

# ANZ SUBORDINATED NOTES OFFER DOCUMENT

OFFER DOCUMENT FOR THE ISSUE  
OF ANZ SUBORDINATED NOTES  
TO RAISE \$500 MILLION WITH THE  
ABILITY TO RAISE MORE OR LESS.

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

**JOINT LEAD MANAGERS**  
ANZ SECURITIES  
J.P. MORGAN  
MACQUARIE  
MORGAN STANLEY

**CO-MANAGERS**  
ORD MINNETT  
MORGAN STANLEY SMITH BARNEY  
**ONLINE MANAGER**  
E\*TRADE

**E\*TRADE**  
AUSTRALIA

This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act 2001 (Cth) (Corporations Act). ANZ Subordinated Notes are unsecured notes for the purposes of the Corporations Act and, under section 708(19), do not require disclosure through a prospectus or other form of disclosure document for their issue. Investments in ANZ Subordinated Notes do not constitute Protected Accounts or deposit liabilities under the Banking Act 1959 (Cth).

# IMPORTANT NOTICES

## ABOUT THIS OFFER DOCUMENT

This Offer Document relates to the offer by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ) of ANZ Subordinated Notes. It is dated 14 February 2012 and a copy was lodged with ASX on that date. ASIC and ASX take no responsibility for the contents of this Offer Document or the Offer.

This Offer Document expires on the day after the Issue Date and no ANZ Subordinated Notes will be issued on the basis of this Offer Document after that date.

This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act. ANZ Subordinated Notes are unsecured notes for the purposes of the Corporations Act and, under section 708(19) of the Corporations Act, do not need to be offered using a prospectus or other form of disclosure document. In addition, there is no trustee for ANZ Subordinated Notes under Chapter 2L of the Corporations Act.

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

ANZ Subordinated Notes are not deposit liabilities of ANZ. They:

- are not protected accounts for the purposes of the depositor protection provisions in the Banking Act or of the Financial Claims Scheme established under the Banking Act and are not any other account with ANZ; and
- are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person.

ANZ Subordinated Notes are issued by ANZ under the Terms and Holders have no claim on ANZ except as provided in those Terms. The investment performance of ANZ Subordinated Notes is not guaranteed by ANZ.

## ANZ SUBORDINATED NOTES ARE UNSECURED AND SUBORDINATED

ANZ Subordinated Notes are subordinated and unsecured. On a winding-up of ANZ, there is a risk that you may lose some or all of the money you invested in ANZ Subordinated Notes because if there are insufficient assets to satisfy securities and obligations ranking ahead of ANZ Subordinated Notes, you will not be repaid any or all of the Face Value and will not receive any or all of the Interest payments due and unpaid at that time.

## DEFINED WORDS AND EXPRESSIONS

Some capitalised words and expressions used in this Offer Document have defined meanings. The Glossary in Appendix B defines these words and expressions. The definitions specific to ANZ Subordinated Notes are in Condition 15 of the Terms in Appendix A. If there is any inconsistency in definitions between those in the Offer Document and the Terms, the definitions in the Terms prevail.

A reference to time in this Offer Document is to Australian Eastern Daylight Time (AEDT) 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.

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

## ASX QUOTATION AND ISSUE DATE

ANZ has applied for ANZ Subordinated Notes to be quoted on ASX. See Section 2.6 for further information.

## PROVIDING PERSONAL INFORMATION

You will be asked to provide personal information to ANZ (directly or via its agents) if you apply for ANZ Subordinated Notes. See Section 2.8 for information on how ANZ (and its agents) collect, hold and use this personal information.

### RESTRICTIONS IN FOREIGN JURISDICTIONS

ANZ Subordinated Notes are being offered in Australia and in certain foreign jurisdictions subject to various restrictions. For details on the restrictions in foreign jurisdictions see Section 2.7.

### NO REPRESENTATIONS OTHER THAN IN THIS OFFER DOCUMENT

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

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

None of any of the Joint Lead Managers, Co-Managers, Mallesons Stephen Jaques, the Online Manager, or the Registrar has made any statement that is included in this Offer Document or any statement on which a statement made in this Offer Document is based. Each of those parties expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any statements in, or omissions from, this Offer Document.

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

The Offer and the information in this Offer Document 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 the entire Offer Document before deciding whether to apply for ANZ Subordinated Notes.

### ENQUIRIES

If you have any questions in relation to the Offer or ANZ Subordinated Notes, please call the ANZ Information Line on 1800 113 399 (within Australia) or +613 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm) or contact your professional adviser.

### APPLICATION FORMS

Application forms will not be available until the replacement Offer Document is lodged with the ASX on 21 February 2012. Paper based and on-line Application Forms will be available after this date. Refer to Section 2 for details on how you can obtain a paper based form or apply on-line for ANZ Subordinated Notes.

### CODE OF BANKING PRACTICE

ANZ voluntarily subscribes to the Code of Banking Practice which provides for certain standards of dealing with respect to persons to whom it supplies a financial product who are retail clients (as defined in Chapter 7 of the Corporations Act). A copy of the Code is available on ANZ's website at <http://www.anz.com/> and information regarding our confidentiality obligations with respect to your personal information, complaint handling procedures or other matters the subject of the Code which are relevant to an ANZ Subordinated Note is available on request.

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# KEY STEPS TO APPLYING FOR ANZ SUBORDINATED NOTES

<h2>STEP 1</h2>	<h3>READ AND CONSIDER THE OFFER DOCUMENT</h3> <p>Read this Offer Document in full, paying particular attention to the:</p> <ul style="list-style-type: none"> <li>■ key features of ANZ Subordinated Notes in Section 1;</li> <li>■ investment risks in Section 4; and</li> <li>■ Terms in Appendix A.</li> </ul> <p>You should carefully consider the risk factors and other information in the Offer Document in light of your investment objectives, financial situation and particular needs (including financial and tax issues).</p> <p><b>Look at some other useful information</b></p> <p>If you do not understand all or some of the concepts and risks discussed in this Offer Document, you should read the investor guide published by ASIC for retail investors on corporate debt, Investing in corporate bonds? A free copy is available from: <a href="https://www.moneysmart.gov.au/investing/investments-paying-interest/bonds">https://www.moneysmart.gov.au/investing/investments-paying-interest/bonds</a> or by phoning 1300 300 630.</p> <p>ASIC's guide applies to a range of different types of corporate debt products. The guide does not specifically consider investing in unsecured subordinated debt obligations issued by an ADI such as ANZ.</p>
<h2>STEP 2</h2>	<h3>CONSULT</h3> <p>If you are in doubt about whether to apply for ANZ Subordinated Notes, consult your professional adviser.</p>
<h2>STEP 3</h2>	<h3>SUBMIT AN APPLICATION FORM</h3> <p>To apply, you need to complete and submit an Application Form before the Closing Date. See Section 2 and the Application Form for full details on the Application process.</p> <p>Applications must be for a minimum of 50 ANZ Subordinated Notes (\$5,000). If your application is for more than 50 ANZ Subordinated Notes, then you must apply for incremental multiples of 10 ANZ Subordinated Notes – that is, in incremental multiples of at least \$1,000.</p>

