividends or payments of capital (including on the winding-up of ANZ) equal with, behind or ahead of Notes;
- have the same or different dividend, interest or distribution rates as Notes;
- have payment tests and distribution restrictions or other covenants which affect Notes (including by restricting circumstances in which Distributions can be paid on Notes or Notes can be Redeemed); or
- have the same or different terms and conditions as Notes.

ANZ may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of Notes. For example, as part of its ongoing capital management program, ANZ continually considers the issuance of Tier 1 Capital securities in domestic and offshore markets.

An investment in Notes carries no right to participate in any future issue of securities (whether equity, Additional Tier 1 Capital, subordinated or senior debt or otherwise) by ANZ.

No prediction can be made as to the effect, if any, which the future issue of securities by ANZ may have on the market price or liquidity of Notes or of the likelihood of ANZ making payments on Notes.

Similarly, Notes do not restrict ANZ from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with or junior to Notes (other than to the extent the Distribution Restrictions apply).

ANZ may redeem or otherwise repay existing securities including existing equal or junior ranking Tier 1 Capital securities before, during or after the issue of Notes. An investment in Notes carries no right to be Redeemed or otherwise repaid at the same time as ANZ redeems or otherwise repays other securities (whether equity, Additional Tier 1 Capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by ANZ of existing securities may have on the market price or liquidity of Notes or on ANZ's financial position or performance.

5.1.21 APPROVED NOHC EVENT

Certain events are categorised under the Note Terms as Approved NOHC Events. Where an Approved NOHC Event occurs and certain other conditions are satisfied, the Approved NOHC Event will not trigger a Conversion of Notes but will instead allow ANZ to make amendments to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion and will permit ANZ to make certain other amendments to the Note Terms. Accordingly, potential investors should be aware that, if an Approved NOHC Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the Note Terms, Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares on Conversion.

Potential investors should also be aware that Holders may not have a right to vote on any proposal to approve, implement or give effect to a NOHC Event.

ANZ has made no decision to implement a NOHC.

Following an Approved NOHC Event, ANZ would continue to be regulated by APRA. However, depending on the structure of the acquirer following an Approved NOHC Event and the capital framework which APRA determines to apply to it, the composition of ANZ's three capital measurement levels may be affected, which in turn may affect the likelihood of ANZ being able to make Distributions on Notes.

After an Approved NOHC Event Holders will remain noteholders in ANZ with the same rights to Distributions and to payment in a winding-up of ANZ as before the Approved NOHC Event, but on Conversion Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in ANZ. Notes will remain quoted on ASX, but ANZ's Ordinary Shares may cease to be quoted.

Where an Approved NOHC Event is accompanied by a transfer of assets from ANZ or a subsidiary to the Approved NOHC or another subsidiary of the Approved NOHC, ANZ may as a result have reduced assets which may affect its credit rating and its ability to meet the claims of its creditors and shareholders (including Holders). Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

5.1.22 SHAREHOLDING LIMITS

The Financial Sector (Shareholdings) Act 1998 (Cth) restricts ownership by people (together with their associates) of an Australian bank, such as ANZ, to a 15% stake. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

Mergers, acquisitions and divestments of Australian public companies listed on ASX (such as ANZ) are regulated by detailed and comprehensive legislation and the rules and regulations of ASX. These provisions include restrictions on the acquisition and sale of relevant interests in certain shares in an Australian listed company under the Corporations Act and a requirement that acquisitions of certain interests in Australian listed companies by foreign interests are subject to review and approval by the Treasurer. In addition, Australian law also regulates acquisitions which would have the effect, or be likely to have the effect, of substantially lessening competition in a market, or in a state or in a territory of, Australia.

Holders should take care to ensure that by acquiring any Notes (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on ownership.

5.1.23 CHANGES TO THE BANK BILL RATE

The Bank Bill Rate is the central benchmark rate in the financial markets in Australia. The Australian Financial Markets Association (AFMA) administers the rate set process and publishes the Bank Bill Rates. The rate itself is currently the trimmed average of mid-rates observed by survey panellists at 10:00am on a business day for AFMA Prime Bank paper that has a remaining maturity of between one and six months. Paper issued by ANZ is presently included as "AFMA Prime Bank Paper" and ANZ is also a member of the BBSW panel. AFMA proposes to replace the panel with a process of obtaining rates directly from trading venues (brokers and electronic markets). This proposal will see an end to the BBSW panel structure which is expected to occur in a period of months. In some overseas jurisdictions it has been alleged that market participants have manipulated or attempted to manipulate certain benchmark rates to their advantage. As at the date of this Prospectus, there is no suggestion that market participants have manipulated, or are manipulating, the Bank Bill Rate to their advantage. If such suggestions were to arise, it could represent a risk to the value of the Notes because the Distribution Rate is calculated with reference to the Bank Bill Rate. ANZ can give no assurance that the Bank Bill Rate reflects the underlying rate for bank bills in the Australian market.

5.1.24 POWERS OF AN ADI STATUTORY MANAGER

In certain circumstances APRA may appoint a statutory manager to take control of the business of an ADI, such as ANZ. Those circumstances are defined in the Banking Act to include:

- where the ADI informs APRA that it is likely to become unable to meet its obligations, or is about to suspend payment;
- where APRA considers that, in the absence of external support:
 - the ADI may become unable to meet its obligations;
 - the ADI may suspend payment;
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the interests of its depositors; or
 - it is likely that the ADI will be unable to carry on banking business in Australia consistently with the stability of the financial system in Australia;
- the ADI becomes unable to meet its obligations or suspends payment; or
- where, in certain circumstances, the ADI is in default of compliance with a direction by APRA to comply with the Banking Act or regulations made under it and the Federal Court of Australia authorises APRA to assume control of the ADI's business.

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. In the event that a statutory manager is appointed to ANZ in the future, these broad powers of an ADI statutory manager may be exercised in a way which adversely affects the rights attaching to the Notes and the position of Holders.

5.1.25 AMENDMENT OF NOTE TERMS

ANZ may with APRA's prior written approval in certain circumstances amend the Note Terms without the consent of Holders. ANZ may also with APRA's prior written approval amend the Note Terms if the amendment has been approved by a Special Resolution of Holders. Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment.

5.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ

5.2.1 CHANGES IN GENERAL BUSINESS AND ECONOMIC CONDITIONS, INCLUDING DISRUPTION IN REGIONAL OR GLOBAL CREDIT AND CAPITAL MARKETS, MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

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

The economic and business conditions that prevail in the Group's major operating and trading markets are affected by domestic and international economic events, political events and natural disasters, and by movements and events that occur in global financial markets.

The global financial crisis saw a sudden and prolonged dislocation in credit and equity capital markets, a contraction in global economic activity and the creation of many challenges for financial services institutions worldwide that still persist in many regions. Sovereign risk and its potential impact on financial institutions in Europe and globally subsequently emerged as a significant risk to the growth prospects of the various regional economies and the global economy. The impact of the global financial crisis and its aftermath (such as heightened sovereign risk) continue to affect regional and global economic activity, confidence and capital markets.

The economic effects of the global financial crisis and the European sovereign debt crisis have been widespread and far-reaching with unfavourable ongoing impacts on retail spending, personal and business credit growth, housing credit, and business and consumer confidence. While some of these economic factors have since improved, lasting impacts from the global financial crisis and subsequent volatility in financial markets and the European sovereign debt crisis suggest ongoing vulnerability and potential adjustment of consumer and business behaviour.

A sovereign debt crisis could have serious implications for the European Union and the Euro which, depending on the circumstances in which they take place and the countries and currencies affected, could adversely impact the Group's business operations and financial condition. Likewise, if one or more European countries re-introduce national currencies, and the Euro destabilises, the Group's business operations could be disrupted by currency fluctuations and difficulties in hedging against such fluctuations. The New Zealand economy is also vulnerable to more volatile markets and deteriorating funding conditions. Economic conditions in Australia, New Zealand, and some Asia Pacific countries remain difficult for many businesses.

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

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

The Group's financial performance could also be adversely affected if it were unable to adapt cost structures, products, pricing or activities in response to a drop in demand or lower than expected revenues. Similarly, higher than expected

costs (including credit and funding costs) could be incurred because of adverse changes in the economy, general business conditions or the operating environment in the countries in which it operates.

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

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing unrest and conflicts in Syria, North Korea and elsewhere in the Middle East, may also adversely affect global financial markets, general economic and business conditions and the Group's ability to continue operating or trading in a country, which in turn may adversely affect the Group's business, operations, and financial condition.

Natural disasters such as (but not restricted to) cyclones, floods and earthquakes, and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the Group's ability to continue operating or trading in the country or countries directly or indirectly affected, which in turn may adversely affect the Group's business, operations and financial condition. For more specific risks in relation to earthquakes and the Christchurch earthquakes, see Section 5.2.19

5.2.2 CHANGES IN EXCHANGE RATES MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

The previous appreciation in and continuing relatively high level of the Australian and New Zealand dollars relative to other currencies has adversely affected, and could continue to have an adverse effect on, certain portions of the Australian and New Zealand economies, including some agricultural exports, tourism, manufacturing, retailing subject to internet competition, and import-competing producers. Recently, commodity prices have fallen and the Australian and New Zealand dollars have remained high, removing some of the traditional "natural hedge" the currencies have played for commodity producers and the broader economy. A depreciation of the Australian or New Zealand dollars relative to other currencies would increase the debt service obligations in Australia or New Zealand dollar terms of unhedged exposures. Appreciation of the Australian dollar against the New Zealand dollar, the United States dollar and other currencies has a negative earnings translation effect, and future appreciation could have a greater negative impact, on the Group's results from its other non-Australian businesses, particularly its New Zealand and Asian businesses, which are largely based on non-Australian dollar revenues. The Group has put in place hedges to partially mitigate the impact of currency appreciation, but notwithstanding this, there can be no assurance that the Group's hedges will be sufficient or effective, and any further appreciation could have an adverse impact upon the Group's earnings.

5.2.3 COMPETITION MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION, ESPECIALLY IN AUSTRALIA, NEW ZEALAND AND THE ASIAN MARKETS IN WHICH IT OPERATES

The markets in which the Group operates are highly competitive and could become even more so, particularly in those countries and segments that are considered to provide higher growth prospects or are in greatest demand (for example, customer deposits or the Asian region). Factors that contribute to competition risk include industry regulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods, increased diversification of products by competitors, and regulatory changes in the rules governing the operations of banks and non-bank competitors. For example, changes in the financial services sector in Australia and New Zealand have made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic payments systems, mortgages, and credit cards. In addition, banks organised in jurisdictions outside Australia and New Zealand are subject to different levels of regulation and consequently some may have lower cost structures. Increasing competition for customers could also potentially lead to a compression in the Group's net interest margins, or increased advertising and related expenses to attract and retain customers.

Additionally, the Australian Government announced in late 2010 a set of measures with the stated purpose of promoting a competitive and sustainable banking system in Australia. The reforms consisted of a variety of actions, including but not limited to, a ban on exit fees for new home loans, implementation of easier switching processes for deposits and mortgages customers, empowerment of the ACCC to investigate and prosecute anti-competitive price signalling, changes in the way fees and interest are charged on credit cards and reforms which allow Australian banks, credit unions and building societies to issue covered bonds. While many of these reforms have been implemented since 2011, and have the potential to change the competitive position of all banks in Australia, the Group has adapted to these reforms and has maintained its competitive position. Nevertheless any regulatory or behavioural change that occurs in response to these reforms could have the effect of limiting or reducing the Group's revenue earned from its

banking products or operations. These regulatory changes could also result in higher operating costs. A reduction or limitation in revenue or an increase in operating costs could adversely affect the Group's profitability.

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

5.2.4 CHANGES IN MONETARY POLICIES MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

Central monetary authorities (including the Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ), the United States Federal Reserve and the monetary authorities in the Asian jurisdictions in which ANZ carries out business) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions (in some Asian jurisdictions currency policy is used to influence general business conditions and the demand for money and credit). These policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. Both these factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The policies of the central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in such policies are difficult to predict.

5.2.5 SOVEREIGN RISK MAY DESTABILISE GLOBAL FINANCIAL MARKETS ADVERSELY AFFECTING ALL PARTICIPANTS, INCLUDING THE GROUP

Sovereign risk, or the risk that foreign governments will default on their debt obligations, increase borrowings as and when required or be unable to refinance their debts as they fall due or nationalise participants in their economy, has emerged as a risk to the recovery prospects of many economies. This risk is particularly relevant to a number of European countries though it is not limited to these places and includes the United States. 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 those currently being experienced or which were experienced during the global financial crisis. Such an event could destabilise global financial markets adversely affecting all participants, including the Group.

5.2.6 THE GROUP IS EXPOSED TO LIQUIDITY AND FUNDING RISK, WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

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

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

The Group raises funding from a variety of sources including customer deposits and wholesale funding in Australia and offshore markets to ensure that it continues to meet its funding obligations and to maintain or grow its business generally. In times of systemic liquidity stress, in the event of damage to market confidence in the Group or in the event that funding inside or outside of Australia is not available or constrained, the Group's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk. In any such cases, ANZ may be forced to seek alternative funding. The availability of such alternative funding, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions and ANZ's credit ratings. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms.

Since the global financial crisis, developments in the United States mortgage industry and in the United States and European markets more generally, including recent European sovereign debt concerns, did adversely affect the liquidity in global capital markets and increased funding costs. Future deterioration in market conditions may limit the Group's ability to replace maturing liabilities and access funding in a timely and cost-effective manner necessary to fund and grow its business.

5.2.7 THE GROUP IS EXPOSED TO THE RISK THAT ITS CREDIT RATINGS COULD CHANGE, WHICH COULD ADVERSELY AFFECT ITS ABILITY TO RAISE CAPITAL AND WHOLESALE FUNDING

ANZ's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by ANZ. Credit ratings may be withdrawn, subject to qualifiers, revised, or suspended by the relevant credit rating agency at any time and the methodologies by which they are determined may be revised. A downgrade or potential downgrade to ANZ's

credit rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 Capital and Tier 2 Capital securities) issued by ANZ (and banks globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies. Ratings agencies may also revise their methodologies in response to legal or regulatory changes or other market developments.

5.2.8 THE GROUP MAY EXPERIENCE CHALLENGES IN MANAGING ITS CAPITAL BASE, WHICH COULD GIVE RISE TO GREATER VOLATILITY IN CAPITAL RATIOS

The Group's capital base is critical to the management of its businesses and access to funding. The Group is required by regulators including, but not limited to, APRA, RBNZ, the United Kingdom Prudential Regulation Authority and Financial Conduct Authority, United States regulators and regulators in various Asia Pacific jurisdictions (such as the Hong Kong Monetary Authority, and the Monetary Authority of Singapore) where the Group has operations, 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 lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require the Group to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

The Group's capital ratios may be affected by a number of factors, such as lower earnings (including lower dividends from its deconsolidated subsidiaries including its insurance and funds management businesses and associates), increased asset growth, changes in the value of the Australian dollar against other currencies in which the Group operates (particularly the New Zealand dollar and United States dollar) that impacts risk weighted assets or the foreign currency translation reserve and changes in business strategy (including acquisitions and investments or an increase in capital intensive businesses).

APRA's new Prudential Standards implementing Basel III are now in effect, and other regulators in jurisdictions where ANZ operates have either implemented or are in the process of implementing regulations, including Basel III, which strengthen, among other things, the liquidity and capital requirements of banks, funds management entities, and insurance entities. These regulations, together with any risks arising from any regulatory changes, are described below in Section 5.2.20.

5.2.9 THE GROUP IS EXPOSED TO CREDIT RISK, WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, or natural disasters, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. For example, our customers and counterparties in the natural resources sector could be adversely impacted in the event of a prolonged slowdown in the Chinese economy. Also, our customers and counterparties in the agriculture, tourism and manufacturing industries have been and may continue to be adversely impacted by the sustained strength of the Australian and New Zealand dollar relative to other currencies.

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

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

5.2.10 AN INCREASE IN THE FAILURE OF THIRD PARTIES TO HONOR THEIR COMMITMENTS IN CONNECTION WITH THE GROUP'S TRADING, LENDING, DERIVATIVES AND OTHER ACTIVITIES MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

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

The risk of credit-related losses may also be increased by a number of factors, including deterioration in the financial condition of the economy, a sustained high level of unemployment, a deterioration of the financial condition of the Group's counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.

For example, the Group is directly and indirectly exposed to the Australian mining sector and mining-related contractors and industries. Should commodity prices materially decrease due to, for example, reduced demand in Asia, especially North Asia/China, and/or mining activity, demand for resources, or corporate investment in the mining sector suffer material decreases from historical levels, the amount of new lending the Group is able to write may be adversely affected, and the weakening of the sector could be of sufficient magnitude to lead to an increase in lending losses from this sector.

Credit losses can and have resulted in financial services organisations realising significant losses and in some cases failing altogether. Should material unexpected credit losses occur to the Group's credit exposures, it could have an adverse effect on the Group's business, operations and financial condition.

5.2.11 WEAKENING OF THE REAL ESTATE MARKETS IN AUSTRALIA, NEW ZEALAND OR OTHER MARKETS WHERE IT DOES BUSINESS MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group.

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

5.2.12 THE GROUP IS EXPOSED TO MARKET RISK WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

The Group is subject to market risk, which is the risk to the Group's earnings arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and indices, prices of commodities, debt securities and other financial contracts, including derivatives. Losses arising from these risks may have a material adverse effect on the Group. As the Group conducts business in several different currencies, its businesses may be affected by a change in currency exchange rates. Additionally, as the Group's annual and interim reports are prepared and stated in Australian dollars, any appreciation in the Australian dollar against other currencies in which the Group earns revenues (particularly to the New Zealand dollar and the United States dollar) may adversely affect the reported earnings.

The profitability of the Group's funds management and insurance businesses is also affected by changes in investment markets and weaknesses in global securities markets.

5.2.13 THE GROUP IS EXPOSED TO THE RISKS ASSOCIATED WITH CREDIT INTERMEDIATION AND FINANCIAL GUARANTORS WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

The Group entered into a series of structured credit intermediation trades from 2004 to 2007. The Group sold protection using credit default swaps over these structures and then, to mitigate risk, purchased protection via credit default swaps over the same structures from eight United States financial guarantors. The underlying structures involve credit default swaps (**CDSs**) over synthetic collateralised debt obligations (**CDOs**), portfolios of external collateralized loan obligations (**CLOs**) or specific bonds/floating rate notes (**FRNs**).

Being derivatives, both the sold protection and purchased protection are marked-to-market. Prior to the commencement of the global financial crisis, movements in valuations of these positions were not significant and the credit valuation adjustment (**CVA**) charge on the protection bought from the non-collateralised financial guarantors was minimal.

During and after the global financial crisis, the market value of the structured credit transactions increased and the financial guarantors were downgraded. The combined impact of this was to increase the CVA charge on the purchased protection from financial guarantors. Volatility in the market value and hence CVA will continue to persist given the volatility in credit spreads and USD/AUD rates.