## KEY DATES

KEY DATES FOR THE OFFER	DATE
ASX announcement of ANZ Subordinated Notes Offer and lodgement of Offer Document	14 February 2012
Bookbuild	20 February 2012
Opening Date for the Offer and ASX announcement of the Margin and lodgement of replacement Offer Document	21 February 2012
Closing Date for the General Offer	5.00pm on 13 March 2012
Closing Date for the Broker Firm Offer and the Institutional Offer	10.00am on 19 March 2012
Issue Date	20 March 2012
Commencement of deferred settlement trading	21 March 2012
Despatch of Holding Statements	26 March 2012
Commencement of trading on normal settlement basis	29 March 2012
Record Date for first Interest payment	6 June 2012
First Interest Payment Date <sup>1</sup>	14 June 2012
First Redemption Date <sup>2</sup>	14 June 2017
Maturity Date <sup>3</sup>	14 June 2022

1 Interest is scheduled to be paid on the quarterly Interest Payment Dates (14 March, 14 June, 14 September and 14 December each year), until the Maturity Date or any earlier redemption date. If any of these scheduled dates are not Business Days, then the Interest Payment Date will occur on the following Business Day.

2 The First Redemption Date will be 14 June 2017. This date assumes the Issue Date will be 20 March 2012.

3 The Maturity Date will be 14 June 2022. This date assumes the Issue Date will be 20 March 2012.

### DATES MAY CHANGE

These are indicative only and may change without notice. ANZ may vary the timetable, including extending the Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before ANZ Subordinated Notes are issued.

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

# SECTION 1

# SUMMARY OF ANZ SUBORDINATED NOTES

THIS SECTION IS DESIGNED TO PROVIDE INFORMATION ABOUT THE KEY FEATURES AND RISKS OF ANZ SUBORDINATED NOTES. WHERE INDICATED, MORE DETAILED INFORMATION IS PROVIDED IN OTHER SECTIONS.

THIS SECTION IS A SUMMARY ONLY AND THE OFFER DOCUMENT SHOULD BE READ IN ITS ENTIRETY BEFORE DECIDING WHETHER TO APPLY FOR ANZ SUBORDINATED NOTES.

## 1.1 KEY FEATURES OF ANZ SUBORDINATED NOTES AND KEY OFFER DETAILS

		Where to find more information
The issuer of ANZ Subordinated Notes	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)	Section 3 – “Overview of ANZ”
ANZ Subordinated Notes	<p>ANZ Subordinated Notes are issued by ANZ and:</p> <ul style="list-style-type: none"> <li>■ pay quarterly interest in arrears unless ANZ is not or will not be Solvent;</li> <li>■ are repayable on the Maturity Date, unless ANZ is not or will not be Solvent;</li> <li>■ are subordinated, meaning they rank below secured creditors, holders of Protected Accounts, all depositors and other unsubordinated and unsecured debt obligations but rank equally with creditors whose claims rank, or are expressed to rank, equally with the claims of Holders; and</li> <li>■ are not secured over the assets of ANZ.</li> </ul> <p>Each ANZ Subordinated Note is issued on and subject to the provisions of the Deed Poll and the Terms.</p>	Conditions 1, 2, 3 and 8.3 of the Terms and Section 1.4 – “Subordination and Ranking of ANZ Subordinated Notes”
Key Offer details	<p>The Offer size is \$500 million although ANZ has the ability to raise more or less.</p> <p>The Face Value of ANZ Subordinated Notes is \$100 per note.</p> <p>The Offer comprises three components:</p> <ul style="list-style-type: none"> <li>■ Broker Firm Offer;</li> <li>■ Institutional Offer; and</li> <li>■ General Offer.</li> </ul>	Section 2 – “How to apply”



## 1.1 KEY FEATURES OF ANZ SUBORDINATED NOTES AND KEY OFFER DETAILS (CONT)

		Where to find more information
Purpose of the Offer	ANZ will use the net proceeds of the Offer for general corporate purposes.	
Term of ANZ Subordinated Notes and Maturity Date	<p>ANZ Subordinated Notes have a term of approximately 10.25 years unless redeemed earlier by ANZ.</p> <p>Assuming the Issue Date is 20 March 2012, the Maturity Date will be 14 June 2022.</p>	Condition 4 of the Terms
ANZ's early redemption rights	<p>Subject to APRA's prior written approval, ANZ may redeem ANZ Subordinated Notes:</p> <ul style="list-style-type: none"> <li>■ on 14 June 2017; and</li> <li>■ on any Interest Payment Date for certain taxation reasons.</li> </ul>	Conditions 4.2 and 4.3 of the Terms
Key benefits of ANZ Subordinated Notes	<ul style="list-style-type: none"> <li>■ ANZ will pay a floating interest rate on each ANZ Subordinated Note equal to the sum of the Bank Bill Rate plus the Margin.</li> <li>■ ANZ Subordinated Notes have a fixed Maturity Date of 14 June 2022.</li> <li>■ The Margin is determined through the Bookbuild and expected to be in the range of 2.75% to 3.00% per annum.</li> <li>■ Payments are not deferrable (unless ANZ is not Solvent at the time the payment is due or will not be Solvent immediately after making the payment, in which case the payment will not be made).</li> <li>■ Interest is paid fully in cash, quarterly in arrears.</li> <li>■ ANZ Subordinated Notes may be sold on ASX before the Maturity Date subject to the liquidity of that market on the ASX.</li> </ul>	Conditions 2, 3 and 4 of the Terms