Credit valuation adjustments are included as part of the Group's profit and loss statement, and accordingly, increases in the CVA charge or volatility in that charge could adversely affect the Group's profitability.

5.2.14 THE GROUP IS EXPOSED TO OPERATIONAL RISK, WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, and the risk of reputational loss or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

Loss from operational risk events could adversely affect the Group's financial results. Such losses can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputational loss, loss of life or injury to people, and loss of property and/or information.

Operational risk is typically classified into the risk event type categories to measure and compare risks on a consistent basis. Examples of operational risk events according to category are as follows:

- internal fraud: risk that fraudulent acts are planned, initiated or executed by employees (permanent, temporary or contractors) from inside ANZ e.g. a rogue trader;
- external fraud: fraudulent acts or attempts which originate from outside ANZ e.g. valueless cheques, counterfeit credit cards, loan applications in false names and stolen identity;
- employment practices & workplace safety: employee relations, diversity and discrimination, and health and safety risks to ANZ employees;
- clients, products & business practices: risk of market manipulation, product defects, incorrect advice, money laundering and misuse of customer information;
- business disruption (including systems failure): risk that ANZ's banking operating systems are disrupted or fail. At ANZ, technology risks are key operational risks which fall under this category;
- damage to physical assets: risk that a natural disaster or terrorist or vandalism attack damages ANZ's buildings or property; and
- execution, delivery & process management: risk that ANZ experiences losses as a result of data entry errors, accounting errors, vendor, supplier or outsource provider errors, or failed mandatory reporting.

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

5.2.15 DISRUPTION OF INFORMATION TECHNOLOGY SYSTEMS OR FAILURE TO SUCCESSFULLY IMPLEMENT NEW TECHNOLOGY SYSTEMS COULD SIGNIFICANTLY INTERRUPT THE GROUP'S BUSINESS WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

The Group is highly dependent on information systems and technology and there is a risk that these, or the services the Group uses or is dependent upon, might fail, including because of unauthorised access or use.

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

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

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

5.2.16 THE GROUP IS EXPOSED TO RISKS ASSOCIATED WITH INFORMATION SECURITY, WHICH MAY ADVERSELY AFFECT ITS FINANCIAL RESULTS AND REPUTATION

Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations. The Group also uses third parties to process and manage information on its behalf. The Group employs a team of information security subject matter experts who are responsible for the development and implementation of the Group's Information Security Policy. The Group is conscious that threats to information security are continuously evolving and as such the Group conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated, and good practice is maintained. However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorised use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action, and claims of compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial position and reputation.

5.2.17 THE GROUP IS EXPOSED TO REPUTATION RISK, WHICH MAY ADVERSELY IMPACT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

Damage to the Group's reputation may have wide-ranging impacts, including adverse effects on the Group's profitability, capacity and cost of sourcing funding, and availability of new business opportunities.

Reputation risk may arise as a result of an external event or the Group's own actions, and adversely affect perceptions about the Group held by the public (including the Group's customers), shareholders, investors, regulators or rating agencies. The impact of a risk event on the Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the Group's business, operations and financial condition.

5.2.18 THE UNEXPECTED LOSS OF KEY STAFF OR INADEQUATE MANAGEMENT OF HUMAN RESOURCES MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

The Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. The Chief Executive Officer and the management team of the Chief Executive Officer have skills and reputation that are critical to setting the strategic direction, successful management and growth of the Group, and whose unexpected loss due to resignation, retirement, death or illness may adversely affect its operations and financial condition. The Group may in the future have difficulty retaining or attracting highly qualified people for important roles, which could adversely affect its business, operations and financial condition.

5.2.19 THE GROUP MAY BE EXPOSED TO THE IMPACT OF FUTURE CLIMATE CHANGE, GEOLOGICAL EVENTS, PLANT AND ANIMAL DISEASES, AND OTHER EXTRINSIC EVENTS WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

ANZ is exposed to climate related events (including climate change). These events include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The impact of these events may temporarily interrupt or restrict the provision of some Group services, and also adversely affect the Group's collateral position in relation to credit facilities extended to customers.

ANZ may also be exposed to other events such as geological events (volcanic or seismic activity, tsunamis); plant and animal diseases or a flu pandemic. These may severely disrupt normal business activity and have a negative effect on the Group's business, operations and financial condition. The most recent example of this was the major earthquakes in Christchurch New Zealand. Whilst much of the widespread property damage was covered by public (the New Zealand Earthquake Commission) and private insurance, there have been and may continue to be negative impacts on property (and hence security) values and on future levels of insurance and reinsurance coverage across New Zealand. A reduction in value of New Zealand property as a result of geological events such as earthquakes could increase lending losses which may adversely affect the Group's business, operations and financial condition.

5.2.20 REGULATORY CHANGES OR A FAILURE TO COMPLY WITH REGULATORY STANDARDS, LAW OR POLICIES MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS OR FINANCIAL CONDITION

The Group is subject to laws, regulations, policies and codes of practice in Australia, New Zealand, the United Kingdom, the United States of America, Hong Kong, Singapore, Japan, China and other countries within the Asia Pacific region in which it has operations, trades or raises funds or in respect of which it has some other connection. In particular, the Group's banking, funds management and insurance activities are subject to extensive regulation, mainly relating to its liquidity levels, capital, solvency, provisioning, and insurance policy terms and conditions.

Regulations vary from country to country but generally are designed to protect depositors, insured parties, customers with other banking products, and the banking and insurance system as a whole. Some of the jurisdictions in which the Group operates do not permit local deposits to be used to fund operations outside of that jurisdiction. In the event the Group experiences reduced liquidity, these deposits may not be available to fund the operations of the Group.

The Australian Government and its agencies, including APRA, the RBA and other financial industry regulatory bodies including ASIC, and the Australian Competition and Consumer Commission (**ACCC**) have supervisory oversight of the Group. The New Zealand Government and its agencies, including the RBNZ, the Financial Markets Authority and the Commerce Commission, have supervisory oversight of the Group's operations in New Zealand. To the extent that the Group has operations, trades or raises funds in, or has some other connection with, countries other than Australia or New Zealand, then such activities may be subject to the laws of, and regulation by agencies in, those countries. Such regulatory agencies include, by way of example, the United States Federal Reserve Board, the United States Department of Treasury, the United States Office of the Comptroller of the Currency, the United States Office of Foreign Assets Control, the United Kingdom Prudential Regulation Authority and the Financial Conduct Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, the China Banking Regulatory Commission, the Kanto Local Finance Bureau of Japan, and other financial regulatory bodies in those countries and in other relevant countries. In addition, the Group's expansion and growth in the Asia Pacific region gives rise to a requirement to comply with a number of different legal and regulatory regimes across that region.

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

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

As a result of the global financial crisis, the Basel Committee released capital reform packages to strengthen the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. APRA has released Prudential Standards implementing Basel III with effect from 1 January 2013. Other regulators in jurisdictions where the Group has a presence have also either implemented or are in the process of implementing Basel III and equivalent reforms. In addition, the United States has passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the United States.

Uncertainty remains as to the final form that some of the proposed regulatory changes will take in certain jurisdictions outside Australia in which the Group operates (including the United States) and any such changes could adversely affect the Group's business, operations and financial condition. The changes may lead the Group to, among other things, change its business mix, incur additional costs as a result of increased management attention, raise additional amounts of higher-quality capital (such as Ordinary Shares, Additional Tier 1 Capital or Tier 2 Capital instruments) or retain capital (through lower dividends), and hold significant levels of additional liquid assets and undertake further lengthening of the funding base.

5.2.21 THE GROUP MAY FACE INCREASED TAX REPORTING COMPLIANCE COSTS

In March 2010, the United States enacted legislation that would require non-United States banks to provide information on United States account holders to the United States tax authorities. In addition, it is possible that future laws adopted by jurisdictions that enter into intergovernmental agreements with the United States in furtherance of such United States legislation (including Australia and New Zealand) will require that such information be reported to a non-United States bank's local revenue authority to forward to the United States tax authorities. If this information is not provided in a manner and form meeting the applicable requirements, a non-United States bank will have a 30% withholding tax applied to certain amounts paid to it. No such withholding tax will be imposed on any payments derived from sources within the United States that are made prior to 1 January 2014, and no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to 1 January 2017, at the earliest. Australia and New Zealand have not yet entered into intergovernmental agreements as described above. ANZ Group is expected to make significant investments in order to comply with the requirements of the United States legislation or, if applicable, any local laws implementing an intergovernmental agreement in furtherance of such legislation.

5.2.22 UNEXPECTED CHANGES TO THE GROUP'S LICENCE TO OPERATE IN ANY JURISDICTION MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

The Group is licensed to operate in the various countries, states and territories. Unexpected changes in the conditions of the licences to operate by governments, administrations or regulatory agencies which prohibit or restrict the Group from trading in a manner that was previously permitted may adversely impact the Group's operations and subsequent financial results.

5.2.23 THE GROUP IS EXPOSED TO INSURANCE RISK, WHICH MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. For general insurance business, insurance risk arises mainly through weather-related incidents (including floods and bushfires) and other calamities, such as earthquakes, tsunamis and volcanic activities, as well as adverse variability in home, contents, motor, travel and other insurance claim amounts. For further details on climate and geological events see also Section 5.2.19. The Group has exposure to insurance risk in both life insurance and general insurance business, which may adversely affect its business, operations and financial condition.

In addition, the Group has various direct and indirect pension obligations towards its current and former staff. These obligations entail various risks which are similar to, among others, risks involving a capital investment. Risks, however, may also arise due to changes in tax or other legislation, and/or in judicial rulings, as well as inflation rates or interest rates. Any of these risks could have a material adverse effect on the Group's business, operations and financial condition.

5.2.24 THE GROUP MAY EXPERIENCE REDUCTIONS IN THE VALUATION OF SOME OF ITS ASSETS, RESULTING IN FAIR VALUE ADJUSTMENTS THAT MAY HAVE A MATERIAL ADVERSE EFFECT ON ITS EARNINGS

Under Australian Accounting Standards, the Group recognises at fair value:

- financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss";
- financial assets classified as "available-for-sale"; and
- derivatives.

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

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

5.2.25 CHANGES TO ACCOUNTING POLICIES MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

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

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

5.2.26 THE GROUP MAY BE EXPOSED TO THE RISK OF IMPAIRMENT TO CAPITALIZED SOFTWARE, GOODWILL AND OTHER INTANGIBLE ASSETS THAT MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

In certain circumstances the Group may be exposed to a reduction in the value of intangible assets. As at 31 March 2013, the Group carried goodwill principally related to its investments in New Zealand and Australia, intangible assets principally relating to assets recognised on acquisition of subsidiaries, and capitalised software balances.

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

Capitalised software and other intangible assets (including acquired portfolio of insurance and investment business and deferred acquisition costs) are assessed for indicators of impairment at least annually. In the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, an impairment may be recorded, adversely impacting the Group's financial condition.

5.2.27 LITIGATION AND CONTINGENT LIABILITIES MAY ADVERSELY AFFECT THE GROUP'S BUSINESS, OPERATIONS AND FINANCIAL CONDITION

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results. Details regarding the Group's material contingent liabilities are contained in Note 14 to ANZ's unaudited interim consolidated financial statements for the half year ended 31 March 2013 and Note 43 to the audited annual consolidated financial statements for the year ended 30 September 2012. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

5.2.28 THE GROUP REGULARLY CONSIDERS ACQUISITION AND DIVESTMENT OPPORTUNITIES, AND THERE IS A RISK THAT ANZ MAY UNDERTAKE AN ACQUISITION OR DIVESTMENT THAT COULD RESULT IN A MATERIAL ADVERSE EFFECT ON ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION

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

The successful implementation of the Group's corporate strategy, including its strategy to expand in the Asia Pacific region, will depend on a range of factors including potential funding strategies, and challenges associated with integrating and adding value to acquired businesses, as well as new regulatory, market and other risks associated with increasing operations outside of Australia and New Zealand.

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

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

SECTION 6

TAXATION SUMMARY

THIS SECTION CONTAINS A SUMMARY OF THE AUSTRALIAN TAX CONSEQUENCES FOR POTENTIAL HOLDERS AND IS BASED ON AUSTRALIAN TAX LAW AND ADMINISTRATIVE PRACTICE AS AT THE DATE OF THIS PROSPECTUS. THIS SUMMARY IS NECESSARILY GENERAL IN NATURE AND IS NOT INTENDED TO BE DEFINITIVE TAX ADVICE TO PROSPECTIVE HOLDERS. ACCORDINGLY, EACH PROSPECTIVE HOLDER SHOULD SEEK THEIR OWN TAX ADVICE, WHICH IS SPECIFIC TO THEIR PARTICULAR CIRCUMSTANCES, AS TO THE TAX CONSEQUENCES OF INVESTING IN, HOLDING AND DISPOSING OF NOTES.

The Directors
Australia and New Zealand Banking Group Limited
Level 9
833 Collins Street
DOCKLANDS VIC 3008

2 July 2013

Dear Directors,

Australian tax consequences of investing in ANZ Capital Notes

We have been instructed by Australia and New Zealand Banking Group Limited (**ANZ**) to prepare a tax summary for inclusion in the Prospectus dated 2 July 2013 in relation to the offer of ANZ Capital Notes (**Notes**).

1 Scope

This letter provides a summary of the Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) consequences for Australian tax resident Note Holders (**Resident Note Holders**) and Note Holders who are not tax residents of Australia (**Non Resident Note Holders**) who subscribe for Notes and hold them on capital account for tax purposes.

Tax considerations which may arise for Resident Note Holders who are in the business of share trading, are dealing in securities or otherwise hold Notes on revenue account, or Non Resident Note Holders who carry on a business at or through a permanent establishment in Australia, have not been considered in this summary.

This summary is based on the Australian tax law and administrative practice currently in force as at the date of the Prospectus. It is necessarily general in nature and is not intended to be definitive tax advice to Resident Note Holders or Non Resident Note Holders. Accordingly, each Resident Note Holder and each Non Resident Note Holder should seek their own tax advice that is specific to their particular circumstances.

The representatives of Greenwoods & Freehills involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwoods & Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of Notes. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services licence holder before making any investment decision. Potential investors should also note that taxation is only one of the matters that may need to be considered.

Unless defined in this letter or the context indicates otherwise, all capitalised terms in this letter bear the same meaning as those contained in the Prospectus and the Note Terms.

Greenwoods & Freehills has given its consent to the inclusion of this letter in the Prospectus.

2 Anticipated Class Ruling – applicable to certain Resident Note Holders

ANZ has applied to the Australian Taxation Office (**ATO**) for a public class ruling (**Class Ruling**) confirming certain tax consequences for Resident Note Holders. The Class Ruling does not become operative until it is published in the Government Gazette.

When issued, copies of the Class Ruling will be available free of charge from the ATO (www.ato.gov.au), or by downloading them from ANZ's website (www.anz.com).

It is expected that, when issued, the Class Ruling will:

- only be binding on the Commissioner of Taxation (**Commissioner**) if the Offer is carried out in the specific manner described in the Class Ruling;
- only apply to Resident Note Holders that are within the class of entities specified in the Class Ruling (**Applicable Resident Note Holders**), being Resident Note Holders who acquire their Notes by initial subscription and hold them on capital account for tax

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purposes. Accordingly, the Class Ruling will not apply to Resident Note Holders who hold their Notes as trading stock or revenue assets;

- only rule on the taxation laws as at the date the Class Ruling is issued;
- not consider the tax implications of the Conversion of Notes on a Trigger Event;
- not consider the tax implications of an Exchange, Redemption or Resale of Notes;
- not consider the taxation treatment of Distributions received by partnerships or trustee investors; and
- not consider the tax implications for Resident Note Holders for whom gains and losses from Notes are subject to the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (refer section 5 of this letter). It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

You should also be aware that the Class Ruling will not mean the ATO guarantees or endorses the commercial viability of investing in Notes.

Subject to the above qualifications or where otherwise indicated, it is expected that the Class Ruling will confirm the taxation consequences as outlined in sections 3.1 to 3.6 below.

3 Tax consequences for Resident Note Holders expected to be addressed in the Class Ruling

3.1 Status of the Notes for tax purposes

The Notes should be characterised as non-share equity interests for Australian income tax purposes. This means that Distributions on the Notes should be treated as non-share dividends that are frankable, as outlined in section 3.2 below, rather than as interest income.

It is anticipated that the Class Ruling will take the view that the Notes are not “traditional securities” for tax purposes. Accordingly, gains and losses on the Notes should be subject to capital gains tax rules, as summarised further below, rather than subject to the specific rules in sections 26BB and 70B of the *Income Tax Assessment Act 1936* (Cth) that apply to such securities.

3.2 Distributions on Notes

Distributions paid on Notes (together with the attached franking credits) must be included in the assessable income of an Applicable Resident Note Holder.

Provided an Applicable Resident Note Holder is a “**qualified person**” (see discussion below in section 4.1 for further details) in relation to their Note holding, the Applicable Resident Note Holder will be entitled to a tax offset equal to the amount of the franking credits attached to the Distribution. To the extent that the tax offset attributable to the franking credits on a Distribution exceeds the income tax liability for an income year of an Applicable Resident Note Holder who is an individual or complying superannuation entity, the excess tax offset may be refunded to the Applicable Resident Note Holder.

If a Distribution (or a part of it) is either exempt income or non-assessable non-exempt income in the hands of an Applicable Resident Note Holder, then the amount of any franking credit on the Distribution is not included in the assessable income of the Applicable Resident Note Holder and the Applicable Resident Note Holder is not entitled to a tax offset. However, certain tax-exempt entities may qualify for a refund of any tax offset to which they are entitled as a result of a franked Distribution.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to deny the whole or any part of the imputation benefits received by Applicable Resident Note Holders in relation to the Distributions payable in respect of Notes.

3.3 CGT cost base and acquisition date for Notes

The cost base (or reduced cost base) of each Note acquired by an Applicable Resident Note Holder may include \$100 (being the Face Value of each Note). Although it is not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) of each Note should also include any incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of Note. This will be relevant in determining the capital gain or capital loss resulting on a disposal of Notes (see discussion below for further details).

Each Note will be taken to have been acquired by an Applicable Resident Note Holder on the date Notes are issued (which is expected to be 7 August 2013).

3.4 Conversion of Notes¹

Under specific provisions of the Tax Act dealing with convertible interests, any gain or loss that would arise on Conversion should be disregarded. The consequence of this is that the gain or loss on Conversion is effectively deferred, with an Applicable Resident Note Holder's cost base in the Ordinary Shares acquired on Conversion reflecting the Applicable Resident Note Holder's cost base in their Notes.

This outcome applies both to Applicable Australian Resident Holders and Non Resident Holders.

3.5 CGT cost base and acquisition date for Ordinary Shares

Upon Conversion, the cost base (or reduced cost base) of the Ordinary Shares issued to an Applicable Resident Note Holder will be determined by spreading the cost base (or reduced cost base) of all of the original Notes of an Applicable Resident Note Holder across all of the Ordinary Shares issued to that holder.

The Ordinary Shares issued on Conversion will be taken to have been acquired by an Applicable Resident Note Holder at the time of Conversion. This means that the 12 month holding period for the purposes of the CGT discount mentioned in section 4.2 below will run from the acquisition date of the Ordinary Shares, and not from the time of acquisition of the Notes.

3.6 Conversion after an Approved NOHC Event

If an Approved NOHC Event occurs, the Note Terms may be amended to effect the issue of ordinary shares in the Approved NOHC (**Approved NOHC Ordinary Shares**) to Resident Note Holders in substitution for Ordinary Shares on Conversion of Notes. The amendment of the Note Terms will not in itself result in a capital gain or loss arising for Applicable Resident Note Holders, provided they do not receive any proceeds for the amendment of the Note Terms and do not incur any incidental costs and there will be no Conversion or other Exchange at that time.

If a Conversion of Notes occurs subsequent to an Approved NOHC Event, then Resident Note Holders may receive Approved NOHC Ordinary Shares in substitution for Ordinary Shares.

Receipt of Approved NOHC Ordinary Shares by an Applicable Resident Note Holder following a Conversion of Notes (**NOHC Conversion**) will not give rise to a capital gain or loss for Applicable Resident Note Holders, due to specific rules in the Tax Act that deal with convertible interests.

4 Other tax consequences for Resident Note Holders not expected to be addressed in the Class Ruling

The following tax consequences for Resident Note Holders are not expected to be addressed in the Class Ruling.

4.1 Qualification for franking credits on Distributions – “qualified person”

A Resident Note Holder is not required to include the amount of the franking credits in their assessable income and is not entitled to the tax offset unless the Resident Note Holder is a “qualified person” in relation to a Distribution.

A Resident Note Holder is a “qualified person” if the “holding period” and “related payments” rules in the tax law are satisfied in respect of the Distribution.

In relation to the “holding period” rule, a Resident Note Holder must have held Notes “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident Note Holder acquired the Notes and ending on the 90th day after the date on which Notes became ex Distribution.

If the “related payments” rule applies, a Resident Note Holder is required to hold Notes “at risk” for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which Notes became ex Distribution. Broadly speaking, the related payments rule would apply where a Resident Note Holder makes a payment which passes the benefit of a Distribution to another person.

Alternatively, a Resident Note Holder is automatically taken to be a qualified person in relation to Distributions if the total amount of the tax offsets in respect of all franked distributions to which the Resident Note Holder would be entitled in an income year is \$5,000 or less. This is referred to as the “small shareholder rule”. However, a Resident Note Holder will not be a “qualified person” by virtue of the small shareholder rule if related payments have been made, or will be made, in respect of a Distribution.

¹ The Class Ruling is not expected to address the tax implications of Conversion arising on the occurrence of a Trigger Event or in the context of an Exchange. Although it is not expected this will be addressed in the Class Ruling, the tax implications of a Conversion in these circumstances should be the same as set out in section 3.4 above.

4.2 Sale of Notes

A sale of Notes by a Resident Note Holder on ASX will give rise to a capital gain if the sale proceeds exceed the cost base of Notes. Conversely, a capital loss will result if the reduced cost base of Notes exceeds the sale proceeds (capital losses of a Resident Note Holder may only be offset against capital gains of the same or later years of income).

If Notes have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident Note Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of Notes, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33⅓% for Resident Note Holders who are individuals, trusts and complying superannuation entities respectively.

Resident Note Holders who dispose of their Notes within 12 months of acquiring them, or who dispose of Notes under an agreement entered into within 12 months of acquiring them, will not receive CGT discount treatment. Companies are not entitled to obtain CGT discount treatment in respect of any gain arising on disposal of Notes.

4.3 Redemption of Notes

ANZ may elect to Redeem Notes in certain circumstances. For each Note that is being Redeemed, an amount equal to the Face Value will be paid by ANZ in cash. The Redemption proceeds (i.e. an amount equal to Face Value) should not be treated as a dividend to the extent to which they are debited against an amount standing to the credit of ANZ's non-share capital account, provided that ANZ gives the Resident Note Holder a notice specifying the amount paid up on each Note to be Redeemed.

Redemption of Notes will constitute a disposal of Notes for CGT purposes. Accordingly, a Resident Note Holder may derive a capital gain or a capital loss on such disposal to the extent to which the Redemption proceeds paid to the Resident Note Holders are greater than the cost base or are less than the reduced cost base of the Notes respectively (capital losses of a Resident Note Holder may only be offset against capital gains of the same or later years of income). A Resident Note Holder (other than a company) may be entitled to CGT discount treatment in respect of any remaining capital gain, in the same manner as discussed above.

4.4 Resale of Notes

ANZ may elect to Resell Notes in certain circumstances for an amount equal to Face Value. The tax implications arising on Resale should be the same as the tax implications arising on a sale of Notes (refer section 4.2 above). In relation to a Resale, the capital proceeds should be equal to the Face Value of the Notes (i.e. being the amount the Note Holder is entitled to be paid if a Resale occurs).

4.5 Cost base and acquisition date of Approved NOHC Ordinary Shares

If an Approved NOHC Event occurs, Approved NOHC Ordinary Shares may be issued to Resident Note Holders in substitution for Ordinary Shares on Conversion of Notes.

The cost base (or reduced cost base) of the Approved NOHC Ordinary Shares issued to a Resident Note Holder following a NOHC Conversion will be determined by spreading the cost base (or reduced cost base) of all of the original Notes across all of the Approved NOHC Ordinary Shares issued to that Note Holder.

For CGT purposes, Approved NOHC Ordinary Shares will be taken to have been acquired on the Conversion date. This means that the 12 month holding period for the purposes of the CGT discount mentioned in section 4.2 above will run from the acquisition date of the Approved NOHC Ordinary Shares, and not from the time of acquisition of the original Notes.

4.6 Pay-as-you-go withholding tax

Resident Note Holders may, if they choose, notify ANZ of their tax file number (TFN), Australian Business Number (ABN), or a relevant exemption from withholding tax with respect to Distributions.

In the event that ANZ is not so notified, tax will be automatically deducted at the highest marginal tax rate (including Medicare Levy) from the cash amount of the unfranked part (if any) of the Distributions. The rate of withholding is currently 46.5%, increasing to 47% from 1 July 2014.

ANZ is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident Note Holders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the Distributions in their income tax returns.

4.7 Goods and services tax (GST)

Note Holders should not be liable for GST in respect of their investment in Notes or the disposal or Conversion of Notes.

Note Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of Notes (e.g. adviser fees).

5 Taxation of Financial Arrangements

Rules on the taxation of financial arrangements (**TOFA**) are contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth). The TOFA regime will generally apply to “financial arrangements” (as defined) acquired or entered into during a taxpayer’s first year of income commencing on or after 1 July 2010, and later years, where the taxpayer exceeds certain relevant asset/turnover thresholds and unless an exception applies.

The TOFA regime should generally not apply to individual Note Holders in respect of their investment in Notes. In addition, the TOFA regime should have no application to other Note Holders in respect of their investment in Notes, even if they exceed the relevant asset/turnover thresholds, unless certain elections under the TOFA regime are made by the relevant Note Holder.

It is recommended that Note Holders obtain specific tax advice pertaining to their particular circumstances regarding the application of the TOFA regime to their investment in Notes.

6 Non Resident Note Holders

Below is a summary of the Australian income tax consequences for Non Resident Note Holders with respect to Distributions received on the Notes:

- Non Resident Note Holders should not be subject to dividend withholding tax in respect of fully franked Distributions that may be paid by ANZ. A separate credit or refund for the attached franking credits is not available to Non Resident Note Holders; and
- in the event that part of a Distribution is unfranked, the payment will be made to the Non Resident Note Holders net of dividend withholding tax. If applicable, dividend withholding tax would be payable at the rate of 30% but reduced to 15%, 10% or nil depending on any applicable Double Tax Agreement that Australia may have with the Non Resident Note Holder’s home jurisdiction. Such withholding tax may be available as a credit against local tax payable by the Non Resident Note Holder, depending upon applicable laws in the relevant jurisdiction.

ANZ may source the unfranked portion of the Distribution from its “conduit foreign income” (**CFI**). Unfranked Distributions paid out of CFI to Non Resident Note Holders will be exempt from Australian dividend withholding tax.

For Non Resident Note Holders, any capital gain or capital loss resulting from a disposal of Notes should be disregarded for CGT purposes provided that:

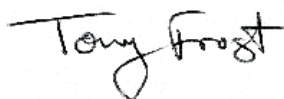
- the Non Resident Note Holder (together with their associates) holds less than 10% of the shares in ANZ at any time throughout a 12 month period that began no earlier than 24 months before the disposal of Notes and ending no later than that time; and
- the Non Resident Note Holder does not hold Notes at any time in carrying on a business at or through a permanent establishment in Australia.

A recent change in tax law will remove the CGT discount treatment described in section 4.2 above for non-residents. The change in law will have effect for disposals which occur after 8 May 2012. Accordingly, Non Resident Note Holders who are not entitled to disregard a capital gain made on a disposal of Notes should seek their own tax advice to confirm the tax implications arising on a disposal of Notes.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



Tony Frost
Managing Director
Greenwoods & Freehills

SECTION 7

ADDITIONAL INFORMATION

THIS SECTION SETS OUT A NUMBER OF OTHER MATTERS THAT MAY NOT HAVE BEEN ADDRESSED IN DETAIL ELSEWHERE IN THIS PROSPECTUS. THESE INCLUDE RIGHTS ATTACHING TO ORDINARY SHARES THAT MAY BE ISSUED ON CONVERSION, A SUMMARY OF THE OFFER MANAGEMENT AGREEMENT, THE DISCLOSURE OF INTERESTS OF THE DIRECTORS AND ADVISERS AND THE RELIEF THAT REGULATORS HAVE GRANTED TO ANZ IN RESPECT OF THE OFFER.

7.1 REPORTING AND DISCLOSURE OBLIGATIONS

ANZ is admitted to the official list of ASX and is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. Broadly, these obligations require ANZ to prepare both yearly and half yearly financial statements and to report on its operations during the relevant accounting period, and to obtain an audit or review report from its auditor.

Copies of these and other documents lodged with ASIC may be obtained from or inspected at an ASIC office.

ANZ must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market. In this regard, ANZ has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

7.2 AVAILABILITY OF DOCUMENTS

ANZ will provide a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period:

- the annual financial report for the year ended 30 September 2012;
- the consolidated financial report and dividend announcement for the half year ended 31 March 2013;
- any continuous disclosure notices given by ANZ in the period after the lodgement of the annual financial report of ANZ for the year ended 30 September 2012 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The financial reports for the year ended 30 September 2012 and the half year ended 31 March 2013, together with copies of continuous disclosure notices lodged with ASX, are available at www.asx.com.au or at <http://www.anz.com/about-us/our-company/corporate-governance/continuous-disclosure/>.

The Constitution is available at <http://www.anz.com/about-us/our-company/corporate-governance/>.

All written requests for copies of the above documents should be addressed to:

Investor Relations Department
Australia and New Zealand Banking Group Limited
ANZ Centre Melbourne
Level 10
833 Collins Street
Docklands VIC 3008

7.3 RIGHTS AND LIABILITIES ATTACHING TO ANZ CAPITAL NOTES

The rights and liabilities attaching to Notes are contained in the Note Terms set out in Appendix A. Rights and liabilities attaching to Notes may also arise under the Corporations Act, the Listing Rules, the Constitution and other laws.

7.4 RIGHTS AND LIABILITIES ATTACHING TO ORDINARY SHARES

Holders may receive Ordinary Shares on Conversion. The rights and liabilities attaching to the Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, Listing Rules and the general law.

This Section 7.4 summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of Shareholders. Investors who wish to inspect the Constitution may do so at the registered office of ANZ during normal office hours or may obtain a copy as provided under Section 7.2.

7.4.1 VOTING RIGHTS

Subject to any rights or restrictions attached to any shares or class of shares, each Shareholder is entitled to attend and vote at a general meeting of ANZ. Any resolution being considered at a general meeting is decided on a show of hands unless a poll is held. On a show of hands, each Shareholder present has one vote.

On a poll, each Shareholder has one vote for each Ordinary Share. Partly paid Ordinary Shares confer that fraction of a vote which is equal to the proportion which the amount paid bears to the total issue price of the Ordinary Share.

7.4.2 GENERAL MEETINGS

Notice of a general meeting must be given to each Shareholder in accordance with the Corporations Act.

Each Shareholder is entitled to receive notices, financial statements and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules, but in the case of financial statements and annual reports only where the Shareholder has requested one to be sent to them in accordance with the Corporations Act.

7.4.3 DIVIDEND ENTITLEMENT

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the Board may resolve to pay dividends on Ordinary Shares which are considered by the Board to be appropriate, in proportion to the capital paid up on the Ordinary Shares held by each Shareholder (subject to the rights of holders of shares carrying preferred rights including Notes).

7.4.4 DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

Shareholders who are eligible may participate in ANZ's dividend reinvestment plan or bonus option plan, as in force from time to time, in accordance with (and subject to) the rules of those plans. Shareholders who are subject to the laws of a country or place other than Australia may not be eligible to participate, because of legal requirements that apply in that country or place or in Australia. Until the Board otherwise determines, participation in ANZ's dividend reinvestment plan and bonus option plan is not available directly or indirectly to any entity or person (including any legal or beneficial owner of Ordinary Shares) who is (or who is acting on behalf of or for the account or benefit of an entity or person who is) in or resident in the United States (including its territories or possessions) or Canada.

7.4.5 RIGHTS OF SHAREHOLDERS ON A WINDING-UP OF ANZ

If ANZ is wound up and its property is more than sufficient to pay all debts, share capital of ANZ and expenses of the winding-up, the excess must be divided among Shareholders in proportion to the capital paid up on the Ordinary Shares at the commencement of the winding-up (subject to the rights of holders of shares carrying preferred rights on winding-up including Notes). A partly paid Ordinary Share is counted as a fraction of a fully paid Ordinary Share equal to the proportion which the amount paid on it bears to the total issue price of the Ordinary Share.

However, with the sanction of a special resolution, the liquidator may divide among Shareholders the assets of ANZ in kind and decide how the division is to be carried out or vest assets in trustees of any trusts for the benefit of Shareholders as the liquidator thinks appropriate.

7.4.6 TRANSFER OF ORDINARY SHARES

Ordinary Shares may be transferred by any means permitted by the Corporations Act or by law. The Board may decline to register a transfer where permitted to do so under the Listing Rules or the ASX Settlement Operating Rules, or where registration of the transfer is forbidden by the Corporations Act, Listing Rules or ASX Settlement Operating Rules. In addition, subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, the Board may decline to register a transfer if registration would create a new holding of less than a marketable parcel under the Listing Rules.

7.4.7 ISSUES OF FURTHER SHARES

Subject to the Constitution, Corporations Act and Listing Rules, the Board may issue or grant options in respect of Ordinary Shares on such terms as the Board decides. In particular, the Board may issue preference shares, including redeemable preference shares, or convertible notes with preferred, deferred or special rights or restrictions in relation to dividends, voting, return of capital and participation in surplus on a winding-up of ANZ.

7.4.8 VARIATION OF RIGHTS

ANZ may only modify or vary the rights attaching to any class of shares with the prior approval, by a special resolution, of the holders of shares in that class at a meeting of those holders, or with the written consent of the holders of at least 75% of the issued shares of that class.

Subject to the terms of issue, the rights attached to a class of shares are not treated as varied by the issue of further shares which rank equally with that existing class for participation in profits and assets of ANZ.

7.4.9 VARIATION OF THE CONSTITUTION

The Constitution can only be modified by a special resolution in accordance with the Corporations Act. Under the Corporations Act, for a resolution to be passed as a special resolution it must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

7.5 RIGHTS AND LIABILITIES ATTACHING TO APPROVED NOHC ORDINARY SHARES

If an Approved NOHC Event occurs and the Note Terms are amended to enable substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including Mandatory Conversion), the rights and liabilities of the Approved NOHC Ordinary Shares will not be materially different to the rights and liabilities of Ordinary Shares. It is a condition to substitution that Approved NOHC Ordinary Shares be quoted – see clause 17.2 (definitions of “Approved NOHC Event” and “Change of Control Event”) of the Note Terms. The Approved NOHC will be obliged to use all reasonable endeavours to obtain quotation of the Approved NOHC Ordinary Shares issued on Conversion – see clause 11.1(b)(iii) of the Note Terms.

7.6 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

ANZ has entered into an Offer Management Agreement with ANZ Securities, Citigroup, Commonwealth Bank of Australia, J.P.Morgan, National Australia Bank and RBS Morgans (together, the Joint Lead Managers). Under the OMA, the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and Allocation process in relation to the Offer.

The OMA provides that in certain circumstances after the Bookbuild, the title of a Joint Lead Manager may change (with no change to the obligations of that Joint Lead Manager under the OMA).

The following is the summary of the principal provisions of the OMA.

7.6.1 FEES

The fees payable to the Joint Lead Managers are set out in Section 7.8.

7.6.2 ANZ'S OBLIGATIONS IN RELATION TO THE CONDUCT OF THE OFFER

Under the OMA, ANZ has agreed to conduct the Offer in accordance with this Prospectus, the OMA, the Constitution and all applicable laws.

7.6.3 ANZ'S REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

Under the OMA, ANZ makes various representations and warranties including in relation to this Prospectus and compliance with the Constitution, the Corporations Act, the Listing Rules and other applicable laws. ANZ also warrants that it has the power (including under the Constitution) to enter into and perform transactions in connection with the Offer and the OMA.

ANZ has undertaken that it will not (and will ensure that its related bodies corporate do not), without the Joint Lead Managers' prior written consent, allot or agree to allot, announce an issue of, indicate an intention to allot, or otherwise authorise the issue of, any ASX listed hybrid or preference securities in Australia, with Tier 1 Capital status, at any time before the date that is 90 days after the Issue Date. This undertaking does not apply to the issue by ANZ of the Notes or any securities pursuant to an employee share or option plan, a bonus share plan, a dividend reinvestment plan or an underwriting of a dividend reinvestment plan, a share purchase plan or an underwriting of a share purchase plan or in accordance with the terms of issue of securities or financial products on issue as at the date of the OMA.