## 1.1 KEY FEATURES OF ANZ SUBORDINATED NOTES AND KEY OFFER DETAILS (CONT)

		Where to find more information
Key risks of investing in ANZ Subordinated Notes	<p>You should read Section 4 – “Key risks of ANZ Subordinated Notes” in full before deciding to apply. The key risks outlined in that Section include:</p> <ul style="list-style-type: none"> <li>■ Investments in ANZ Subordinated Notes are not Protected Accounts or deposit liabilities of ANZ;</li> <li>■ ANZ Subordinated Notes are subordinated and unsecured. ANZ is not obliged to make any payment in respect of the ANZ Subordinated Notes unless ANZ is Solvent at the time of the payment and no payment will be made unless ANZ is Solvent immediately after making the payment;</li> <li>■ On a winding-up of ANZ, there is a risk that you may lose some or all of the money you invested in ANZ Subordinated Notes. This is because if there are insufficient assets to satisfy creditors of ANZ whose claims rank ahead of (which includes, without limitation, depositors, senior bondholders and noteholders and senior loanholders) or equally with ANZ Subordinated Notes you will not be repaid any or all of the Face Value and will not receive any or all of the Interest payments due and unpaid at that time;</li> <li>■ The Interest Rate is likely to fluctuate up and down;</li> <li>■ Holders cannot request that their ANZ Subordinated Notes be redeemed early;</li> <li>■ Subject to APRA's prior written approval, ANZ has the ability to redeem the ANZ Subordinated Notes early on 14 June 2017 or for certain taxation reasons on any Interest Payment Date. There can be no certainty that ANZ will choose to redeem the ANZ Subordinated Notes early, nor that APRA would, if requested, provide its approval in respect of any early redemption. ANZ will not be permitted to redeem any ANZ Subordinated Notes unless these Notes are replaced concurrently or beforehand with capital of the same or better quality of the ANZ Subordinated Notes or APRA is satisfied that ANZ's capital position is well above its minimum capital requirement after ANZ chooses to redeem the ANZ Subordinated Notes;</li> <li>■ The market price of ANZ Subordinated Notes may fluctuate up or down and ANZ Subordinated Notes are not guaranteed to trade at Face Value. The market may be impacted by a number of factors including ANZ's perceived credit quality;</li> <li>■ The market liquidity of ANZ Subordinated Notes may be low, which could have an impact on the price at which they trade and may mean you cannot sell your ANZ Subordinated Notes at certain times;</li> <li>■ ANZ may not pay or may default on the payment of the Face Value or Interest;</li> </ul>	Section 4 – “Key risks of ANZ Subordinated Notes”

## 1.1 KEY FEATURES OF ANZ SUBORDINATED NOTES AND KEY OFFER DETAILS (CONT)

			Where to find more information
Key risks of investing in ANZ Subordinated Notes	<ul style="list-style-type: none"> <li>ANZ may raise further debt and may issue securities that rank equally with or ahead of ANZ Subordinated Notes. This may affect your ability to be repaid on a winding-up of ANZ;</li> <li>ANZ Group may be adversely affected by disruptions to global markets, which could impact on its ability to pay Interest or repay the Face Value or its solvency;</li> <li>ANZ Subordinated Notes, if not redeemed early, will be on issue until 14 June 2022. It is difficult to predict the performance of ANZ Subordinated Notes over such a long-term period of time; and</li> <li>ANZ may be subject to intervention by APRA which adversely affects the rights of Holders.</li> </ul>		Section 4 – “Key risks of ANZ Subordinated Notes”
ANZ Subordinated Notes are different from term deposits	<p>ANZ Subordinated Notes are different from term deposits. They are also different from ANZ’s convertible preference shares (for example, 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 ANZ Subordinated Notes.</p> <p>The key differences are summarised in the table below.</p>		Section 4 – “Key risks of ANZ Subordinated Notes”
	<b>Term deposits</b>	<b>ANZ Subordinated Notes</b>	<b>CPS3</b>
Protection under the Australian Government Financial Claims Scheme <sup>1</sup>	Yes	No	No
Term	One month to five years	Approximately 10.25 years <sup>2</sup>	Perpetual, subject to mandatory conversion into Ordinary Shares
Issuer early redemption option	Yes, subject to conditions	Yes, on 14 June 2017, subject to APRA’s prior written approval <sup>3</sup>	Yes, on 1 September 2017, subject to APRA’s prior written approval
Interest rate/dividend rate	Fixed	Floating	Floating
Interest/dividend payment	Gross pay	Gross pay	Franked, subject to gross up for non-franked portion
Payment deferral	No, subject to applicable law (which includes without limitation, laws applicable to the insolvency of ANZ)	No, unless ANZ is not Solvent at the time the payment is due or will not be Solvent immediately after making the payment	Dividends are subject to absolute director discretion and APRA tests including a distributable profits test
Interest/dividend payment dates	Various. Interest may be paid at maturity or periodically as agreed	Quarterly	Semi-annual
Transferable	No	Yes – quoted on ASX	Yes – quoted on ASX
Investor right to request early redemption	Subject to conditions	No	No
Conversion into Ordinary Shares	No	No	Mandatory conversion and capital trigger event
Ranking <sup>4</sup>	Senior to ANZ Subordinated Notes	Senior to CPS3	Senior to Ordinary Shares

1 For deposits made after 1 February 2012 up to an aggregate amount per account-holder of \$250,000

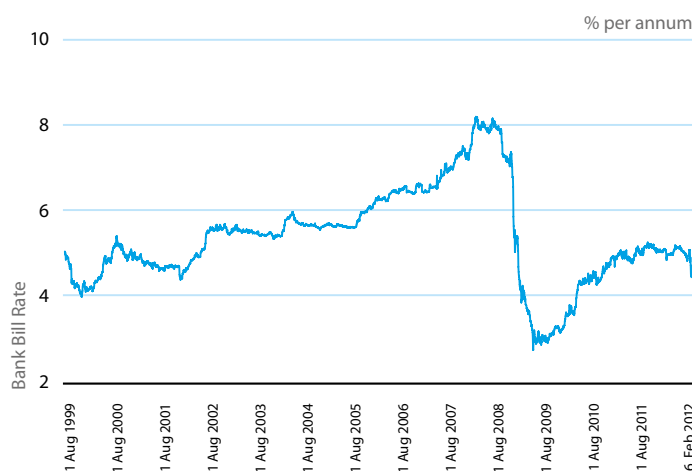
2 Subject to early redemption by ANZ with the prior written consent of APRA

3 See further Section 1.3 – “Repayment of Face Value”

4 See further Section 1.4 – “Subordination and Ranking of ANZ Subordinated Notes”

## 1.2 INTEREST PAYMENTS

		Where to find more information
Interest payments	Interest payments are periodic payments which accrue on each ANZ Subordinated Note and will be paid to Holders quarterly so long as the Solvency Condition is met.	Condition 3.2 of the Terms
Interest Rate	<p>The Interest Rate is calculated using the following formula:</p> $\text{Interest Rate} = \text{Bank Bill Rate} + \text{Margin}$ <p>The Bank Bill Rate is set on the first Business Day of each Interest Period. The Margin will be determined under the Bookbuild. The Margin is expected to be in the range of 2.75% and 3.00%.</p> <p>This is a floating interest rate because it depends on the Bank Bill Rate for each Interest Period and means that the interest rate for one period can be different to the interest rate for another period.</p> <p>While ANZ Subordinated Notes are listed, the Interest Rate for an Interest Period will be published on ASX. Information about the Interest Rate can also be obtained from the Shareholder Centre at <a href="http://www.anz.com/">http://www.anz.com/</a>.</p>	Condition 3.3 of the Terms
Calculation of Interest	<p>Interest payable on each ANZ Subordinated Note for each Interest Period is calculated using the following formula:</p> $\text{Interest} = \frac{\text{Face Value} \times \text{Interest Rate} \times \text{Number of days in Interest Period}}{365}$ <p>For example, if the Bank Bill Rate was 4.25%<sup>1</sup> per annum, the Margin was set at 2.75% and the Interest Period was 90 days in length, the Interest for that period would be calculated as follows:</p> $\$100 \times 7.00\% \times 90/365 = \$1.7260 \text{ per ANZ Subordinated Note}$	Condition 3.3 of the Terms
Bank Bill Rate	<p>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 90 day period. This rate changes to reflect the supply and demand within the cash market.</p> <p>The graph below illustrates the movement in the Bank Bill Rate over the last 10 years. The rate on 10 February 2012 was 4.3783%</p>	Condition 3.3 of the Terms



<sup>1</sup> The Bank Bill Rate was 4.3783% on 10 February 2012

## 1.2 INTEREST PAYMENTS (CONT)

		Where to find more information
Interest Payment Dates	<p>Interest will be paid quarterly in arrears on the following dates each year as well as on the Maturity Date, or any earlier redemption date:</p> <ul style="list-style-type: none"> <li>■ 14 March;</li> <li>■ 14 June;</li> <li>■ 14 September; and</li> <li>■ 14 December.</li> </ul> <p>If any of these scheduled dates are not Business Days, then the Interest Payment Date will occur on the next Business Day.</p> <p>Interest payments are not deferrable so long as the Solvency Condition is met.</p>	Condition 3.2 of the Terms

## 1.3 REPAYMENT OF FACE VALUE

		Where to find more information
Repayment of Face Value of ANZ Subordinated Notes	<p>So long as the Solvency Condition is met, on the Maturity Date you will receive:</p> <ul style="list-style-type: none"> <li>■ the Face Value; plus</li> <li>■ any accrued and unpaid Interest on the ANZ Subordinated Note on the Maturity Date.</li> </ul>	Condition 4.1 of the Terms
Redemption rights – Holder	You cannot request that your ANZ Subordinated Notes be redeemed. However, to realise your investment, you can sell your ANZ Subordinated Notes on ASX at the prevailing market price subject to the liquidity of that market on the ASX.	Condition 4.4 of the Terms
Redemption rights – ANZ – 14 June 2017	<p>ANZ may also redeem all (but not some) ANZ Subordinated Notes on 14 June 2017 subject to obtaining the prior written approval of APRA. ANZ will not be permitted to redeem any ANZ Subordinated Notes unless these Notes are replaced concurrently or beforehand with capital of the same or better quality of the ANZ Subordinated Notes or APRA is satisfied that ANZ's capital position is well above its minimum capital requirement after ANZ chooses to redeem the ANZ Subordinated Notes.</p> <p>Any decision to redeem on this date will be made after careful consideration of a number of factors including prevailing market conditions, and ANZ's current and projected capital position.</p>	Condition 4.2 of the Terms
Redemption rights – ANZ – taxation reasons	ANZ can redeem all (but not some) ANZ Subordinated Notes on an Interest Payment Date for certain taxation reasons, subject to obtaining the prior written approval of APRA.	Conditions 4.3 and 7.2 of the Terms
Redemption rights – general	The amount payable on redemption of an ANZ Subordinated Note is its Face Value together with any accrued and unpaid Interest to the date of redemption.	Conditions 4.1, 4.2 and 4.3 of the Terms

## 1.4 SUBORDINATION AND RANKING OF ANZ SUBORDINATED NOTES

		Where to find more information
Security	ANZ Subordinated Notes are subordinated and are not secured over any of ANZ's assets.	Section 4 – "Key risks of ANZ Subordinated Notes"
Solvency Condition	<p>So long as ANZ is not in winding-up other than a winding-up in connection with a solvent amalgamation or reconstruction, it is not obliged to make any payment in respect of the ANZ Subordinated Notes unless it is Solvent at the time of payment, and no payment will be made unless ANZ is Solvent immediately after making the payment.</p> <p>Solvent means that at the relevant time ANZ is able to pay its debts as and when they become due and payable and its assets exceed its liabilities, in each case determined on an unconsolidated, stand-alone basis.</p>	Condition 2.2 of the Terms
Ranking in a winding-up	<p>On a winding-up of ANZ, ANZ Subordinated Notes rank for payment:</p> <ul style="list-style-type: none"> <li>behind all Unsubordinated Creditors. These are all creditors of ANZ including depositors (other than the Holders and any creditors whose claims rank or are expressed to rank equally with the claims of the Holders or junior to or equally with the claims of Holders);</li> <li>equally with any other equal ranking instruments;</li> <li>ahead of all preference shares currently on issue (including CPS1, CPS2 and CPS3, the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and 2007 Stapled Securities); and</li> <li>ahead of Ordinary Shares.</li> </ul> <p>ANZ may from time to time without the consent of the Holders, issue any securities ranking equally with the ANZ Subordinated Notes (on the same terms or otherwise) or ranking in priority to, or junior to, the ANZ Subordinated Notes.</p> <p>The ranking of ANZ Subordinated Notes on insolvency is illustrated in the table below.</p>	<p>Section 4 – "Key risks of ANZ Subordinated Notes"</p> <p>Conditions 2.3 and 11.1 of the Terms</p>

		Illustrative examples of existing ANZ obligations and securities <sup>1</sup>
<b>Higher ranking</b>		
	<b>Senior obligations</b>	Preferred and secured debt Liabilities in Australia in relation to Protected Accounts (generally, savings accounts and term deposits), other liabilities preferred by law including employee entitlements and secured creditors
		Unsubordinated unsecured debt Bonds and notes, trade and general creditors. This includes covered bonds which are an unsecured claim on ANZ, though they are secured over assets that form part of the Group
	<b>Equal ranking obligations</b>	Subordinated unsecured debt <b>ANZ Subordinated Notes</b> and other equal ranking subordinated unsecured debt obligations
	<b>Junior obligations</b>	Perpetual subordinated debt Perpetual Capital Floating Rate Notes issued in 1986
Preference shares CPS1, CPS2 and CPS3, the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and 2007 Stapled Securities		
<b>Lower ranking</b>		Ordinary shares Ordinary Shares

<sup>1</sup> This is a simplified capital structure of ANZ and does not include every type of security or other obligation issued by ANZ.

NOTE: Most of ANZ's debt is owed to Unsubordinated Creditors. The actual amount of ANZ's debt varies throughout the course of the year. ANZ may in the future issue securities that rank for the payment of principal or interest (including on the winding-up of ANZ) equal with, behind or ahead of ANZ Subordinated Notes.