7.6.4 TERMINATION EVENTS

Each Joint Lead Manager may terminate the OMA after the occurrence of any one or more of the following events (non-exhaustive list):

- a credit rating of ANZ is downgraded;
- ASIC issues a stop order or similar proceeding in relation to the Prospectus;
- ASX does not grant its approval or indicates that the approval will not be granted (other than in respect of the customary pre-listing conditions), for official quotation of Notes, or the approval is subsequently withdrawn, qualified or withheld;
- a supplementary prospectus is required under section 719 of the Corporations Act (other than a supplementary prospectus to be issued with the inclusion of the Margin);
- any of the All Ordinaries Index of ASX, the S&P/ASX200 and the Dow Jones Industrial Average (Relevant Index):
 - closes on three consecutive Business Days at a level that is 10% or more below (1) before successful completion of the Bookbuild, the level of the Relevant Index as at the close of trading on the Business Day before the date of the OMA and (2) after successful completion of the Bookbuild, the higher of the level of the Relevant Index as at the close of trading on the Business Day before the date of the OMA and the close of trading on the Business Day before the date of successful completion of the Bookbuild (Starting Level); or

- closes at a level that is 10% or more below the Starting Level at any time in the period of three Business Days prior to the Issue Date; or
- closes at a level that is 15% or more below the Starting Level;
- an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of ANZ or its related bodies corporate;
- certain breaches of the OMA;
- any licence, permit, authorisation or consent which is material to anything referred to in this Prospectus, or necessary to conduct ANZ's business or a business of any of its related bodies corporate, is repealed, revoked, terminated or expires in a manner unacceptable to the Joint Lead Managers (acting reasonably);
- trading of ANZ's securities is suspended for a certain period of time;
- unauthorised alterations to ANZ or any of its Group members' share capital or constitution; and
- ANZ withdraws the Prospectus or the Offer other than in accordance with the OMA.

Some of these events will only give rise to a right to terminate if the Joint Lead Manager has reasonable and bona fide grounds to believe and does believe that the event has or is likely to have a material adverse effect on the Offer or that the event is likely to give rise to a liability of that Joint Lead Manager. If this occurs, the Joint Lead Manager which terminates (or each Joint Lead Manager) will no longer be a lead manager or bookrunner and it will not be obliged to conduct the Bookbuild or settle Allocations under the Bookbuild.

Under the OMA, if a Joint Lead Manager terminates, the Joint Lead Manager must give notice in writing to ANZ and each of the other Joint Lead Managers. If one or more of ANZ Securities, Citigroup, Commonwealth Bank of Australia, J.P. Morgan, National Australia Bank or RBS Morgans terminates, the remaining Joint Lead Managers from that group may elect to assume the rights and obligations of the terminating Joint Lead Manager in equal proportions by providing ANZ with written notice.

In addition, if any Joint Lead Manager terminates its obligations under the OMA, then the obligations of Bookbuild participants, by the terms of the invitation to participate in the Bookbuild, terminate.

ANZ indemnifies the Joint Lead Managers and their affiliates and representatives (each an Indemnified Party) against liabilities arising out of, or in connection with, their appointment under the OMA, except to the extent that those liabilities resulted from the fraud, wilful misconduct, wilful default or negligence of, or material breach of the OMA by, the Indemnified Party or any party associated with the Joint Lead Manager with which that Indemnified Party is associated (except to the extent any such conduct is caused or induced by ANZ or its Directors, employees or advisers, and in certain other circumstances).

7.7 CONSENTS

7.7.1. DIRECTORS

Each Director has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn their consent to the lodgement of this Prospectus with ASIC.

7.7.2. OTHER CONSENTING PARTIES

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

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in Section 7.7.3;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or any statement or report included in this Prospectus with the consent of that Consenting Party; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

7.7.3. GREENWOODS & FREEHILLS PTY LTD

Greenwoods & Freehills Pty Ltd (**Greenwoods & Freehills**) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Australian taxation summary in the form and context in which it appears in Section 6.

| Role | Consenting Parties |
|-------------------------------|---|
| Joint Lead Managers | <ul style="list-style-type: none"> • ANZ Securities²⁷ • Citigroup • Commonwealth Bank of Australia • J.P. Morgan • National Australia Bank • RBS Morgans |
| Co-Managers | <ul style="list-style-type: none"> • Bell Potter • Morgan Stanley Wealth Management • Ord Minnett |
| Online Manager | E*TRADE Australia |
| Australian Accounting Adviser | KPMG Transaction Services |
| Australian legal advisers | King & Wood Mallesons |
| Australian tax adviser | Greenwoods & Freehills |
| Registry | Computershare Investor Services Pty Limited |

²⁷ A liability of ANZ Securities is neither a deposit with, nor a liability of, ANZ. ANZ Securities is a separate entity from ANZ and is not an ADI.

7.8 INTERESTS OF ADVISERS

ANZ Securities, Citigroup, Commonwealth Bank of Australia, J.P. Morgan, National Australia Bank and RBS Morgans have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from ANZ. The fees received will be as follows:

- each Joint Lead Manager (other than ANZ Securities) will receive a selling fee of 1.0% of valid Applications received in respect of their Broker Firm Amount (and in respect of which they have assumed obligations of another Joint Lead Manager (if any)) (**JLM Selling Fee**);
- ANZ Securities will receive a selling fee of 1.0% of valid Applications received in respect of its Broker Firm Amount other than in respect of certain institutional investors, plus a selling fee of 0.5% of valid Applications received in respect of allocations to certain institutional investors; and
- each Joint Lead Manager will also receive a base fee of 0.5% of that Joint Lead Manager's Broker Firm Amount (and in respect of which they have assumed obligations of another Joint Lead Manager (if any)) and in respect of which valid Applications are received, provided that their commitment into the Bookbuild is equal to or exceeds \$50 million.

ANZ may, in its sole discretion, pay to one or more of the Syndicate Brokers an incentive fee of up to \$2 million (in aggregate).

Bell Potter, Morgan Stanley Wealth Management and Ord Minnett have acted as Co-Managers to the Offer, in respect of which they will receive fees from ANZ. The fees received will be a selling fee of up to 1.25% of valid Applications received in respect of their Broker Firm Amount.

For the purposes of the fees described above "Broker Firm Amount" means, in relation to a Joint Lead Manager or a Syndicate Broker, the number of Notes allocated on a firm basis to that Syndicate Broker or, in the case of a Joint Lead Manager, to that Joint Lead Manager and its affiliates, under the Bookbuild (and, in the case of ANZ Securities, includes any additional Broker Firm Amount allocated to it under the terms of the OMA).

Under the terms of the OMA (see also Section 7.6), the Joint Lead Managers may pay fees on behalf of ANZ to financial services licensees and representatives (**Brokers**) for procuring subscriptions of ANZ Capital Notes by their clients, among other things.

Under the OMA, the amount of the fee payable to a Broker by a Joint Lead Manager may not exceed the amount of the JLM Selling Fee (i.e. 1.0% of valid applications received), unless that Broker is an Affiliate of the Joint Lead Manager or a Broker approved by ANZ, in which case the amount of the fee payable to that Broker by a Joint Lead Manager may not exceed the aggregate of the amount of the JLM Selling Fee and the base fee received by the Joint Lead Manager from ANZ as described above (i.e. 1.5% of valid applications received).

Brokers may in turn rebate fees to other Brokers for procuring applications for ANZ Capital Notes by their clients, among other things. The amount of the fee paid to a Broker by another Broker may not exceed the amount of the JLM Selling Fee (i.e. 1.0% of valid applications received).

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) has provided due diligence services on certain financial disclosures in this Prospectus. In respect of this work, ANZ estimates that it will pay approximately \$50,000 (excluding disbursements and GST) to KPMG Transaction Services for work up to the date of the Original Prospectus. Further amounts may be paid to KPMG Transaction Services under its normal time based charges.

King & Wood Mallesons has acted as Australian legal adviser to ANZ in relation to the Offer, assisting with the due diligence and verification program and performing due diligence on required legal matters. In respect of this work, ANZ estimates that it will pay approximately \$370,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of the Original Prospectus. Further amounts may be paid to King & Wood Mallesons under its normal time based charges.

Greenwoods & Freehills has acted as Australian taxation adviser to ANZ in relation to the terms and conditions of Notes in connection with the Offer and has provided advice on the Australian aspects of the Taxation Summary contained in Section 6. In respect of this work, ANZ estimates that it will pay approximately \$65,000 (excluding disbursements and GST) to Greenwoods & Freehills for work up to the date of the Original Prospectus. Further amounts may be paid to Greenwoods & Freehills under its normal time based charges.

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, a promoter of ANZ or broker to the Offer:

- holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - the formation or promotion of ANZ;
 - the Offer; or
 - any property acquired or proposed to be acquired by ANZ in connection with the formation or promotion of ANZ or the Offer; or
- has paid or agreed to pay any amount, and no one has given or agreed to give any benefit for services provided by that person, in connection with the formation or promotion of ANZ or the Offer.

7.9 INTERESTS OF DIRECTORS

The Directors' interests in ANZ Ordinary Shares as at 5 July 2013 are detailed in the following table:

| Director | Number of Ordinary Shares | Number of options/rights over Ordinary Shares |
|-----------------|---------------------------|---|
| J Morschel | 23,602 | Nil |
| M Smith OBE | 1,413,202 | 908,398 |
| P Dwyer | 5,500 | Nil |
| G Clark | 17,479 | Nil |
| P Hay | 19,616 | Nil |
| Lee Hsien Yang | 10,000 | Nil |
| G Liebelt | 9,748 | Nil |
| I Macfarlane AC | 17,616 | Nil |
| D Meiklejohn AM | 16,198 | Nil |
| A Watkins | 20,111 | Nil |

The Directors (and their related parties) may acquire Notes offered under this Prospectus subject to the Listing Rules (including any waivers as described in Section 7.10).

Other than as set out in this Prospectus, no Director or proposed Director holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of ANZ;
- the Offer; or
- any property acquired or proposed to be acquired by ANZ in connection with the formation or promotion of ANZ or the Offer.

Other than as set out in this Prospectus, at the time of lodgement of this Prospectus with ASIC, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit, to any Director or proposed Director:

- to induce that person to become, or qualify as, a Director; or
- for services provided by that person in connection with the formation or promotion of ANZ or the Offer.

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount has been set at \$4,000,000 (excluding retirement benefit payments). Each Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director and CEO may be fixed by the Board. The remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

ANZ has entered into a Director's Access Insurance and Indemnity Deed with each Director. Under that deed, a Director is entitled (among other things) to be indemnified against liabilities incurred as a Director to the extent permitted by law. Subject to and so far as may be permitted under applicable law, they are also permitted to be indemnified under the Constitution and ANZ may enter and pay premiums on directors and officers insurance policies for their benefit.

7.10 ASX RELIEF

ASX has classified Notes as "equity securities" and "convertible debt securities" for the purposes of the Listing Rules and has confirmed that:

- the Note Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
- Listing Rules 6.4 – 6.7 do not apply to the Notes;
- the terms of the APRA constraints on the payment of Distributions do not amount to a removal of a right to a distribution for the purposes of Listing Rule 6.10;
- Conversion, Redemption or Resale by ANZ as provided in the Note Terms is appropriate and equitable for the purposes of Listing Rule 6.12;
- for the purposes of Listing Rule 7.1, it is acceptable that the maximum number of Ordinary Shares into which Notes can be Converted in accordance with Listing Rules 7.1 and 7.1.4 will be calculated by notionally converting Notes at the Issue Date VWAP;
- Listing Rule 10.11 has been waived to permit Directors (and their associates) to participate in the Offer, without Shareholder approval, on the following conditions:
 - the Directors (and their associates) are collectively restricted to applying for no more than 0.20% of the total number of Notes issued under the Offer;
 - ANZ releases the terms of the waiver to the market; and
 - when Notes are issued, ANZ announces to the market the total number of Notes issued to the directors of ANZ (and their associates) in aggregate;
- the record date to identify persons entitled to receive Distributions must be 8 calendar days before the relevant Distribution Payment Date.

ASX has also agreed to allow Notes to trade on a deferred settlement basis for a short time following the issue of Notes.

7.11 ASIC RELIEF

ASIC relief has been obtained to enable ANZ to issue a “transaction-specific” prospectus which complies with Section 713 of the Corporations Act in relation to the Offer.

7.12 FOREIGN SELLING RESTRICTIONS

As at the date of this Prospectus, no action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes outside Australia.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Prospectus outside Australia, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This Prospectus does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

In particular, Notes have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person.

Any offer, sale or resale of Notes in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

Notes may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 7.12 and to have represented and warranted that it is able to apply for and acquire Notes in compliance with those restrictions.

7.13 PRIVACY STATEMENT

If you apply for Notes, you will be asked to provide personal information to ANZ and its agents. ANZ and its agents will collect, hold and use that personal information in accordance with the Privacy Act and ANZ's privacy policy, to assess and process your Application, to service your needs as a Holder, to provide facilities and services that you request and to carry out appropriate administration of your investment. Without this information ANZ would not be able to do these things. Company and tax law requires some personal information to be collected.

To do these things, ANZ may disclose your personal information to its agents, contractors or third party service providers to whom ANZ outsources services such as mailing and registry functions. ANZ may also disclose your personal information to related bodies corporate or to their agents, contractors or third party service providers. However, all of these parties are bound by the same privacy policy as ANZ.

ANZ may also use your personal information to keep you informed about ANZ's business activities, progress and development and bring to your attention a range of products and services offered by ANZ. You can contact ANZ or the Registry on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) if you do not consent to ANZ using or disclosing your personal information in this way. It is important that you contact ANZ or the Registry if you do not consent to this use because, by investing in Notes, you will be taken to have otherwise consented.

Some uses and disclosures may occur outside of Australia.

If you do not provide the information requested, your Application may not be able to be processed efficiently, if at all.

Under the Privacy Act, you may request access to your personal information held by or on behalf of ANZ. You can request access to your personal information or obtain further information about ANZ's management of your personal information by contacting the Registry or ANZ. You can also obtain a copy of ANZ's privacy policy at www.anz.com.au/australia/aboutanz/PrivacyPolicy/PrivacyPolicy.pdf.

ANZ aims to ensure that the personal information retained about you is accurate, complete and up-to-date. If the Registry's record of your personal information is incorrect or out of date, it is important that you contact ANZ or the Registry so that your records can be corrected. To assist ANZ with this, please contact ANZ or the Registry if any of the details you have provided have changed. If you have any concerns about the completeness or accuracy of the information ANZ has about you, ANZ will take steps to correct it.

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APPENDIX A NOTE TERMS

THIS APPENDIX A CONTAINS THE FULL NOTE TERMS.

1 ANZ CAPITAL NOTES

1.1 ANZ CAPITAL NOTES

ANZ Capital Notes are fully paid mandatorily convertible subordinated perpetual securities (**ANZ Capital Notes or Notes**) in the form of unsecured notes issued by ANZ. ANZ Capital Notes are issued in registered form by entry in the Register. They are issued, and may be Exchanged, according to these Note Terms.

ANZ Capital Notes are not deposit liabilities of ANZ, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act, are not any other kind of account with ANZ and are not guaranteed or insured by any government, government agency or compensation scheme in Australia or any other jurisdiction or by any other person.

1.2 FACE VALUE

The denomination and face value of each Note (**Face Value**) is \$100.

2 TITLE AND TRANSFER

2.1 TITLE

Title to a Note passes when details of the transfer are entered in the Register.

2.2 REGISTER CONCLUSIVE AS TO OWNERSHIP

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the absolute owner of the Note subject to correction for fraud or error.

2.3 NON-RECOGNITION OF INTERESTS

Except as required by law and as provided in this clause 2.3, ANZ must treat the person whose name is entered in the Register as the Holder in respect of a Note as the absolute owner of that Note.

No notice of any trust, Encumbrance or other interest in, or claim to, any Note will be entered in the Register. Neither ANZ nor the Registry need take notice of any trust, Encumbrance or other interest in, or claim to, any Note, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any Note will in any way affect any provision of these Note Terms.

This clause 2.3 applies whether or not a payment has been made when scheduled on a Note and despite any notice of ownership, trust or interest in the Note.

2.4 JOINT HOLDERS

Where two or more persons are entered in the Register as the joint holders of a Note, they are taken to hold the Note as joint tenants with rights of survivorship, but the Registry is not bound to register more than three persons as joint holders of a Note.

2.5 DEALINGS IN WHOLE

At all times, the Notes may be held or transferred only in whole Notes.

2.6 TRANSFER

(a) A Holder may transfer a Note:

- (i) while the Note is lodged in CHESS, in accordance with the ASX Settlement Operating Rules;
- (ii) at any other time:

- (A) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
- (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

(b) The Registry must register a transfer of a Note to or by a person who is entitled to make or receive the transfer as a consequence of:

- (i) death, bankruptcy, liquidation or winding-up of a Holder; or
- (ii) a vesting order by a court or other body with power to make the order on receiving the evidence that the Registry or ANZ requires.

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3 DISTRIBUTIONS

3.1 DISTRIBUTIONS

Subject to these Note Terms, each Note entitles the Holder on a Record Date to receive on the relevant Distribution Payment Date a cash distribution (**Distribution**) calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Face Value} \times \text{Distribution Rate} \times N}{365}$$

where:

Distribution Rate (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Distribution Rate} = (\text{Bank Bill Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

Bank Bill Rate (expressed as a percentage per annum) means, for a Distribution Period, the average mid-rate for bills of a term of 180 days which average mid-rate is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Distribution Period or if there is a manifest error in the calculation of that average mid-rate or that average mid-rate is not displayed by 10.30am (Melbourne time) on that date, the rate specified in good faith by ANZ at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of a term of 180 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; or
- (b) if bid and offer rates for bills of a term of 180 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

Margin (expressed as a percentage per annum) means 3.4%, as determined under the Bookbuild; and

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date; and

N means in respect of:

- (a) the first Distribution Payment Date, the number of days from (and including) the Issue Date until (but not including) the first Distribution Payment Date; and
- (b) each subsequent Distribution Payment Date, the number of days from (and including) the preceding Distribution Payment Date until (but not including) the relevant Distribution Payment Date.

3.2 FRANKING ADJUSTMENTS

If any Distribution is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that Part), the Distribution will be calculated according to the following formula:

$$\text{Distribution} = \frac{D}{(1 - [\text{Tax Rate} \times (1 - F)])}$$

where:

D means the Distribution calculated under clause 3.1;

Tax Rate has the meaning given in clause 3.1; and

F means the applicable Franking Rate.

3.3 PAYMENT OF A DISTRIBUTION

Each Distribution is subject to:

- (a) ANZ's absolute discretion; and
- (b) no Payment Condition existing in respect of the relevant Distribution Payment Date.

3.4 DISTRIBUTIONS ARE NON-CUMULATIVE

- (a) Distributions are non-cumulative. If all or any part of a Distribution is not paid because of clause 3.3 or because of any applicable law, ANZ has no liability to pay the unpaid amount of the Distribution and Holders have no claim or entitlement in respect of such non-payment and such non-payment does not constitute an event of default.
- (b) No interest accrues on any unpaid Distributions and the Holders have no claim or entitlement in respect of interest on any unpaid Distributions.

3.5 DISTRIBUTION PAYMENT DATES

Subject to this clause 3, Distributions in respect of a Note will be payable in arrears on the following dates (each a **Distribution Payment Date**):

- (a) each 1 March and 1 September commencing on 1 March 2014 until (but not including) the date on which a Redemption or Conversion of that Note occurs in accordance with these Note Terms; and
- (b) each date on which a Conversion, Redemption or Resale of that Note occurs, in each case in accordance with these Note Terms.

If a Distribution Payment Date is a day which is not a Business Day, then the Distribution Payment Date will be the next day which is a Business Day.

3.6 RECORD DATES

A Distribution is only payable on a Distribution Payment Date to those persons registered as Holders on the Record Date for that Distribution.