## 1.5 EVENTS OF DEFAULT

		Where to find more information
Events of default	<p>There are implications for Holders if an event of default occurs.</p> <p>An event of default will occur if:</p> <ul style="list-style-type: none"> <li>■ a court of Victoria, Australia (or a Court of Appeal from that court) makes an order for the winding-up of ANZ which is not successfully appealed or permanently stayed within 60 days of the entry of such order, or ANZ's shareholders validly adopt an effective resolution for the winding-up of ANZ (in each case other than in connection with a scheme of amalgamation or reconstruction not involving bankruptcy or insolvency) (Winding-up Default); or</li> <li>■ ANZ fails to pay Interest within 30 days of the due date or to pay the Face Value when due (Payment Default). Note that if ANZ is not Solvent at the time the payment is due or will not be Solvent immediately after making the payment, that failure to pay will not be an event of default.</li> </ul> <p>If a Winding-up Default occurs, the Face Value and any unpaid Interest becomes immediately due and payable but will rank as a subordinated claim in the winding-up.</p> <p>There are no other events of default and no terms restricting ANZ in the conduct of its business.</p> <p>Also, if a Payment Default occurs by reason of ANZ failing to pay Interest or the Face Value when it is due, a Holder may only institute proceedings:</p> <ul style="list-style-type: none"> <li>■ to have ANZ wound-up; or</li> <li>■ for the recovery of the amount then due (but ANZ will not be obliged to pay any amount of Face Value or Interest sooner than that amount would otherwise have been payable and payment of any amount is subject to ANZ being Solvent at the time of and immediately after the payment).</li> </ul> <p>No other remedies are available to Holders to enforce any obligation in respect of ANZ Subordinated Notes.</p>	<p>Condition 8 of the Terms</p> <p>Section 4 – “Key risks of ANZ Subordinated Notes”</p>

## 1.6 MISCELLANEOUS

		Where to find more information
Payments	<p>Interest will be paid to Holders whose details are recorded with the Registrar on the Record Date, which is currently 8 days before the relevant Interest Payment Date or as otherwise permitted by ASX.</p> <p>All payments (including of the Face Value) will be paid in Australian dollars in an Australian dollar denominated bank account that is maintained with an Australian financial institution and which is nominated by the Holder or at ANZ's option by cheque. All payments are subject to the Solvency Condition being met.</p> <p>Neither ANZ nor a Holder has any contractual right to set off any sum at any time due and payable to a Holder or ANZ (as applicable) under or in relation to the ANZ Subordinated Notes against amounts owing by the Holder to ANZ or by ANZ to the Holder (as applicable).</p> <p>No interest accrues on any unpaid amount in respect of any ANZ Subordinated Note.</p>	Condition 6 of the Terms
Quotation of ANZ Subordinated Notes	ANZ has applied for quotation of ANZ Subordinated Notes on ASX. It is expected that ANZ Subordinated Notes will be quoted under code "ANZHA".	Section 2.6 – "ASX Quotation, Holding Statements and Other Information"
Voting rights	<p>Holding an ANZ Subordinated Note does not give the Holder any right to vote at any meeting of Shareholders.</p> <p>It is possible for there to be a meeting of Holders. Under the Deed Poll, ANZ may call meetings of Holders and must do so if required by Holders who together or alone hold 10% or more of the total Face Value of the Outstanding ANZ Subordinated Notes on issue and ANZ is indemnified to its satisfaction against its costs and expenses. At least 21 days notice must be given to Holders. The meeting provisions in the Deed Poll provide for, among other things, the approval of resolutions, quorums, adjournments and proxies.</p>	<p>Conditions 9 and 11.2 of the Terms</p> <p>Deed Poll</p>
No right to participate in further issues	Holding ANZ Subordinated Notes does not confer a right to participate in further issues of securities in ANZ.	Condition 11.1 of the Terms
Variation of Terms of ANZ Subordinated Notes	<p>ANZ may, without the approval of Holders, vary the Deed Poll and the Terms of ANZ Subordinated Notes in certain specific circumstances or if, in the reasonable opinion of ANZ, such variation is not materially prejudicial to the interests of Holders generally.</p> <p>ANZ can also vary the Deed Poll and the Terms with the approval of a majority of Holders by Extraordinary Resolution.</p> <p>Where the variation may affect the eligibility of ANZ Subordinated Notes as Tier 2 capital, ANZ must not vary the Terms or the Deed Poll without the prior written approval of APRA.</p>	Clause 10 of the Terms



## 1.6 MISCELLANEOUS (CONT)

		Where to find more information
Tax implications of holding ANZ Subordinated Notes	<p>Australian resident Holders should generally be required to include any Interest in their assessable income each year.</p> <p>On disposal of their ANZ Subordinated Notes, Australian resident Holders should generally be required to include any gain in their assessable income in the income tax year in which the disposal occurs.</p> <p>Non-resident Holders may also be subject to Australian income tax on any gain realised on disposal of ANZ Subordinated Notes.</p> <p>You should refer to Section 5 (“Australian tax consequences of investing in ANZ Subordinated Notes”) for a summary of Australian tax consequences before deciding whether to apply for ANZ Subordinated Notes.</p> <p>You should also consult with your professional adviser about the tax implications for you of holding ANZ Subordinated Notes.</p>	Section 5 – “Australian tax consequences of investing in ANZ Subordinated Notes”
Deed Poll	<p>A trustee has not been appointed for ANZ Subordinated Notes. Instead, there is a Deed Poll made by ANZ in favour of each person who is from time to time a Holder. The Deed Poll gives legal effect to ANZ’s obligations in the Terms, including ANZ’s obligation to repay the Face Value and to pay Interest and other amounts owing under ANZ Subordinated Notes, and to comply with the Terms.</p> <p>Under the Deed Poll, ANZ also undertakes to appoint the Registrar and procure the Registrar to establish and maintain a principal Register.</p> <p>The Deed Poll also includes provisions for meetings of Holders.</p> <p>Holders will be bound by the terms of the Deed Poll, the Terms and this Offer Document when ANZ Subordinated Notes are issued or transferred to them or they purchase ANZ Subordinated Notes.</p> <p>The Registrar holds the original executed Deed Poll on behalf of Holders. Each Holder can enforce ANZ’s obligations under the Deed Poll, including the Terms and the provisions for meetings, independently of the Registrar and each other.</p> <p>A copy of the Deed Poll can be obtained from <a href="http://www.subnotes.anz.com">http://www.subnotes.anz.com</a>.</p>	Deed Poll
Tier 2 Capital	<p>Under APRA’s current capital adequacy standards for banks, regulatory capital consists of Tier 1 Capital and Tier 2 Capital.</p> <p>APRA has not as yet confirmed that the ANZ Subordinated Notes are eligible for inclusion as Tier 2 Capital. There is no assurance that APRA will provide such confirmation.</p>	

# 2

## SECTION 2 HOW TO APPLY

THIS SECTION SETS OUT:

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



## 2.1 APPLYING FOR ANZ SUBORDINATED NOTES

To apply for ANZ Subordinated Notes, you must complete an Application Form attached to the Offer Document or online at <http://www.subnotes.anz.com/>.