3.7 DEDUCTIONS

- (a) ANZ may deduct from any Distribution payable in accordance with the Note Terms the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount (**Tax**).
- (b) If any such deduction has been made and the amount of the deduction accounted for by ANZ to the relevant revenue authority and the balance of the Distribution payable has been paid to the relevant Holder, the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by ANZ.
- (c) ANZ shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any Holder, deliver to that Holder a copy of any relevant receipt issued by the revenue authority (to the extent issued) without delay after it is received by ANZ.

3.8 RESTRICTIONS IN THE CASE OF NON-PAYMENT

If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the **Relevant Distribution Payment Date**), ANZ must not, without approval of a Special Resolution, until and including the next Distribution Payment Date:

- (a) resolve to pay or pay any Ordinary Share Dividend; or
- (b) undertake any Buy-Back or Capital Reduction,

unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.

3.9 EXCLUSIONS FROM RESTRICTIONS IN CASE OF NON-PAYMENT

The restrictions in clause 3.8 do not apply:

- (a) to a Buy-Back or Capital Reduction in connection with any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any Controlled Entity; or
- (b) to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date, ANZ is legally obliged to pay on or after that date an Ordinary Share Dividend or complete on or after that date a Buy-Back or Capital Reduction.

Nothing in these Note Terms prohibits ANZ or a Controlled Entity from purchasing ANZ Shares (or an interest therein) in connection with transactions for the account of customers of ANZ or customers of entities that ANZ Controls or, with the prior written approval of APRA, in connection with the distribution or trading of ANZ Shares in the ordinary course of business. This includes (for the avoidance of doubt and without affecting the foregoing) any acquisition resulting from:

- (a) taking security over ANZ Shares in the ordinary course of business; and
- (b) acting as trustee for another person where neither ANZ nor any entity it Controls has a beneficial interest in the trust (other than a beneficial interest that arises from a security given for the purposes of a transaction entered into in the ordinary course of business).

4 MANDATORY CONVERSION

4.1 MANDATORY CONVERSION

Subject to the occurrence of a Trigger Event, on the Mandatory Conversion Date ANZ must Convert all (but not some) Notes on issue at that date into Ordinary Shares in accordance with clause 6 and this clause 4.

4.2 MANDATORY CONVERSION DATE

The **Mandatory Conversion Date** will be the earlier of:

- (a) 1 September 2023 (the **Scheduled Mandatory Conversion Date**); and
- (b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**),

(each a **Relevant Date**) on which the Mandatory Conversion Conditions are satisfied.

4.3 MANDATORY CONVERSION CONDITIONS

The Mandatory Conversion Conditions for each Relevant Date are:

- (a) the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the **First Test Date**, provided that if no trading in Ordinary Shares took place on that date, the First Test Date is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which trading in Ordinary Shares took place) is greater than 56.00% of the Issue Date VWAP (the **First Mandatory Conversion Condition**);
- (b) the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date (the **Second Test Period**) is greater than 50.51% of the Issue Date VWAP (the **Second Mandatory Conversion Condition**); and
- (c) no Delisting Event applies in respect of the Relevant Date (the **Third Mandatory Conversion Condition** and, together with the First Mandatory Conversion Condition and the Second Mandatory Conversion Condition, the **Mandatory Conversion Conditions**).

4.4 NON-CONVERSION NOTICES

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ will notify Holders between the 25th and the 21st Business Day before the Relevant Date; or
 - (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ will notify Holders on or as soon as practicable after the Relevant Date,
- in either case that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date (a **Non-Conversion Notice**).

4.5 COMMON EQUITY CAPITAL TRIGGER EVENT

A **Common Equity Capital Trigger Event** means ANZ determines, or APRA has notified ANZ in writing that it believes, that a Common Equity Capital Ratio is equal to or less than 5.125%. ANZ must immediately notify APRA in writing if it makes a determination under this clause 4.5.

4.6 NON-VIABILITY TRIGGER EVENT

A **Non-Viability Trigger Event** means the earlier of:

- (a) the issuance of a notice in writing by APRA to ANZ that conversion or write off of Relevant Securities is necessary because, without it, APRA considers that ANZ would become non-viable; or
- (b) a determination by APRA, notified to ANZ in writing, that without a public sector injection of capital, or equivalent support, ANZ would become non-viable.

4.7 TRIGGER EVENT CONVERSION DATE

A **Trigger Event Conversion Date** means:

- (a) in the case of a Common Equity Capital Trigger Event, the date on which the determination or notification is made under clause 4.5; and
- (b) in the case of a Non-Viability Trigger Event, the date on which APRA notifies ANZ of such Non-Viability Trigger Event as contemplated in clause 4.6.

4.8 CONVERSION ON TRIGGER EVENT CONVERSION DATE

If a Trigger Event occurs:

(a) on the Trigger Event Conversion Date, subject only to clause 4.9(c), so many of the Notes will immediately Convert as is:

- (i) in the case of a Common Equity Capital Trigger Event, sufficient (as determined by ANZ in accordance with paragraph (b) below) to increase the relevant Common Equity Capital Ratio to a percentage above 5.125% determined by ANZ in consultation with APRA; or
- (ii) in the case of a Non-Viability Trigger Event, required by APRA's notice under clause 4.6 and, where such notice does not require all Relevant Securities to be converted into Ordinary Shares or written off, sufficient (determined by ANZ in accordance with paragraph (b) below) to satisfy APRA that ANZ is viable without further conversion or write-off;

(b) in determining the number of Notes which must be Converted in accordance with this clause, ANZ will:

- (i) first, convert into Ordinary Shares or write off Relevant Securities whose terms require or permit them to be converted into Ordinary Shares or written off either before Conversion of Notes or in full; and
- (ii) secondly, if conversion into Ordinary Shares or write off of those Relevant Securities is not sufficient to satisfy the requirements of clause 4.8(a)(i) or 4.8(a)(ii) (as applicable), Convert Notes and convert into Ordinary Shares or write off other Relevant Securities on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable (subject to such adjustment as ANZ may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue),

provided that such determination does not impede the immediate Conversion of the relevant number of Notes;

(c) on the Trigger Event Conversion Date ANZ must determine the Holders whose Notes will be Converted at the time on that date that the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the Holders at that time as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Notes that have not been settled or registered at that time and provided that such determination does not impede the immediate Conversion of the relevant number of Notes;

(d) ANZ must give notice of that event (a **Trigger Event Notice**) as soon as practicable to Holders which must specify:

- (i) the Trigger Event Conversion Date;
- (ii) the number of Notes Converted; and
- (iii) the relevant number of other Relevant Securities converted or written off;

(e) none of the following events shall prevent, impede or delay the Conversion of Notes as required by clause 4.8(a):

- (i) any failure or delay in the conversion or write off of other Relevant Securities;
- (ii) any failure or delay in giving a Trigger Event Notice; and
- (iii) any failure or delay in quotation of Ordinary Shares to be issued on Conversion; and

(f) from the Trigger Event Conversion Date ANZ shall treat the Holder of any Note which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

4.9 PRIORITY OF CONVERSION OBLIGATIONS

(a) Conversion on account of the occurrence of a Trigger Event is not subject to the matters described in clause 4.3 as Mandatory Conversion Conditions.

(b) A Conversion required on account of a Trigger Event takes place on the date, and in the manner, required by clause 4.8, notwithstanding anything in clauses 4.1, 4.10, 5 or 9.

(c) If on the Trigger Event Conversion Date an Inability Event subsists, then to the extent such event prevents ANZ from Converting any Notes, Conversion of those Notes on account of the Trigger Event will not occur and those Notes shall be Written Off in accordance with clause 6.12 and the provisions of clauses 4.8(b), 4.8(c) and 4.8(d) shall apply in respect of that Write Off and those Notes as if each reference in those clauses to "Conversion" or "Convert" were a reference to "Write Off".

4.10 MANDATORY CONVERSION ON CHANGE OF CONTROL

- (a) If a Change of Control Event occurs, ANZ must notify Holders as soon as practicable after becoming aware of that event by providing a notice to Holders (a **Change of Control Conversion Notice**) and Convert all (but not some only) Notes on the Change of Control Conversion Date, subject to and in accordance with this clause 4 and clause 6.
- (b) A Change of Control Conversion Notice must specify:
- (i) the details of the relevant Change of Control Event;
 - (ii) the date on which Conversion is to occur (the **Change of Control Conversion Date**), which must be:
 - (A) the Business Day prior to the date reasonably determined by ANZ to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as ANZ may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
 - (B) such later date as APRA may require; and
 - (iii) whether any Distribution will be paid on the Change of Control Conversion Date.
- (c) A Change of Control Conversion Notice is taken to be revoked and Conversion will not occur if, on the Change of Control Conversion Date:
- (i) the Second Mandatory Conversion Condition (calculated as if it referred to 20.21% of the Issue Date VWAP); or
 - (ii) the Third Mandatory Conversion Condition,
- would not be satisfied, calculated as if each reference to "Relevant Date" in those conditions were a reference to the "Change of Control Conversion Date".
- (d) If clause 4.10(c) applies, ANZ must:
- (i) notify Holders as soon as practicable that Conversion will not (or did not) occur (a **Deferred Change of Control Conversion Notice**); and
 - (ii) subject to this clause 4.10, give a new Change of Control Conversion Notice on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date (under clause 3.5(a)) which is at least 25 Business Days after the date on which the Deferred Change of Control Conversion Notice was given.
- (e) If a new Change of Control Conversion Notice is revoked, clause 4.10(d) shall be reapplied in respect of each subsequent Distribution Payment Date (under clause 3.5(a)) until a Conversion occurs.
- (f) Nothing in clause 4.10 limits the operation of clause 4.8.

5 OPTIONAL EXCHANGE BY ANZ

5.1 OPTIONAL EXCHANGE BY ANZ

ANZ may by notice to Holders (an **Exchange Notice**) elect to Exchange:

- (a) all or some Notes on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all or some Notes on the Optional Exchange Date.

An Exchange Notice once given is irrevocable.

5.2 CONTENTS OF EXCHANGE NOTICE

An Exchange Notice must specify:

- (a) the details of any Tax Event or Regulatory Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
 - (i) in the case of a Tax Event or a Regulatory Event, will be the last Business Day of the month following the month in which the Exchange Notice was given by ANZ unless ANZ determines an earlier Exchange Date having regard to the best interests of Holders as a whole and the relevant event; or
 - (ii) in the case of an Optional Exchange Date, the Optional Exchange Date which must fall no earlier than 25 Business Days after the date on which the Exchange Notice is given;

- (c) the Exchange Method, which may not be Redemption unless either:
- (i) Notes the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity; or
 - (ii) APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to Redeem the Notes;
- (d) if less than all Outstanding Notes are subject to Exchange, which Notes are subject to Exchange; and
- (e) whether any Distribution will be paid on the Exchange Date.

5.3 EXCHANGE METHOD

If ANZ elects to Exchange Notes in accordance with this clause 5, it must, subject to APRA's prior written approval and clause 5.2(c) and clause 5.4, elect which of the following (or which combination of the following) it intends to do in respect of Notes (the **Exchange Method**):

- (a) Convert Notes into Ordinary Shares in accordance with clause 6;
- (b) Redeem Notes in accordance with clause 7; or
- (c) Resell Notes in accordance with clause 8.

If ANZ issues an Exchange Notice to Exchange only some Notes, ANZ must endeavour to treat Holders on an approximately proportionate basis, but may discriminate to take account of the effect on holdings which would be Non-marketable Parcels and other considerations.

5.4 RESTRICTIONS ON ELECTION BY ANZ OF CONVERSION AS EXCHANGE METHOD

ANZ may not elect Conversion as the Exchange Method in respect of an Exchange under this clause 5 if:

- (a) on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**) the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (the **First Optional Conversion Restriction**); or
- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and, together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

5.5 CONDITIONS TO CONVERSION OCCURRING ONCE ELECTED BY ANZ

If ANZ has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Note Terms:

- (a) the Exchange Date will be deferred until the first Distribution Payment Date (under clause 3.5(a)) on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Relevant Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- (b) ANZ must Convert the Notes on the Deferred Conversion Date (unless the Notes are earlier Exchanged in accordance with these Note Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the Notes will continue as if the Exchange Notice had not been given.

ANZ will notify Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.5 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

6 CONVERSION MECHANICS

6.1 CONVERSION

If ANZ elects to Convert Notes or must Convert Notes in accordance with these Note Terms, then, subject to this clause 6 and clause 11, the following provisions apply:

- (a) ANZ will allot and issue on the Mandatory Conversion Date, the Trigger Event Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be) a number of Ordinary Shares in respect of each Note held by the Holder equal to the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{(99\% \times \text{VWAP})}$$

where:

VWAP (expressed in dollars and cents) means the VWAP during the VWAP Period

and where the **Maximum Conversion Number** means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Issue Date VWAP} \times \text{Relevant Number}}$$

Where **Relevant Number** means:

if Conversion is occurring on a Mandatory Conversion Date, 0.5; and

if Conversion is occurring at any other time, 0.2;

- (b) each Holder's rights (including to payment of Distributions other than the Distribution, if any, payable on the Exchange Date) in relation to each Note that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value of that Note and ANZ will apply that Face Value by way of payment for subscription for the Ordinary Shares to be allotted and issued under clause 6.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 6.1 is to be applied as provided for in this clause 6.1 and no Holder has any right to payment in any other way;
- (c) if the total number of additional Ordinary Shares to be allotted to a Holder in respect of their aggregate holding of Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 5.00pm (Melbourne time) on the Mandatory Conversion Date, the Trigger Event Conversion Date (unless another time is required for Conversion on that date), the Exchange Date or the Change of Control Conversion Date (as the case may be). At that time all other rights conferred or restrictions imposed on that Note under these Note Terms will no longer have effect (except for rights relating to a Distribution which is payable but has not been paid on or before the Mandatory Conversion Date, the Trigger Event Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be) which will continue).

6.2 ADJUSTMENTS TO VWAP

For the purposes of calculating VWAP in these Note Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (**Cum Value**) equal to:
- (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;

- (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 6.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
- (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Notes will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

6.3 ADJUSTMENTS TO VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

- (a) Where during the relevant VWAP Period there is a change in the number of the Ordinary Shares on issue as a result of a division, consolidation or reclassification of ANZ's share capital (not involving any cash payment or other distribution to or by Ordinary Shareholders) (a **Reorganisation**), in calculating the VWAP for that VWAP Period the daily VWAP applicable on each day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganisation basis shall be adjusted by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Any adjustment made by ANZ in accordance with clause 6.3(a) will be effective and binding on Holders under these Note Terms and these Note Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

6.4 ADJUSTMENTS TO ISSUE DATE VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clause 6.2 and clause 6.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with clauses 6.5 to 6.7 (inclusive); and
- (b) if so made, will correspondingly affect the application of the Mandatory Conversion Conditions, the Optional Conversion Restrictions, and cause an adjustment to the Maximum Conversion Number.

6.5 ADJUSTMENTS TO ISSUE DATE VWAP FOR BONUS ISSUES

- (a) Subject to clause 6.5(b) below, if ANZ makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_o \times \frac{RD}{RD + RN}$$

where:

V means the Issue Date VWAP applying immediately after the application of this formula;

V_o means the Issue Date VWAP applying immediately prior to the application of this formula;

RN means the number of Ordinary Shares issued pursuant to the bonus issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the bonus issue.

- (b) Clause 6.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

- (c) For the purpose of clause 6.5(a), an issue will be regarded as a pro rata issue notwithstanding that ANZ does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing ANZ is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 6.5 for any offer of Ordinary Shares not covered by clause 6.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 6.5(a) shall not in any way restrict ANZ from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any Holders.

6.6 ADJUSTMENT TO ISSUE DATE VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

- (a) If at any time after the Issue Date, a Reorganisation occurs, ANZ shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

$$\frac{A}{B}$$

where:

A means the aggregate number of Ordinary Shares immediately before the Reorganisation; and

B means the aggregate number of Ordinary Shares immediately after the Reorganisation.

- (b) Any adjustment made by ANZ in accordance with clause 6.6(a) will be effective and binding on Holders under these Note Terms and these Note Terms will be construed accordingly.
- (c) Any such adjustment must be promptly notified to all Holders.
- (d) Each Holder acknowledges that ANZ may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action requiring any consent or concurrence of any Holders.

6.7 NO ADJUSTMENT TO ISSUE DATE VWAP IN CERTAIN CIRCUMSTANCES

Despite the provisions of clauses 6.5 and 6.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

6.8 ANNOUNCEMENT OF ADJUSTMENT TO ISSUE DATE VWAP

ANZ will notify Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 6 within 10 Business Days of ANZ determining the adjustment and the adjustment set out in the announcement will be final and binding.

6.9 ORDINARY SHARES

Each Ordinary Share issued or arising upon Conversion ranks pari passu with all other fully paid Ordinary Shares.

6.10 FOREIGN HOLDERS

Where Notes held by a Foreign Holder are to be Converted, unless ANZ is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which ANZ is not bound to enquire), either unconditionally or after compliance with conditions which ANZ in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee (which may not be ANZ or a Related Entity of ANZ) who will sell those Ordinary Shares and pay a cash amount equal to the Proceeds to the Foreign Holder.

6.11 LISTING ORDINARY SHARES ISSUED ON CONVERSION

ANZ shall use all reasonable endeavours to list the Ordinary Shares issued upon Conversion of the Notes on ASX.

6.12 WRITE OFF

Notwithstanding clause 9.2(a), where on the Trigger Event Conversion Date an Inability Event subsists and Conversion has not been effected within 5 Business Days after the relevant Trigger Event Conversion Date, to the extent such event prevents ANZ from Converting Notes which, but for clause 4.9(c) and this clause 6.12, would be Converted, Notes will be Written Off on the Trigger Event Conversion Date.

In this clause 6.12, **Written Off** means that, in respect of a Note and a Trigger Event Conversion Date:

- (a) the Note will not be Converted on that date and will not be Converted, Redeemed or Resold under these Note Terms on any subsequent date; and
- (b) on and from the sixth Business Day after the relevant Trigger Event Conversion Date the relevant Holders' rights (including to payment of Distributions and Face Value) in relation to such Note are immediately and irrevocably terminated and written off.

7 REDEMPTION MECHANICS

7.1 REDEMPTION MECHANICS TO APPLY TO REDEMPTION

If, subject to APRA's prior written approval and compliance with the conditions in clause 5.2(c), ANZ elects to Redeem Notes in accordance with these Note Terms, the provisions of this clause 7 apply to that Redemption.

Holders should not expect that APRA's approval will be given for any Exchange of Notes under the Note Terms.

7.2 REDEMPTION

Notes will be Redeemed by payment on the Exchange Date of the Face Value to the Holder.

7.3 EFFECT OF REDEMPTION ON HOLDERS

On the Exchange Date the only right Holders will have in respect of Notes will be to obtain the Face Value payable in accordance with these Note Terms and upon payment of the Face Value, all other rights conferred, or restrictions imposed, by the Notes will no longer have effect.

8 RESALE ON EXCHANGE DATE

- (a) If, subject to APRA's prior written approval, ANZ elects to Resell Notes in accordance with these Note Terms, the provisions of this clause 8 apply to that Resale.
- (b) If ANZ issues an Exchange Notice specifying Resale as the Exchange Method:
 - (i) each Holder is taken irrevocably to offer to sell the relevant number of their Notes to the Purchaser on the Exchange Date for a cash amount per Note equal to the Face Value;
 - (ii) subject to payment by the Purchaser of the Face Value to Holders, all right, title and interest in the relevant number of Notes will be transferred from the Holders to the Purchaser on the Exchange Date; and
 - (iii) if the Purchaser does not pay the Face Value to the relevant Holders on the Exchange Date, the relevant number of Notes will not be transferred to the Purchaser, those Notes are not Resold on that date and a Holder has no claim on ANZ as a result of that non-payment.
- (c) Clause 13 will apply to payments by the Purchaser as if the Purchaser was ANZ. If any payment to a particular Holder is not made or treated as made on the Exchange Date because of any error by or on behalf of the Purchaser, the relevant Notes of that Holder will not be transferred until payment is made but the transfer of all other relevant Notes will not be affected by the failure.

9 GENERAL RIGHTS IN RESPECT OF NOTES

9.1 RANKING WITH RESPECT TO DISTRIBUTIONS

The Notes rank in respect of payment of Distributions:

- (a) senior to Ordinary Shares;
- (b) equally among themselves and with all Equal Ranking Instruments; and
- (c) junior to any securities or instruments that rank senior to the Notes and to all ANZ's debts and liabilities to its depositors and all other creditors, both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with or junior to the Notes,

in each case of (b) and (c), in respect of payment of dividends or like distributions.

9.2 RANKING IN A WINDING-UP

- (a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution passed, for the winding up of ANZ in Australia, the Notes are redeemable for the Face Value in accordance with this clause 9.2.

(b) In a winding-up of ANZ in Australia, a Note confers upon the Holder, subject to clause 6.12, the right to payment in cash of the Face Value on a subordinated basis in accordance with clause 9.2 (c), but no further or other claim on ANZ in the winding-up of ANZ in Australia.

(c) Holders will rank for payment of the Face Value in a winding-up of ANZ in Australia:

- (i) in priority to Ordinary Shares;
- (ii) equally among themselves and with all Equal Ranking Instruments with respect to priority of payment in a winding-up; and
- (iii) junior to the claims of all Senior Creditors with respect to priority of payment in a winding-up in that:
 - (A) all claims of Senior Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of the Holders are paid; and
 - (B) until the Senior Creditors have been paid in full, the Holders must not claim in the winding up of ANZ in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive,

so that the Holder receives, for each Note it holds, an amount equal to the amount it would have received if, in the winding up of ANZ, it had held an issued and fully paid Preference Share.

9.3 NO CHARGE

Nothing in clause 9.2 or clause 9.4 shall be taken to:

- (a) create a charge or security interest on or over any right of the Holder; or
- (b) require the consent of any Senior Creditor to any amendment of these Note Terms made in accordance with clause 14.

9.4 AGREEMENTS OF HOLDERS AS TO SUBORDINATION

Each Holder irrevocably agrees:

- (a) that clause 9.2 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) not to exercise any voting or other rights as a creditor in the winding up of ANZ in any jurisdiction:
 - (i) until after all Senior Creditors have been paid in full; or
 - (ii) otherwise in a manner inconsistent with the subordination contemplated by clause 9.2;
- (d) that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding up of ANZ in respect of a Note in excess of its entitlement under clause 9.2; and
- (e) that the debt subordination effected by clause 9.2 is not affected by any act or omission of ANZ or a Senior Creditor which might otherwise affect it at law or in equity.

9.5 CALCULATIONS AND ROUNDING OF PAYMENTS

Unless otherwise specified in these Note Terms:

- (a) all calculations of amounts payable in respect of a Note will be rounded to four decimal places; and
- (b) for the purposes of making payment to a Holder in respect of the Holder's aggregate holding of Notes, any fraction of a cent will be disregarded.

9.6 NO SET-OFF OR OFFSETTING RIGHTS

A Holder:

- (a) may not exercise any right of set-off against ANZ in respect of any claim by ANZ against that Holder; and
- (b) will have no offsetting rights or claims on ANZ if ANZ does not pay a Distribution when scheduled under the Note Terms.

ANZ may not exercise any right of set-off against a Holder in respect of any claim by that Holder against ANZ.

9.7 NO SECURITY

Notes are unsecured.

9.8 SHORTFALL ON WINDING-UP

If, upon a return of capital on a winding-up of ANZ, there are insufficient funds to pay in full the Face Value and the amounts payable in respect of any other instruments in ANZ ranking equally with Notes on a winding-up of ANZ, Holders and the holders of any such other instruments will share in any distribution of assets of ANZ in proportion to the amounts to which they are entitled respectively.

9.9 NO OTHER CLAIM

Notes do not confer on the Holders any claim on ANZ in a winding-up beyond payment of the Face Value.

9.10 POWER OF ATTORNEY

- (a) Each Holder appoints each of ANZ, its officers and any External Administrator of ANZ (each an **Attorney**) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Note Terms including, but not limited to, effecting any transfers of Notes, making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale or in respect of an Approved NOHC Event or the transfer of Notes to an Approved NOHC (or to another entity other than a member of ANZ Group) as contemplated by clause 14.2.
- (b) The power of attorney given in this clause 9.10 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Note Terms and is irrevocable.

9.11 HOLDER ACKNOWLEDGMENTS

Each Holder irrevocably:

- (a) upon Conversion of a Note in accordance with clause 6, consents to becoming a member of ANZ and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion (or, where an Approved NOHC Substitution Notice has been given, consents to becoming a member of that Approved NOHC and agrees to be bound by its constitution);
- (b) acknowledges and agrees that an Approved NOHC may be substituted for ANZ as provider of ordinary shares on Conversion and that if such a substitution is effected on the terms provided by the amendment in accordance with clause 14.2, the Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares;
- (c) acknowledges and agrees that any amendment made in accordance with clause 14.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion does not require the consent of Holders;

- (d) acknowledges and agrees that it is obliged to accept ordinary shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of Notes including:
- (i) any change in the financial position of ANZ or any Approved NOHC since the Issue Date;
 - (ii) any disruption to the market or potential market for the ordinary shares or to capital markets generally; or
 - (iii) any breach by ANZ or any Approved NOHC of any obligation in connection with Notes;
- (e) acknowledges and agrees that:
- (i) where clause 4.8 applies, there are no other conditions to Conversion occurring as and when provided in clauses 4.5 to 4.9 (inclusive);
 - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
 - (iii) the only conditions to a Conversion pursuant to clause 4.10 or on account of an Exchange under clause 5 are the conditions expressly applicable to such Conversion as provided in clauses 4.10 and 5 of these Note Terms and no other conditions or events will affect Conversion; and
 - (iv) the Holder should not expect that APRA's approval will be given for any Exchange of Notes under the Note Terms;
- (f) agrees to provide to ANZ any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the Notes on the occurrence of the Conversion;
- (g) acknowledges and agrees that a Holder has no right to request an Exchange; and
- (h) acknowledges it has no remedies on account of a failure by ANZ to issue Ordinary Shares in accordance with clause 6 other than (and subject always to clause 4.9) to seek specific performance of the obligation to issue the Ordinary Shares.

9.12 NO OTHER RIGHTS

- (a) Notes do not confer any claim on ANZ except as set out in these Note Terms.
- (b) Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of securities of ANZ.
- (c) Nothing in these Note Terms prevents ANZ from issuing securities of any kind or, except as provided in clause 3.8, redeeming, buying back, returning capital on or converting any securities, other than the Notes.

9.13 CHESS

The Notes will be entered in and dealt with in CHESS. While the Notes remain in CHESS:

- (a) the rights and obligations of a person holding Notes; and
 - (b) all dealings (including transfers and payments) in relation to the Notes within CHESS,
- will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions in these Note Terms which affect the eligibility of the Notes as Additional Tier 1 Capital).

No certificates will be issued to Holders unless ANZ determines that certificates should be available or are required by law.

9.14 INDEPENDENT OBLIGATIONS

Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Holder of the indebtedness of ANZ to the relevant Holder. The Holder to whom those obligations are owed is entitled to enforce them without having to join any other Holder or any predecessor in title of a Holder.

10 VOTING AND OTHER RIGHTS

10.1 MEETINGS

Meetings of Holders may be held in accordance with the Meeting Provisions. A meeting may consider any matter affecting the interests of Holders, including any amendment to these Note Terms proposed by ANZ in accordance with clause 14.

10.2 NO VOTING

Notes do not confer on Holders a right to vote at any meeting of members of ANZ.

10.3 NO RIGHT TO APPLY FOR THE WINDING-UP OF ANZ

Each Holder acknowledges and agrees that a Holder has no right to apply for ANZ to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of ANZ in any jurisdiction merely on the grounds that ANZ does not pay a Distribution when scheduled in respect of Notes.

10.4 NO EVENTS OF DEFAULT

Each Holder acknowledges and agrees that these Note Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Distribution on the scheduled Distribution Payment Date will not constitute an event of default.

11 APPROVED NOHC EVENTS AND SUBSTITUTION

11.1 ANZ MAY GIVE APPROVED NOHC SUBSTITUTION NOTICE

If:

- (a) an Approved NOHC Event is proposed to occur; and
- (b) the Approved NOHC agrees for the benefit of Holders:
 - (i) to deliver Approved NOHC Ordinary Shares under all circumstances when ANZ would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions as set out in these Note Terms as amended by this clause 11;
 - (ii) to comply with the restrictions in clause 3.8 (with all appropriate modifications) of these Note Terms; and
 - (iii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all Approved NOHC Ordinary Shares issued under these Note Terms (with all necessary modifications) on the securities exchanges on which the other Approved NOHC Ordinary Shares are quoted at the time of a Conversion,

ANZ may give a notice (an **Approved NOHC Substitution Notice**) to Holders (which, if given, must be given as soon as practicable before the Approved NOHC Event and in any event no later than 10 Business Days before the Approved NOHC Event occurs) specifying the amendments to these Note Terms which will be made in accordance with clause 14.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the **Approved NOHC Substitution Terms**).

An Approved NOHC Substitution Notice, once given, is irrevocable.

11.2 CONSEQUENCES OF APPROVED NOHC SUBSTITUTION NOTICE

If ANZ gives an Approved NOHC Substitution Notice to Holders in accordance with clause 11.1, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice.

11.3 NO OBLIGATION TO SUBSTITUTE

A Holder has no right to require ANZ to give an Approved NOHC Substitution Notice.

For personal use only

12 NOTICES

12.1 NOTICES TO HOLDERS

All notices, certificates, consents, approvals, waivers and other communications in connection with a Note to the Holders must be in writing and may be:

- (a) sent by prepaid post (airmail if appropriate) or left at the address of the relevant Holder (as shown in the Register at the close of business on the day which is 3 Business Days before the date of the relevant notice or communication);
- (b) given by an advertisement published in the Australian Financial Review or The Australian; or
- (c) in the case of a Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Change of Control Conversion Notice, an Exchange Notice, a Change of Control Conversion Notice, a Trigger Event Notice, an Adjustment Notice, an Approved NOHC Substitution Notice and an ANZ Details Notice, given to Holders by ANZ publishing the notice on its website and announcing the publication of the notice to ASX.

12.2 NON-RECEIPT OF NOTICES BY HOLDERS

The non-receipt of a notice by a Holder or an accidental omission to give notice to a Holder will not invalidate the giving of that notice either in respect of that Holder or generally.

12.3 NOTICES TO ANZ

All notices or other communications by a Holder to ANZ in respect of these Note Terms must be:

- (a) in legible writing or typing and in English;
- (b) addressed as shown below:

Attention: Company Secretary
Australia and New Zealand
Banking Group Limited

Address: ANZ Centre Melbourne
Level 9
833 Collins Street
Docklands 3008
Victoria
Australia

Fax No: +61 3 8542 5252

or to such other address or fax number as ANZ notifies to Holders as its address or fax number (as the case may be) for notices or other communications in respect of these Note Terms from time to time (an **ANZ Details Notice**);

- (c) signed by the person making the communication or by a person duly authorised by that person; and
- (d) delivered or posted by prepaid post to the address, or sent by fax to the fax number, in accordance with clause 12.3(b).

12.4 RECEIPT

A notice or other communication will be taken to be received:

- (a) if sent by fax, when actually received in its entirety in legible form, unless that day is not a Business Day, or is after 5.00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9.00am (Melbourne time) on the next Business Day;
- (b) if sent by post, on the third Business Day after posting if posted to an address in Australia and on the seventh Business Day after posting if posted to an address outside of Australia;
- (c) if published by an announcement on ASX, when the announcement is made on ASX; and
- (d) if published in a newspaper, on the first date that publication has been made in the chosen newspaper.

13 PAYMENTS

13.1 PAYMENTS TO HOLDERS ON THE RECORD DATE

Interest amounts are only payable on a Distribution Payment Date to those persons registered as Holders on the Record Date for that Distribution payment.

13.2 MANNER OF PAYMENT TO HOLDERS

Payments will be made by ANZ in its absolute discretion by:

- (a) crediting on the relevant payment date the amount due to an Australian dollar bank account maintained in Australia with a financial institution (excluding credit card accounts), notified by the Holder to the Registry by close of business on the Record Date in respect of that payment; or
- (b) at ANZ's option if no such account is notified, by sending a cheque through the post at the Holder's risk directed to:
 - (i) the address of the Holder (or in the case of a jointly held Note, the address of the joint Holder named first in the Register); or
 - (ii) to any other address the Holder (or in the case of a jointly held Note, all the joint Holders) directs in writing.

A cheque sent through the post on or before the date for payment is taken to have been received on the payment date.

13.3 UNCOMPLETED PAYMENTS

If:

- (a) a Holder has not notified the Registry of an Australian dollar bank account maintained with a financial institution (excluding credit card accounts) to which payments in respect of the Notes may be credited; or
- (b) the transfer of any amount for payment to the credit of the nominated account does not complete for any reason, the amount of the uncompleted payment will be held in a special purpose account maintained by ANZ or the Registry until:
 - (i) the Holder nominates a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited or ANZ elects to pay the amount by cheque;
 - (ii) ANZ determines as permitted by clause 13.4 to refuse any claim in respect of that amount in which case ANZ may treat that amount as its own; or
 - (iii) ANZ is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

A Holder is not entitled to any interest in respect of the account in which uncompleted payments are held or in respect of any delay in payment.

13.4 TIME LIMIT ON CLAIMS

ANZ is entitled to refuse any claim against it for a payment under a Note where the claim is made more than 10 years (in the case of Face Value) or 5 years (in the case of Distributions and other amounts) from the date on which payment first became due.

13.5 DETERMINATION AND CALCULATION FINAL

Except where there is fraud or a manifest error, any determination or calculation which ANZ makes in accordance with these Note Terms is final and binds ANZ, the Registry and each Holder.

13.6 PAYMENT TO JOINT HOLDERS

A payment to any one of joint Holders will discharge ANZ's liability in respect of that payment.

13.7 PAYMENT ON BUSINESS DAYS

If a payment is to be made to an account on a Business Day on which banks are not open for business in the place the account is located, payment will be made on the next day on which banks are open for business in that place, and no additional interest is payable in respect of that delay in payment.

13.8 NO INTEREST ACCRUES

No interest accrues on any unpaid amount in respect of any Note.

13.9 PAYMENTS SUBJECT TO LAW

All payments are subject to applicable law.

13.10 FATCA

ANZ may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Notes may be subject to FATCA, and may deal with such payment, and any Ordinary Shares in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, ANZ will not be required to pay any further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Notes for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies ANZ's obligations to that Holder to the extent of the amount of that payment or issue of Ordinary Shares.

14 AMENDMENT OF THESE NOTE TERMS

14.1 AMENDMENT WITHOUT CONSENT

Subject to complying with all applicable laws and clause 14.4, ANZ may amend these Note Terms without the authority, assent or approval of Holders where the amendment in the reasonable opinion of ANZ:

- (a) is made to correct a manifest error;
- (b) is of a formal, minor or technical nature;
- (c) is necessary to comply with any law, the provisions of any statute or the requirements of any statutory authority;
- (d) is made in accordance with ANZ's adjustment rights in clause 6;
- (e) is expedient for the purpose of enabling the Notes to be listed or to remain listed on a securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed) or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
- (f) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion or Exchange in a manner necessary to facilitate the Mandatory Conversion or Exchange; or
- (g) in any other case, will not materially adversely affect the rights of Holders as a whole.

14.2 AMENDMENT WITHOUT CONSENT FOR SUBSTITUTION OF AN APPROVED NOHC

Subject to complying with all applicable laws and clause 14.4, if the circumstances described in clauses 11.1(a) and 11.1(b) apply, without the authority, assent or approval of Holders, ANZ may give an Approved NOHC Substitution Notice which:

- (a) amends the definition of "Conversion" in clause 6 such that, unless APRA otherwise agrees, on the date Notes are to be Converted:
 - (i) each Note that is being Converted will be automatically transferred by each Holder free from Encumbrance to the Approved NOHC (or another entity other than a member of ANZ Group) (the **Transferee**) on the date the Conversion is to occur;
 - (ii) each Holder will be issued a number of Approved NOHC Ordinary Shares equal to the Conversion Number; and
 - (iii) as between ANZ and the Transferee each Note held by the Transferee as a result of the transfer will be automatically Converted into Ordinary Shares in a number such that the total number of Ordinary Shares held by the Transferee increases by the number which equals the number of Approved NOHC Ordinary Shares issued by the Approved NOHC to Holders on Conversion; and

- (b) makes such other amendments as in ANZ's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Note Terms, including without limitation:
- (i) amendments and additions to the definition of "ANZ Group", "Franking Rate", "Ordinary Shares", "Regulatory Event" and "Tax Event";
 - (ii) amendments to the mechanics for adjusting the Conversion Number; and
 - (iii) any term defining the rights of Holders if the Conversion is not effected which is appropriate for the Notes to remain as Tier 1 Capital.

14.3 AMENDMENT WITH CONSENT

Without limiting clause 14.1 or clause 14.2, but subject to clause 14.4, ANZ may amend these Note Terms if the amendment has been approved by a Special Resolution.

14.4 APRA APPROVAL

No amendment to these Note Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis.

14.5 MEANINGS

In this clause 14, amend includes modify, cancel, alter or add to, and amendment has a corresponding meaning.

15 QUOTATION ON ASX

ANZ must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of the Notes on ASX.

16 GOVERNING LAW AND JURISDICTION

16.1 GOVERNING LAW

The Notes and these Note Terms are governed by and shall be construed in accordance with the laws of the State of Victoria, Australia.

16.2 JURISDICTION

ANZ has irrevocably agreed for the benefit of the Holders that the courts of Victoria, Australia are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly has submitted to the non-exclusive jurisdiction of the courts of Victoria, Australia. ANZ waives any objection to the courts of Victoria, Australia on the grounds that they are an inconvenient or inappropriate forum. The Holders may take any suit, action or proceeding arising out of or in connection with the Notes (**Proceedings**) against ANZ in any other court of competent jurisdiction and may take concurrent Proceedings in any number of jurisdictions.