You may apply for ANZ Subordinated Notes under:

- the Broker Firm Offer;
- the Institutional Offer; or
- the General Offer.

The instructions for lodging your Application and accompanying cheque and/or money order or, if applying online, payment by B<sub>PAY</sub><sup>®</sup> vary depending on whether you apply under the Broker Firm Offer, the Institutional Offer or the General Offer.

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

## 2.2 WHO MAY APPLY?

	Who is eligible to participate?	What to do to apply?
Broker Firm Offer	You are eligible to participate in the Broker Firm Offer if you are a retail client of a Syndicate Broker.	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 on 19 March 2012. Please contact your Syndicate Broker for their instructions on how to submit your Application.
Institutional Offer	You are eligible to participate in the Institutional Offer if you are an Institutional Investor.	If you are an Institutional Investor, you must apply to participate by contacting ANZ Securities.
General Offer	You are eligible to participate in the General Offer if you are a member of the general public who is an Australian resident.	<p>Your Application together with your Application Payment must be received by the Registrar no later than the Closing Date for the General Offer, which is 5:00pm on 13 March 2012.</p> <p>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 <a href="http://www.subnotes.anz.com/">http://www.subnotes.anz.com/</a> and completing a B<sub>PAY</sub> payment.</p> <p>You can lodge your completed Application Form and accompanying cheque and/or money order with the Registrar by mailing it to:</p> <p>ANZ Subordinated Note Offer            c/ Computershare Investor Services Pty Limited            GPO Box 52            Melbourne VIC 3001            Australia</p> <p>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 Registrar.</p>

The Offer may close early, so you are encouraged to submit your Application as soon as possible after the Opening Date. If you have any questions about the Offer or how to apply for ANZ Subordinated Notes as a 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) or contact your broker or other professional adviser.

### 2.3 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 ANZ Subordinated Notes on ASX after ANZ Subordinated Notes have been quoted on ASX. There are no other fees or charges payable to ANZ on an Application for or transfer of ANZ Subordinated Notes.

### 2.4 APPLICATION PAYMENTS HELD ON TRUST

All Application Payments received before ANZ Subordinated 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 ANZ Subordinated Notes are issued to successful Applicants, the Application Payments held on trust will be payable to ANZ.

### 2.5 REFUNDS

If you are not allotted any ANZ Subordinated Notes or you are allotted fewer ANZ Subordinated 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.

### 2.6 ASX QUOTATION, HOLDING STATEMENTS AND OTHER INFORMATION

#### 2.6.1 ASX QUOTATION AND TRADING OF ANZ SUBORDINATED NOTES ON ASX

ANZ has applied to ASX for ANZ Subordinated Notes to be quoted on ASX. It is not intended to quote ANZ Subordinated Notes on any securities exchange apart from ASX.

It is expected that ANZ Subordinated Notes will begin trading on ASX on a deferred settlement basis on 21 March 2012 under ASX code "ANZHA". Trading is expected to continue on that basis until 29 March 2012, when it is anticipated that trading of ANZ Subordinated Notes will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in ANZ Subordinated Notes. If you are a successful Applicant and sell your ANZ Subordinated Notes before receiving your Holding 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) or your Syndicate Broker, after the Issue Date to enquire about your Allocation.

#### 2.6.2 HOLDING STATEMENTS

ANZ will apply for ANZ Subordinated Notes to participate in CHESS. No certificates will be issued for ANZ Subordinated Notes. ANZ expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 26 March 2012.

#### 2.6.3 PROVISION OF BANK ACCOUNT DETAILS FOR INTEREST

ANZ's current policy is that Interest 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 interest will be paid by Australian dollar cheque.

#### 2.6.4 PROVISION OF BANK ACCOUNT DETAILS FOR INTEREST PAYMENTS

Under the Terms, Interest payments will be paid in Australian dollars by:

- (a) direct credit into nominated Australian financial institution accounts (excluding credit card accounts), notified by the Holder to the Registrar 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 cheque, via post directed to:
  - (i) the address of the Holder (or in the case of a jointly held ANZ Subordinated 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 ANZ Subordinated Note, all the joint Holders) directs in writing.

If you have not notified ANZ of such an account or 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 non-interest bearing, special purpose account maintained by the Issuer or the Registrar until:

- (a) you nominate 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;
- (b) ANZ determines as permitted by Condition 6.4 ("Time limit on claims") to refuse any claim in respect of any amount, in which case ANZ may treat that amount as its own; or
- (c) ANZ is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

No additional interest is payable in respect of any delay in payment.

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.

## 2.7 FOREIGN SELLING RESTRICTIONS

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

The distribution of this Offer Document (including an electronic copy) outside Australia may be restricted by law. If you come into possession of this Offer Document 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 Offer Document 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, ANZ Subordinated 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 ANZ Subordinated 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.

ANZ Subordinated Notes may be offered in a jurisdiction outside Australia under the 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 2.7 and to have represented and warranted that it is able to apply for and acquire ANZ Subordinated Notes in compliance with those restrictions.

### 2.7.1 SINGAPORE

This Offer Document has not been registered as a prospectus with the Monetary Authority of Singapore, and the ANZ Subordinated Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the Securities and Futures Act). Accordingly, the ANZ Subordinated Notes may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offer Document or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any ANZ Subordinated Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the ANZ Subordinated Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the ANZ Subordinated Notes pursuant to an offer under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the Securities and Futures Act.

### 2.7.2 HONG KONG

ANZ Subordinated Notes may not be offered or sold in Hong Kong, by means of any document, other than (i) to persons whose ordinary business is to buy or sell shares or notes (whether as principal or agent) or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

### 2.7.3 MALAYSIA

The ANZ Subordinated Notes may not be offered, sold, transferred or otherwise disposed directly or indirectly, nor may any document or other material in connection therewith be distributed, other than to a person to whom an offer or invitation to subscribe or purchase the ANZ Subordinated Notes and to whom the ANZ Subordinated Notes are issued would fall within:

- (a) Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b) of the Capital Market and Services Act 2007 of Malaysia (CMSA); and
- (b) Schedule 8 or Section 257(3) of the CMSA,

as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

## 2.8 PRIVACY STATEMENT

If you apply for ANZ Subordinated 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. 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. ANZ requires all of those parties to comply with its privacy policy when dealing with your personal information.

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 Registrar on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm) 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 Registrar if you do not consent to this use because, by investing in ANZ Subordinated 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 Registrar or ANZ. You can also obtain a copy of ANZ's privacy policy at <http://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 Registrar's record of your personal information is incorrect or out of date, it is important that you contact ANZ or the Registrar so that your records can be corrected. To assist ANZ with this, please contact ANZ or the Registrar 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.