16.3 SERVICE OF PROCESS

ANZ agrees that process in connection with any Proceedings in Victoria, Australia may be served at the principal office of ANZ, which, as at the Issue Date is located at ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands 3008 Victoria, Australia. Nothing in these Note Terms affects the right to serve process in any other manner permitted by law.

17 INTERPRETATION AND DEFINITIONS

17.1 INTERPRETATION

- (a) Unless otherwise specified, a reference to a clause is a reference to a clause of these Note Terms.
- (b) If a calculation is required under these Note Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (c) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to ANZ only if ANZ is an entity, or the holding company of an entity, or is a direct or indirect Subsidiary of a NOHC, subject to regulation and supervision by APRA at the relevant time.

- (d) Any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time.
- (e) Any provisions in these Note Terms requiring the prior approval of APRA for a particular course of action to be taken by ANZ do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.
- (f) A reference to any term defined by APRA (including, without limitation, "Common Equity Tier 1 Capital", "Level 1", "Level 2", "Level 3", "Additional Tier 1 Capital", "Tier 1 Capital" and "Tier 1 Capital Ratio") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (g) The terms takeover bid, relevant interest, scheme of arrangement and buy-back when used in these Note Terms have the meaning given in the Corporations Act.
- (h) Headings and boldings are for convenience only and do not affect the interpretation of these Note Terms.
- (i) The singular includes the plural and vice versa.
- (j) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (k) Other than in relation to a Trigger Event and a Conversion on a Trigger Event Conversion Date, if an event under these Note Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (l) A reference to dollars, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (m) A reference to a term defined by the ASX Listing Rules, the ASX Settlement Operating Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (n) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).
- (o) Calculations, elections and determinations made by ANZ under these Note Terms are binding on Holders in the absence of manifest error.
- (p) So long as the Notes are quoted on ASX and in CHESS, the Note Terms are to be interpreted in a manner consistent with the ASX Listing Rules and ASX Settlement Operating Rules except to the extent that an interpretation consistent with those rules would affect the eligibility of the Notes as Additional Tier 1 Capital.
- (q) A reference to Australia includes any political subdivision of, or authority in, the Commonwealth of Australia.

17.2 DEFINITIONS

2003 Trust Securities means the US\$750,000,000 of trust securities issued by ANZ Capital Trust II in 2003, representing beneficial interests in stapled securities, each stapled security representing a fully paid note issued by Sampson Funding Limited and guaranteed on a subordinated basis by ANZ stapled to a fully paid preference share issued by ANZ.

2004 Trust Securities means the €500,000,000 of trust securities issued by ANZ Capital Trust III in 2004, representing beneficial interests in stapled securities, each stapled security representing a fully paid note issued by ANZ Jackson Funding PLC and guaranteed on a subordinated basis by ANZ stapled to a fully paid preference share issued by ANZ.

Additional Tier 1 Capital means the additional tier 1 capital of the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Group on a Level 3 basis) as defined by APRA from time to time.

Adjustment Notice has the meaning given in clause 6.8.

ANZ means Australia and New Zealand Banking Group Limited (ABN 11 005 357 522).

ANZ Capital Notes has the meaning given in clause 1.1.

ANZ Capital Notes Deed Poll means the amended and restated deed poll relating to the Notes made by ANZ on or about 9 July 2013.

ANZ Details Notice has the meaning given in clause 12.3.

ANZ Group means ANZ and its Controlled Entities.

ANZ Level 1 Group means ANZ and those of its controlled entities included by APRA from time to time in the calculation of ANZ's capital ratios on a Level 1 basis.

ANZ Level 2 Group means ANZ together with each Related Entity included by APRA from time to time in the calculation of ANZ's capital ratios on a Level 2 basis.

ANZ Shares means Ordinary Shares or any other shares in the capital of ANZ.

Approved NOHC means a NOHC arising as a result of an Approved NOHC Event.

Approved NOHC Event means a NOHC Event in respect of which the proviso to the definition of "Change of Control Event" is satisfied.

Approved NOHC Ordinary Share means a fully paid ordinary share in the capital of the Approved NOHC.

Approved NOHC Substitution Notice has the meaning given in clause 11.1.

Approved NOHC Substitution Terms has the meaning given in clause 11.1.

APRA means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ, the ANZ Group or any NOHC.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.

ASX Listing Rules means the listing rules of ASX as amended, varied or waived (whether in respect of ANZ or generally) from time to time.

ASX Operating Rules means the market operating rules of ASX as amended, varied or waived (whether in respect of ANZ or generally) from time to time.

ASX Settlement Operating Rules means the settlement operating rules of ASX from time to time with any applicable modifications or waivers granted by ASX.

Attorney has the meaning given in clause 9.10.

Bank Bill Rate has the meaning given in clause 3.1.

Banking Act means the Banking Act 1959 (Cth).

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors lodged bids for Notes and, on the basis of those bids, ANZ and the joint lead managers to the Offer determined the Margin.

Business Day means (i) a day which is a business day within the meaning of the ASX Listing Rules and (ii) for the purposes of determining an Exchange Date (except where the Exchange is by way of Conversion on account of a Trigger Event), the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Melbourne, Victoria.

Buy-Back means a transaction involving the acquisition by ANZ of its Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Chapter 2J of the Corporations Act.

Capital Reduction means a reduction in capital initiated by ANZ in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Chapter 2J of the Corporations Act.

Change of Control Conversion Date has the meaning given in clause 4.10(b).

Change of Control Conversion Notice has the meaning given in clause 4.10(a).

Change of Control Event means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional and:

- (i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (ii) the Directors, acting as a board, issue a statement that at least a majority of the Directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer), and all regulatory approvals necessary for the acquisition to occur have been obtained; or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and:
- (i) all classes of members of ANZ pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme;
 - (ii) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; and
 - (iii) all conditions to the implementation of the scheme, including any necessary regulatory or shareholder approvals (but not including approval of the scheme by the court) have been satisfied or waived.

Notwithstanding the foregoing, none of the events described above will constitute a Change of Control Event if the event would be a NOHC Event and:

- (i) the acquirer (or its ultimate holding company) assumes all of ANZ's obligations to Convert the Notes into Ordinary Shares by undertaking to convert such Notes into ordinary shares of the acquirer (or its ultimate holding company) on any Mandatory Conversion Date, or earlier upon the occurrence of a Change of Control Event, or a Trigger Event in respect of the acquirer (or its ultimate holding company) (for which purposes all references in this clause to ANZ will be read as a reference to the acquirer (or its ultimate holding company));
- (ii) the acquirer (or its ultimate holding company) agrees to comply with the restrictions in clause 3.8 (with all appropriate modifications) of these Note Terms; and
- (iii) the ordinary shares of the acquirer (or its ultimate holding company) are listed on ASX.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

Common Equity Capital Ratio means either of:

- (a) in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group; and
- (b) in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group,

in each case, as prescribed by APRA from time to time.

Common Equity Capital Trigger Event has the meaning given in clause 4.5.

Common Equity Tier 1 Capital has the meaning given by APRA from time to time.

Constitution means the constitution of ANZ as amended from time to time.

Control has the meaning given in the Corporations Act.

Controlled Entity means, in respect of ANZ, an entity ANZ Controls.

Conversion means, in relation to a Note, subject to amendment in accordance with clause 14.1(d), the taking effect of the rights specified in clause 6 in relation to that Note and **Convert** and **Converted** have corresponding meanings.

Conversion Number has the meaning given in clause 6.1.

Corporations Act means the Corporations Act 2001 (Cth).

CPS3 means the convertible preference shares issued by ANZ in 2011 under a prospectus dated 31 August 2011 (which replaced a prospectus dated 23 August 2011).

Cum Value has the meaning given in clause 6.2.

Deferred Change of Control Conversion Notice has the meaning given in clause 4.10(d).

Deferred Conversion Date has the meaning given in clause 5.5.

Deferred Conversion Notice has the meaning given in clause 5.5.

Delisting Event means, in respect of a date, that:

- (a) Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, Ordinary Shares continue not to be listed or admitted to trading on that date); or
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
 - (i) at least five consecutive Business Days prior to that date; and
 - (ii) that date; or
- (c) an Inability Event subsists.

Directors means some or all of the directors of ANZ acting as a board.

Distribution has the meaning given in clause 3.1.

Distribution Payment Date has the meaning given in clause 3.5 whether or not a Distribution is, or is able to be, paid on that date.

Distribution Period means in respect of:

- (a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date following the Issue Date; and
- (b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

Distribution Rate has the meaning given in clause 3.1.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Equal Ranking Instruments means, in respect of the payment of distributions or the return of capital in a winding-up:

- (a) the preference shares comprised in the 2003 Trust Securities;
- (b) the preference shares comprised in the 2004 Trust Securities;
- (c) the convertible preference shares issued by ANZ in 2008 under a prospectus dated 4 September 2008 (which replaced a prospectus dated 27 August 2008);
- (d) the convertible preference shares issued by ANZ in 2009 under a prospectus dated 18 November 2009 (which replaced a prospectus dated 10 November 2009);
- (e) CPS3;
- (f) each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing and the Notes in respect of distributions or for the return of capital in a winding-up of ANZ (as the case may be); and
- (g) any securities or other instruments that rank or are expressed to rank in respect of distributions or for the return of capital in a winding-up (as the case may be) equally with those preference shares and the Notes.

Exchange means the Conversion, Redemption or Resale of the Notes and Exchanged has a corresponding meaning.

Exchange Date has the meaning given in clause 5.2(b).

Exchange Method has the meaning given in clause 5.3.

Exchange Notice has the meaning given in clause 5.1.

External Administrator means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertaking of that person,

or in either case any similar official.

Face Value means the face value and denomination of the Notes as specified in clause 1.2.

FATCA means the Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements entered into or non-US laws enacted with respect to those provisions).

First Mandatory Conversion Condition has the meaning given in clause 4.3.

First Optional Conversion Restriction has the meaning given in clause 5.4.

First Test Date has the meaning given in clause 4.3.

Foreign Holder means a Holder whose address in the Register is a place outside Australia or who ANZ otherwise believes may not be a resident of Australia.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of ANZ as at the relevant Distribution Payment Date.

Holder means a person whose name is registered in the Register as the holder of a Note.

Inability Event means ANZ is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of ANZ) or any other reason from Converting the Notes.

Issue Date means the date on which Notes are issued.

Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which any Notes were issued, as adjusted in accordance with clauses 6.5 to 6.7 (inclusive).

Level 1, Level 2 and Level 3 means those terms as defined by APRA from time to time.

Mandatory Conversion means the mandatory conversion under clause 4 of the Notes to Ordinary Shares on the Mandatory Conversion Date.

Mandatory Conversion Condition has the meaning given in clause 4.3.

Mandatory Conversion Date has the meaning given in clause 4.2.

Margin has the meaning given in clause 3.1.

Maximum Conversion Number has the meaning given in clause 6.1(a).

Meeting Provisions means the provisions for the convening of meetings of, and passing of resolutions by, Holders set out in schedule 2 of the ANZ Capital Notes Deed Poll.

NOHC means the ultimate holding company of ANZ after a NOHC Event which must be a "non-operating holding company" within the meaning of the Banking Act.

NOHC Event means an event which:

- (a) is initiated by the Directors, acting as a board; and
- (b) would otherwise be a Change of Control Event,

but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC.

Non-Conversion Notice has the meaning given in clause 4.4.

Non-Conversion Test Date has the meaning given in clause 5.4.

Non-marketable Parcel has the meaning given in the Constitution.

Non-Viability Trigger Event has the meaning given in clause 4.6.

Note has the meaning given in clause 1.1.

Note Terms means these terms of issue of Notes.

Notification Date has the meaning given in the Meeting Provisions.

Offer means the invitation under the Prospectus made by ANZ for persons to subscribe for Notes.

Optional Conversion Restrictions has the meaning given in clause 5.4.

Optional Exchange Date means the Distribution Payment Date falling on 1 September 2021.

Ordinary Share means a fully paid ordinary share in the capital of ANZ.

Ordinary Shareholder means a person whose name is registered as the holder of an Ordinary Share.

Ordinary Share Dividend means any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of ANZ in relation to Ordinary Shares.

Outstanding Notes has the meaning given in the Meeting Provisions.

Payment Condition means, with respect to a Distribution payment on the Notes on a Distribution Payment Date:

- (a) making the Distribution payment on the Notes on the payment date would result in ANZ (on a Level 1 basis) or of the ANZ Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy requirements;
- (b) making the Distribution payment would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the Distribution payment on the Notes on the payment date.

Preference Share means a notional preference share in the capital of ANZ conferring a claim in the winding up of ANZ equal to the Face Value and ranking equally in respect of return of capital in a winding up with each of the preference shares which is an Equal Ranking Instrument.

Proceedings has the meaning given in clause 16.2.

Proceeds means the net proceeds of a sale of Ordinary Shares actually received by the nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges, including the nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares.

Prospectus means the prospectus for the Offer including these Note Terms.

Purchaser means one or more third parties selected by ANZ in its absolute discretion (which may not be ANZ or any Related Entity of ANZ).

Record Date means for payment of a Distribution:

- (a) the date which is eight calendar days before the Distribution Payment Date for that Distribution; or
- (b) such other date as is determined by the Directors in their absolute discretion and communicated to ASX not less than seven Business Days before the specified Record Date,

or in either case such other date as may be required by ASX.

Redeem means, in relation to a Note, redeem it in accordance with clause 7, and **Redeemed** and **Redemption** have corresponding meanings.

Register means a register of holders of Notes established and maintained by or on behalf of ANZ. The term Register includes:

- (a) any sub-register maintained by, or on behalf of ANZ under the Corporations Act, the ASX Listing Rules or ASX Settlement Operating Rules; and
- (b) any branch register, provided that, in the event of any inconsistency, the principal register will prevail over any sub-register or branch register.

Registry means ANZ or any other registrar that maintains the Register.

Regulatory Event means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in, any law or regulation in Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by ANZ to come into effect, additional requirements would be imposed on ANZ in relation to or in connection with Notes which the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) determine at their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) that ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital, except where the reason ANZ is not entitled to treat all Notes as Additional Tier 1 Capital is because ANZ has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by ANZ to come into effect.

Related Entity has the meaning given by APRA from time to time.

Relevant Date has the meaning given in clause 4.2.

Relevant Distribution Payment Date has the meaning given in clause 3.8.

Relevant Number has the meaning given in clause 6.1.

Relevant Security means, where a Trigger Event occurs, a Tier 1 Capital instrument that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written off where that event occurs. It includes Notes and, where a Common Equity Capital Trigger Event occurs on account of the Common Equity Capital Ratio in respect of the ANZ Level 2 Group, CPS3.

Reorganisation has the meaning given in clause 6.3(a).

Resale means the sale of Notes by Holders to the Purchaser in accordance with clause 8 and **Resell** and **Resold** have corresponding meanings.

Scheduled Mandatory Conversion Date has the meaning given in clause 4.2.

Second Mandatory Conversion Condition has the meaning given in clause 4.3 (but in clause 5.5, as adjusted in that clause).

Second Optional Conversion Restriction has the meaning given in clause 5.4.

Second Test Period has the meaning given in clause 4.3.

Senior Creditors means all present and future creditors of ANZ, including depositors, whose claims are:

- (a) entitled to be admitted in the winding up of ANZ; and
- (b) not expressed to rank equally with, or subordinate to, the claims of a Holder.

Special Resolution means either (i) a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution or (ii) a resolution signed within one month from the Notification Date by Holders representing at least 75% of the aggregate nominal amount of Outstanding Notes as at the Notification Date.

Subsequent Mandatory Conversion Date has the meaning given in clause 4.2.

Subsidiary has the meaning given in the Corporations Act.

Tax has the meaning given in clause 3.7.

Tax Act means:

- (a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any Section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that Section as rewritten in the Income Tax Assessment Act 1997 (Cth); and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties or any regulations affecting taxation in Australia;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) affecting taxation in Australia (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body in Australia, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by ANZ to come into effect, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) ANZ would be exposed to more than a de minimis increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to Notes; or
- (ii) any Distribution would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act.

Tax Rate has the meaning given in clause 3.1.

Third Mandatory Conversion Condition has the meaning given in clause 4.3.

Tier 1 Capital means the tier 1 capital of the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Group on a Level 3 basis) as defined by APRA from time to time.

Tier 1 Capital Ratio means that ratio as defined by APRA from time to time.

Transferee has the meaning given in clause 14.2.

Trigger Event means a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.

Trigger Event Conversion Date has the meaning given in clause 4.7.

Trigger Event Notice has the meaning given in clause 4.8(d).

VWAP means, subject to any adjustments under clause 6, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

(a) in the case of a Conversion resulting from a Change of Control Event the lesser of:

- (i) 20 Business Days on which trading in Ordinary Shares took place; and
- (ii) the number of Business Days after the occurrence of the Change of Control Event on which:
 - (A) the Ordinary Shares are quoted for trading on ASX; and
 - (B) trading in Ordinary Shares took place;

in each case immediately preceding (but not including) the Business Day before the Change of Control Conversion Date;

(b) in the case of a Conversion resulting from a Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Conversion Date;

(c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Note Terms; or

(d) otherwise, the period for which VWAP is to be calculated in accordance with these Note Terms.

Written Off has the meaning given in clause 6.12, and **Write Off** has the corresponding meaning.