## 2.9 REPORTING OBLIGATIONS AND CONTINUOUS DISCLOSURE

ANZ is a disclosing entity for the purposes of the Corporations Act and is subject to regular reporting obligations under the Corporations Act. These obligations require that ANZ prepare both yearly and half-yearly financial statements and a report on the operations of ANZ during the relevant accounting period together with an audit or review report by its auditor.

As at the date of this Offer Document, ANZ has complied in all material respects with the provisions of Chapter 2M of the Corporations Act as modified by ASIC in respect of ANZ.

As a company listed on ASX, ANZ is subject to the ASX Listing Rules. These obligations require, among other things, that ANZ notify ASX immediately of any information concerning ANZ of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of ANZ's securities (including ANZ Subordinated Notes when issued), unless exceptions from disclosure apply under the ASX Listing Rules.

As at the date of this Offer Document, ANZ has complied with its continuous disclosure obligations under the ASX Listing Rules.

## 2.10 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

ANZ and the Joint Lead Managers entered into the Offer Management Agreement (OMA) on 14 February 2012. Under the OMA the Joint Lead Managers have agreed to:

- manage the Offer, including the Bookbuild and Allocation process in relation to the Offer.
- seek demand for the ANZ Subordinated Notes from investors.

Each Joint Lead Manager will facilitate investors subscribing for, and being issued with, ANZ Subordinated Notes and will pay to ANZ the Application Payments it receives. In return, ANZ will pay fees to each Joint Lead Manager.

The OMA contains various representations, warranties and indemnities and imposes various obligations on ANZ. A Joint Lead Manager may terminate its obligations under the OMA on the occurrence of a number of customary termination events, including (among others):

- ASIC commences an investigation or hearing in relation to this Offer Document;
- ASX refuses to quote the ANZ Subordinated Notes;
- certain breaches of the OMA;
- the Offer Documents or the Offer do not comply in all material respects with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- ANZ withdraws this Offer Document or the Offer;
- trading of Ordinary Shares is suspended for a certain period of time or Ordinary Shares cease to be quoted; and
- a material adverse change in position or prospects of members of the ANZ Group.

Certain 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 settlement of the Offer, or will give rise to a liability of that Joint Lead Manager under any applicable law. Termination by one Joint Lead Manager does not automatically terminate the obligations of any other Joint Lead Manager. If a Joint Lead Manager terminates, none of the ANZ Subordinated Notes that it has committed to will be issued unless, and to the extent that, ANZ and the remaining Joint Lead Managers come to appropriate arrangements in respect of the ANZ Subordinated Notes allocated to the clients of the terminating Joint Lead Manager.

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## SECTION 3 OVERVIEW OF ANZ

THIS SECTION SETS OUT A DESCRIPTION  
OF ANZ'S BUSINESS



ANZ Group, which began its Australian operations in 1835 and its New Zealand operations in 1840, is one of the four major banking groups headquartered in Australia. As at 30 September 2011, ANZ Group had total assets of \$594.5 billion and shareholders' equity of \$37.9 billion. ANZ's principal ordinary share listing and quotation is on the Australian Securities Exchange. Its ordinary shares are also quoted on the New Zealand Stock Exchange. As at the close of trading on 10 February 2012, ANZ had a market capitalisation of approximately \$57.4 billion.

The Group 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. The Group also operates in a number of other countries, including the United Kingdom and the United States. The Group's primary strategy is to become a super regional bank focusing on Australia, New Zealand and the Asia Pacific region.

### 3.1 PRINCIPAL ACTIVITIES OF REGIONS AND DIVISIONS

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

The principal activities of the Group's regions, as well as the Institutional division, are outlined below. As the Group continuously reviews its business structure, this description is subject to change from time to time.

#### AUSTRALIA

The Australia region includes the following business units:

- **Retail** – which includes the operation of the Australian branch network, specialist businesses and online banking, and is responsible for delivering a range of products including mortgages, consumer credit cards, personal loans, ATM facilities, deposit and savings products and cash management accounts.
- **Commercial** – consists of business units which provide a full range of banking services to metropolitan and regional businesses of varying size, including the provision of motor vehicle and equipment finance and investment products.
- **Institutional** – provides a full range of financial services to Corporate, Institutional and Financial Institutions customers as well as providing selected products to Commercial customers within Australia and managing the Transaction Banking, Trade, Markets and Global Loan products. It also manages the Group's interest rate risk position.
- **Wealth** – consists of ANZ Private (which specialises in assisting high net worth individuals and families to manage, grow and preserve their family assets) and OnePath Australia Limited (which provides a comprehensive range of wealth and insurance products available through financial advisers and the ANZ branch network).
- **Group Centre** – includes the Australian portion of (i) Global Services and Operations, (ii) Technology, (iii) Financial Management, (iv) Risk, (iv) Strategy, Mergers and Acquisitions, Marketing and Innovation, (vi) Human Resources, (vii) Corporate Communications and (viii) Corporate Affairs.

#### ASIA PACIFIC, EUROPE & AMERICA

The Asia Pacific, Europe & America region includes the following business units.

- **Retail** – provides retail and small business banking services to customers in the Asia Pacific region and includes investment and insurance products and services for Asia Pacific customers.
- **Asia Partnerships** – is a portfolio of strategic retail partnerships in the Asia Pacific Region.
- **Institutional Asia Pacific, Europe & America** – provides a full range of financial services to institutional customers within Asia Pacific, Europe and the United States of America.
- **Operations & Support** – provides the central support functions for the division.
- **Global Services & Operations centres** – include operations and technology support services to all geographic regions.

## NEW ZEALAND

The New Zealand region consists of the following business units:

- **Retail** – is comprised of two business units (National Bank Retail and ANZ Retail) which provide a full range of banking services to personal and business banking customers.
- **Commercial and Agri** – which provides financial solutions through a relationship management model for medium sized businesses, a full range of banking services to rural and agribusiness customers, and motor vehicle and equipment finance, operating leases and investment products;
- **Institutional** – provides a full range of financial services to institutional customers within New Zealand along the product lines of Transaction Banking, Global Markets and Global Loans. It also provides balance sheet management, relationship and infrastructure services.
- **Wealth** – is comprised of two business units: Private Banking (which includes the private banking operations under the ANZ and National Bank brands) and OnePath New Zealand Limited (which manufactures and distributes investment and insurance products and advice).
- **Operations and support** – includes the back-office processing, customer account maintenance, and central support areas including Treasury and Subordinated funding.

## INSTITUTIONAL DIVISION

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

The Institutional division provides a full range of financial services to institutional customers in Australia, New Zealand, Asia Pacific, Europe and the United States of America.

Multinationals, institutions and corporations with sophisticated needs and multiple relationships are served globally. The Institutional division has a major presence in Australia and New Zealand and also has operations in a number of South East Asian and North East Asian countries, the Pacific region, Europe and North America.