APPENDIX B GLOSSARY

THIS APPENDIX B IS A GLOSSARY OF TERMS USED THROUGHOUT THIS PROSPECTUS AND THE APPLICATION FORMS. THERE IS ALSO A LIST OF DEFINED TERMS IN CLAUSE 17.2 OF THE NOTE TERMS.

| Term | Meaning |
|-------------------------------------|---|
| 2003 Trust Securities | has the meaning given in clause 17.2 of the Note Terms |
| 2004 Trust Securities | has the meaning given in clause 17.2 of the Note Terms |
| ABN | Australian Business Number |
| Additional Tier 1 Capital | the Additional Tier 1 Capital of the Group as defined by APRA from time to time |
| ADI | authorised deposit-taking institution, as defined in the Banking Act |
| AEST | Australian Eastern Standard Time |
| Affiliate | <p>of any person means any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise. For the avoidance of doubt:</p> <ol style="list-style-type: none"> 1. Morgan Stanley Wealth Management is deemed to be an Affiliate of Citigroup; and 2. Ord Minnett is deemed to be an Affiliate of J.P. Morgan |
| AFSL | Australian Financial Services Licence |
| Allocation | <p>the number of Notes allocated under this Prospectus to:</p> <ul style="list-style-type: none"> ■ ANZ Securityholder Applicants and General Applicants at the end of the Offer Period; and ■ Syndicate Brokers and Institutional Investors under the Bookbuild |
| ANZ | Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, AFSL 234527) |
| ANZ Capital Notes or Notes | fully paid notes issued by ANZ which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied), and which are to be issued under this Prospectus |
| ANZ Capital Notes Deed Poll | the amended and restated deed poll relating to the Notes made by ANZ on or about 9 July 2013 |
| ANZ Group or Group | ANZ and its controlled entities |
| ANZ Level 1 Group | has the meaning given in clause 17.2 of the Note Terms |
| ANZ Level 2 Group | has the meaning given in clause 17.2 of the Note Terms |
| ANZ Securities | ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531) |
| ANZ Securityholder | a holder of an Ordinary Share, CPS1, CPS2, CPS3 or ANZ Subordinated Notes on the Register at 7:00pm AEST on 26 June 2013 |
| ANZ Securityholder Applicant | an ANZ Securityholder shown on the Register as having an address in Australia who applies under the ANZ Securityholder Offer |
| ANZ Securityholder Application Form | the blue personalised paper application form made available to ANZ Securityholder Applicants upon request |
| ANZ Securityholder Offer | the invitation to ANZ Securityholders to apply for Notes under this Prospectus |
| ANZ Subordinated Notes | the subordinated notes issued by ANZ in 2012 pursuant to an offer document dated 21 February 2012 (which replaced an offer document dated 14 February 2012) |
| Applicant | a person who submits an Application |
| Application | <p>a valid application for a specified number of Notes made pursuant to either:</p> <ul style="list-style-type: none"> ■ the applicable Application Form; or ■ in respect of the Institutional Offer, a duly completed confirmation letter |
| Application Form | <p>each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being:</p> <ul style="list-style-type: none"> ■ the blue paper personalised ANZ Securityholder Application Form; ■ the electronic Application Form provided for online Applications under the ANZ Securityholder Offer and General Offer; and ■ the white paper Application Form in the back of this Prospectus to be used by Broker Firm Applicants and General Applicants |

| Term | Meaning |
|--|--|
| Application Payment | the monies payable on each Application, calculated as the number of Notes applied for multiplied by the Face Value |
| Approved NOHC | has the meaning given in clause 17.2 of the Note Terms |
| Approved NOHC Event | has the meaning given in clause 17.2 of the Note Terms |
| Approved NOHC Ordinary Share | has the meaning given in clause 17.2 of the Note Terms |
| APRA | Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ, the ANZ Group or any NOHC |
| ASIC | Australian Securities and Investments Commission |
| ASX | ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires |
| ASX Settlement | ASX Settlement Pty Ltd (ABN 49 008 504 532) |
| ASX Settlement Operating Rules | the settlement operating rules of ASX Settlement from time to time |
| Australian Accounting Standards | the accounting standards as developed and issued by the Australian Accounting Standards Board |
| Bank Bill Rate | (expressed as a percentage per annum), for a Distribution Period, the average mid-rate for bills of a term of 180 days which average mid-rate is displayed on Reuters page BBSW (or any page that replaces that page) on the first Business Day of the Distribution Period, subject to fallbacks if there is a manifest error in the calculation of the rate or if the rate is not displayed For the full definition – see clause 3.1 of the Note Terms |
| Banking Act | Banking Act 1959 (Cth) |
| Basel III | the revised framework issued between 2010 and 2012 by the Basel Committee for the calculation of capital adequacy for banks |
| Basel Committee | the Bank for International Settlements' Basel Committee on Banking Supervision |
| Bell Potter | Bell Potter Securities Limited (ABN 25 006 390 772, AFSL 243480) |
| Board, Directors or Board of Directors | some or all of the directors of ANZ, acting as a board |
| Bookbuild | the process described in Section 3.5.2 to determine the Margin |
| Broker Firm Applicant | a retail client of a Syndicate Broker who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Offer |
| Broker Firm Offer | the invitation made to clients of Syndicate Brokers to apply for an allocation of Notes from Syndicate Brokers under this Prospectus |
| Business Day | has the meaning given in clause 17.2 of the Note Terms |
| Buy-Back | has the meaning given in clause 17.2 of the Note Terms |
| Capital Reduction | has the meaning given in clause 17.2 of the Note Terms |
| CGT | capital gains tax |
| Change of Control Conversion Date | the date on which Conversion as a result of a Change of Control Event is to occur, as discussed in Section 2.4 For the full definition – see clause 17.2 of the Note Terms |
| Change of Control Conversion Notice | has the meaning given in clause 17.2 of the Note Terms |
| Change of Control Event | broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to ANZ and certain further approvals or conditions needed for the acquisition to occur or be implemented have been obtained or satisfied or waived For the full definition – see clause 17.2 of the Note Terms |
| CHESS | Clearing House Electronic Subregister System operated by ASX Settlement |
| Citigroup | Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832, AFSL 240992) |

| Term | Meaning |
|---|---|
| Closing Date | the last day on which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> ■ 5:00pm AEST on 31 July 2013 for the ANZ Securityholder Offer and the General Offer by cheque and BPAY®; or ■ 10:00am AEST on 6 August 2013 for the Broker Firm Offer |
| Co-Managers | Bell Potter, Morgan Stanley Wealth Management, Ord Minnett |
| Common Equity Capital Ratio | has the meaning given in clause 17.2 of the Note Terms |
| Common Equity Capital Trigger Event | has the meaning given in clause 17.2 of the Note Terms |
| Common Equity Tier 1 Capital | has the meaning given by APRA from time to time |
| Common Equity Tier 1 Capital Deductions | the deductions from Common Equity Tier 1 Capital as described by APRA from time to time |
| Commonwealth Bank of Australia | Commonwealth Bank of Australia (ABN 48 123 123 124, AFSL 234945) |
| Confirmation Statement | a statement issued to Holders by the Registry which sets out details of Notes allotted to them under the Offer |
| Consenting Party | each of the consenting parties named in Section 7.7 |
| Constitution | the constitution of ANZ, as amended from time to time |
| Conversion | in relation to a Note, the conversion of that Note into a variable number of Ordinary Shares, or ordinary shares of an Approved NOHC following an Approved NOHC Event, under the Note Terms Convert and Converted have corresponding meanings For a full description of the Conversion mechanics – see clause 6 of the Note Terms |
| Corporations Act | Corporations Act 2001 (Cth) |
| CPS1 | the convertible preference shares issued by ANZ in 2008 under a prospectus dated 4 September 2008 (which replaced a prospectus dated 27 August 2008) |
| CPS2 | the convertible preference shares issued by ANZ in 2009 under a prospectus dated 18 November 2009 (which replaced a prospectus dated 10 November 2009) |
| CPS3 | the convertible preference shares issued by ANZ in 2011 under a prospectus dated 31 August 2011 (which replaced a prospectus dated 23 August 2011) |
| Delisting Event | in respect of a date, that: <ul style="list-style-type: none"> ■ Ordinary Shares have ceased to be listed or admitted to trading on ASX on or before that date; ■ trading of Ordinary Shares on ASX has been suspended for at least five consecutive Business Days before that date, and the suspension is continuing on that date; or ■ an Inability Event subsists For the full definition – see clause 17.2 of the Note Terms |
| Distribution | a distribution on Notes For the full definition – see clause 3.1 of the Note Terms |
| Distribution Payment Date | in respect of a Note, 1 March 2014, and after that each 1 September and 1 March until the date that each Note is Converted or Redeemed For the full definition – see clause 3.5 of the Note Terms |
| Distribution Period | a period from (and including) either the Issue Date or a subsequent Distribution Payment Date until (but not including) the following Distribution Payment Date |
| Distribution Rate | the distribution rate on Notes calculated using the formula described in Section 2.1.1 For the full definition – see clause 3.1 of the Note Terms |
| Distribution Restriction | the restriction discussed in Section 2.1.7 For more information – see clauses 3.8 and 3.9 of the Note Terms |
| E*Trade Australia | ETRADE Australia Securities Limited (ABN 93 078 174 973, AFSL 238277) |
| Equal Ranking Instruments | has the meaning given in clause 17.2 of the Note Terms |

| Term | Meaning |
|---------------------------------------|---|
| Exchange | any of the following: <ul style="list-style-type: none"> ■ Conversion in accordance with clause 6 of the Note Terms; ■ Redemption in accordance with clause 7 of the Note Terms; or ■ Resale in accordance with clause 8 of the Note Terms Exchanged has a corresponding meaning For the full definition – see clause 17.2 of the Note Terms |
| Exchange Date | the date on which Exchange is to occur For the full definition – see clause 5.2(b) of the Note Terms |
| Exchange Method | the means by which Exchange is effected For the full definition – see clause 5.3 of the Note Terms |
| Exchange Notice | a notice issued by ANZ to a Holder under clause 5.1 of the Note Terms |
| Expiry Date | the date which is 13 months after the date of the Original Prospectus |
| Exposure Period | the seven day period after the date the Original Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications |
| Face Value | the face value for Notes, being \$100 per Note |
| Financial Claims Scheme | the scheme established under Division 2AA of Part II of the Banking Act |
| First Mandatory Conversion Condition | has the meaning given in clause 4.3 of the Note Terms |
| First Optional Conversion Restriction | has the meaning given in clause 5.4 of the Note Terms |
| General Applicant | a member of the general public who is an Australian resident and who applies under the General Offer |
| General Offer | the invitation to the general public to apply for Notes under this Prospectus |
| GST | goods and services tax |
| HIN | Holder Identification Number for Ordinary Shares or Notes (when issued) held on the CHESS subregister |
| Holder | a person whose name is registered in the Register as the holder of a Note |
| Inability Event | has the meaning given in clause 17.2 of the Note Terms |
| Institutional Investor | a sophisticated or professional investor (whether an Australian resident or not) to whom Notes are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which ANZ is willing to comply with) including, in Australia, persons to whom offers of securities can be made without the need for a lodged prospectus, who have been invited by ANZ Securities to bid for Notes in the Bookbuild and who are not ANZ Securityholder Applicants, General Applicants or Broker Firm Applicants |
| Institutional Offer | the invitation by ANZ Securities to certain Institutional Investors to bid for Notes in the Bookbuild |
| Issue Date | the date Notes are issued to Holders under this Prospectus, expected to be 7 August 2013 |
| Issue Date VWAP | the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to any adjustments under clause 6 of the Note Terms For the full definition – see clause 17.2 of the Note Terms |
| Joint Lead Managers | ANZ Securities, Citigroup, Commonwealth Bank of Australia, J.P. Morgan, National Australia Bank, RBS Morgans |
| J.P. Morgan | J.P. Morgan Australia Limited (ABN 52 002 888 011, AFSL 238188) |
| Level 1, Level 2 and Level 3 | those terms as defined by APRA from time to time |

| Term | Meaning |
|-----------------------------------|---|
| Listing Rules | the listing rules of ASX, with any modification or waivers which ASX may grant to ANZ or generally from time to time |
| Mandatory Conversion | has the meaning given in clause 17.2 of the Note Terms Mandatorily Convert has a corresponding meaning |
| Mandatory Conversion Conditions | the following conditions: <ul style="list-style-type: none"> ■ First Mandatory Conversion Condition: the VWAP on the 25th Business Day (or, if there is no trading in Ordinary Shares on that date, the Business Day before that 25th Business Day on which trading in Ordinary Shares took place) immediately preceding (but not including) the possible Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP; ■ Second Mandatory Conversion Condition: the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP; and ■ Third Mandatory Conversion Condition: no Delisting Event applies in respect of the possible Mandatory Conversion Date For the full definition – see clause 4.3 of the Note Terms |
| Mandatory Conversion Date | the earlier of 1 September 2023 and the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied For the full definition – see clause 4.2 of the Note Terms |
| Margin | 3.4% per annum as determined under the Bookbuild |
| Maximum Conversion Number | has the meaning given in clause 6.1(a) of the Note Terms |
| Morgan Stanley Wealth Management | Morgan Stanley Wealth Management Australia Pty Ltd (ABN 19 009 145 555, AFSL 240813) |
| National Australia Bank | National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686) |
| NOHC | the ultimate holding company of ANZ after any NOHC Event which must be a “non-operating holding company” within the meaning of the Banking Act |
| NOHC Event | an event which: <ul style="list-style-type: none"> ■ is initiated by the Directors, acting as a Board; and ■ would otherwise be a Change of Control Event, but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC For the full definition – see clause 17.2 of the Note Terms |
| Non-Conversion Test Date | has the meaning given in clause 5.4 of the Note Terms |
| Non Resident Holder | a Holder who is not a tax resident of Australia |
| Non-Viability Trigger Event | has the meaning given in clause 4.6 of the Note Terms |
| Note Terms | the full terms of issue of Notes, as set out in Appendix A |
| Notification Date | has the meaning given in clause 17.2 of the Note Terms |
| Offer | the offer by ANZ of Notes under this Prospectus to raise \$1 billion with the ability to raise more or less |
| Offer Management Agreement or OMA | the offer management agreement entered into between ANZ and the Joint Lead Managers as summarised in Section 7.6 |
| Offer Period | the period from the Opening Date to the Closing Date |
| Opening Date | the day the Offer opens, which is 10 July 2013 |
| Optional Conversion Restrictions | has the meaning given in clause 5.4 of the Note Terms |
| Optional Exchange Date | means 1 September 2021 – see clause 17.2 of the Note Terms |
| Ord Minnett | Ord Minnett Limited (ABN 86 002 733 048, AFSL 237121) |
| Ordinary Share | a fully paid ordinary share in the capital of ANZ |

| Term | Meaning |
|---------------------------------------|---|
| Ordinary Share Dividend | has the meaning given in clause 17.2 of the Note Terms |
| Original Prospectus | the prospectus dated 2 July 2013 and lodged with ASIC on that date, which this Prospectus replaces |
| Outstanding Notes | has the meaning given in clause 17.2 of the Note Terms |
| Participating Broker | any participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild |
| Payment Conditions | <p>the tests which need to be satisfied so that ANZ can pay a Distribution, summarised as follows:</p> <ul style="list-style-type: none"> ■ payment of the Distribution not resulting in ANZ (on a Level 1 basis) or the ANZ Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy requirements as they are applied to ANZ or the Group (as the case may be) at the time; ■ payment of the Distribution not resulting in ANZ becoming, or being likely to become, insolvent; and ■ APRA not otherwise objecting to the payment of the Distribution <p>For the full description of the tests – see the definition of Payment Condition in clause 17.2 of the Note Terms</p> |
| Perpetual Capital Floating Rate Notes | the US\$300,000,000 perpetual subordinated floating rate notes issued by ANZ |
| Preference Share | has the meaning given in clause 17.2 of the Note Terms |
| Privacy Act | Privacy Act 1988 (Cth) |
| Prospectus | this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document |
| Prudential Standards | the ADI prudential standards issued by APRA, which define and document APRA's framework for assessing, among other things, the capital adequacy of an ADI |
| Purchaser | has the meaning given in clause 17.2 of the Note Terms |
| RBA | Reserve Bank of Australia |
| RBNZ | Reserve Bank of New Zealand |
| RBS Morgans | RBS Morgans Limited (ABN 49 010 669 726, AFSL 235410) |
| Redeem | in relation to a Note, to redeem, in accordance with clause 7 of the Note Terms Redeemed and Redemption have corresponding meanings |
| Register | the official register of Ordinary Shares, CPS1, CPS2, CPS3, ANZ Subordinated Notes and/or ANZ Capital Notes (if issued) as the context requires, each being maintained by ANZ or the Registry on ANZ's behalf and including any subregister established and maintained in CHES |
| Registry | Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that ANZ appoints to maintain the Register |
| Regulatory Event | <p>broadly, occurs when ANZ receives legal advice that, as a result of a change of law or regulation in Australia on or after the Issue Date, additional requirements would be imposed on ANZ in relation to Notes which the Directors determine to be unacceptable, or the Directors determine that ANZ will not be entitled to treat all Notes as Additional Tier 1 Capital. A Regulatory Event will not arise where, at the Issue Date, ANZ expected the event would occur</p> <p>For the full definition – see clause 17.2 of the Note Terms</p> |
| Related Entity | has the meaning given by APRA from time to time |
| Relevant Date | has the meaning given in clause 4.2 of the Note Terms |
| Relevant Distribution Payment Date | has the meaning given in clause 17.2 of the Note Terms |
| Relevant Security | has the meaning given in clause 17.2 of the Note Terms |

| Term | Meaning |
|--|--|
| Resale | means the sale of Notes by Holders to the Purchaser in accordance with clause 8 of the Note Terms and Resell and Resold have corresponding meanings |
| Resident Holder | an Australian tax resident Holder |
| Scheduled Mandatory Conversion Date | has the meaning given in clause 4.2(a) of the Note Terms |
| Second Mandatory Conversion Condition | has the meaning given in clause 4.3 of the Note Terms (but in clause 5.5 of the Note Terms, as adjusted in that clause) |
| Second Optional Conversion Restriction | has the meaning given in clause 5.4 of the Note Terms |
| Second Test Period | has the meaning given in clause 17.2 of the Note Terms |
| Senior Creditors | has the meaning given in clause 17.2 of the Note Terms |
| Shareholder | a holder of Ordinary Shares from time to time |
| Special Resolution | means either (i) a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution or (ii) a resolution signed within one month from the Notification Date by Holders representing at least 75% of the aggregate nominal amount of Outstanding Notes as at the Notification Date |
| SRN | Securityholder Reference Number for Ordinary Shares or Notes (when issued) held on the issuer sponsored subregister |
| Syndicate Broker | any of the Joint Lead Managers, Co-Managers or Participating Brokers |
| Tax Act | has the meaning given in clause 17.2 of the Note Terms |
| Tax Event | broadly, occurs when ANZ receives professional advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling affecting taxation in Australia, on or after the Issue Date (and which on the Issue Date was not expected by ANZ to occur), there is a more than insubstantial risk which the Directors determine to be unacceptable that ANZ would be exposed to more than an insignificant increase in its costs in relation to Notes being on issue or any Distribution would not be a frankable dividend or distribution for tax purposes For the full definition – see clause 17.2 of the Note Terms |
| Tax Rate | the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date As at the date of this Prospectus, the relevant rate is 30% For the full definition – see clause 3.1 of the Note Terms |
| TFN | Tax File Number |
| Third Mandatory Conversion Condition | has the meaning given in clause 4.3 of the Note Terms |
| Tier 1 Capital | Tier 1 Capital of ADIs (including ANZ) as defined by APRA from time to time |
| Tier 1 Capital Ratio | that ratio as defined by APRA from time to time |
| Tier 2 Capital | Tier 2 Capital of ADIs (including ANZ) as defined by APRA from time to time |
| Total Capital Ratio | that ratio as defined by APRA from time to time |
| Trigger Event | has the meaning given in clause 17.2 of the Note Terms |
| Trigger Event Conversion Date | has the meaning given in clause 4.7 of the Note Terms |
| US Person | has the meaning given in Regulation S of the US Securities Act |
| US Securities Act | United States Securities Act of 1933, as amended |
| VWAP | broadly, the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period or on the relevant days (such average rounded to the nearest full cent), as defined in clause 17.2 of the Note Terms and subject to any adjustments under clause 6 of the Note Terms |
| Written Off | has the meaning given in clause 6.12 of the Note Terms |

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