## 3.2 FINANCIAL INFORMATION ABOUT ANZ

ANZ's statutory profit after tax for the year ended 30 September 2011 was \$5.355 billion, as compared to \$4.501 billion for the year ended 30 September 2010, representing an increase of 19%. ANZ's underlying profit for 2011, which takes into account various one-off items which occurred during the year, was \$5.652 billion, as compared to \$5.025 billion for the year ended 30 September 2010, representing an increase of 12%. The dividend for the year ended 30 September 2011 was 140 cents per Ordinary Share (fully franked).

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

Further information relating to financial information about ANZ can be obtained from ANZ's annual report for the financial year ended 30 September 2011 (2011 Annual Report) which is available on the ANZ website at <http://www.anz.com/>.

## 3.3 SELECTED FINANCIAL RATIOS

The expense to income ratio represents the Group's operating expenses as a percentage of total operating income and was 45.9% for the year ended 30 September 2011 calculated on an underlying basis. This ratio is a key measure of ANZ's efficiency and may assist you to understand ANZ's financial capacity to pay the Face Value and Interest.

As ANZ is an ADI regulated by APRA and is required to hold capital in line with APRA's prudential guidelines, ANZ calculates various capital ratios. The Tier 1 Capital ratio and total capital ratio for the Group at 30 September 2011 were 10.9% (\$30.6 billion) and 12.1% (\$33.8 billion) respectively. These percentages may increase or decrease in the future. Both ratios were in excess of the prudential capital requirement. Further information on the Group's capital ratios is provided in the 2011 Annual Report.

An illustration of the ranking of ANZ Subordinated Notes in relation to certain Tier 1 Capital securities (CPS1, CPS2 and CPS3) and Ordinary Shares is provided in Section 1.4 "Subordination and Ranking of ANZ Subordinated Notes".

## 3.4 THE IMPACT OF THE OFFER ON ANZ

The Offer will not have a material impact on ANZ's cash flow.

## SECTION 4

# KEY RISKS OF ANZ SUBORDINATED NOTES

THIS SECTION DESCRIBES POTENTIAL RISKS THAT YOU SHOULD CONSIDER IN DECIDING WHETHER TO INVEST IN ANZ SUBORDINATED NOTES.

THERE ARE RISKS WHICH RELATE SPECIFICALLY TO THE ANZ SUBORDINATED NOTES AND RISKS ASSOCIATED WITH ANZ'S BUSINESS THAT MAY AFFECT THE ANZ SUBORDINATED NOTES.

#### 4.1 RISKS THAT RELATE SPECIFICALLY TO ANZ SUBORDINATED NOTES

<p>ANZ Subordinated Notes are unsecured, subordinated obligations</p>	<p>The ANZ Subordinated Notes are unsecured, subordinated debt obligations of ANZ.</p> <p>On a winding-up of ANZ, ANZ Subordinated Notes rank for payment behind all Unsubordinated Creditors. These are all creditors of ANZ (other than any creditors whose claims rank junior to, or equally with the claims of Holders). Unsubordinated Creditors include senior ranking securities, holders of Protected Accounts and all depositors and other creditors.</p> <p>On a winding-up of ANZ, there is a risk that you may lose some or all of the money you invested in ANZ Subordinated Notes. This is because if there are insufficient assets to satisfy creditors of ANZ whose claims rank ahead of or equally with ANZ Subordinated Notes you will not be repaid any or all of the Face Value and will not receive any or all of the Interest payments due and unpaid at that time.</p>
<p>Investments in ANZ Subordinated Notes are not deposit liabilities of ANZ and are not Protected Accounts</p>	<p>Investments in ANZ Subordinated Notes are not deposit liabilities of ANZ, are not Protected Accounts and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction or by any other person. No other member of the ANZ Group is liable to the investor in respect of the ANZ Subordinated Notes.</p>
<p>The Interest Rate will fluctuate</p>	<p>The Interest payable on ANZ Subordinated Notes is calculated according to the Interest Rate determined by ANZ at the beginning of each Interest Period. The Interest Rate is calculated by reference to a Margin and a Bank Bill Rate. This is a floating interest rate because it depends on the Bank Bill Rate for each Interest Period and means that the interest rate for one period can be different to the interest rate for another period.</p> <p>As the Interest Rate fluctuates, there is a risk that the Interest payable on the ANZ Subordinated Notes may become less attractive when compared to the rates of return available on comparable securities issued by ANZ or other entities.</p>
<p> Holders cannot redeem ANZ Subordinated Notes early</p>	<p> Holders cannot require ANZ to redeem any of their ANZ Subordinated Notes before their Maturity Date. Therefore, to realise your investment you would have to sell your ANZ Subordinated Notes at the prevailing market price. ANZ does not guarantee that Holders will be able to sell their ANZ Subordinated Notes at an acceptable price or at all.</p>
<p>ANZ may redeem ANZ Subordinated Notes early</p>	<p>ANZ may redeem ANZ Subordinated Notes before their Maturity Date subject to obtaining APRA's prior written consent:</p> <ul style="list-style-type: none"> <li>■ ANZ may redeem all (but not some) ANZ Subordinated Notes on 14 June 2017 or if that date is not a Business Day the next Business Day; and</li> <li>■ ANZ may redeem all (but not some) ANZ Subordinated Notes on an Interest Payment Date for certain taxation reasons.</li> </ul> <p>ANZ will not be permitted to redeem any ANZ Subordinated Notes unless:</p> <ul style="list-style-type: none"> <li>■ the ANZ Subordinated Notes are replaced concurrently or beforehand with Tier 2 Capital of the same or better quality; or</li> <li>■ APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to redeem the ANZ Subordinated Notes.</li> </ul> <p>This means the period over which Holders will be entitled to Interest is unknown. Depending on the market conditions at the time, Holders may not be able to reinvest the amount received on redemption at a similar rate of return or at a rate of return that was expected on the ANZ Subordinated Notes if held until their Maturity Date.</p>

<p>The market price of ANZ Subordinated Notes may fluctuate</p>	<p>The market price of ANZ Subordinated Notes may fluctuate due to various factors including changes to investor perceptions in relation to ANZ or the financial services industry, worldwide economic conditions, interest rates, credit ratings, credit spreads, movements in the market price of Ordinary Shares or other debt issued by ANZ, and other factors that may affect ANZ's financial performance and position.</p> <p>There is a risk that one or more of these factors may cause the market value of the ANZ Subordinated Notes to decline and trade at a market price below their Face Value.</p> <p>The market price of ANZ Subordinated Notes may be more sensitive to changes in interest rates and credit spreads than the price of Ordinary Shares or comparable securities issued by ANZ or other entities.</p> <p>As a result, Holders who wish to sell their ANZ Subordinated Notes before the Maturity Date may incur loss if the ANZ Subordinated Notes trade at a market price below the amount at which the ANZ Subordinated Notes were acquired.</p> <p>ANZ does not guarantee the market price of ANZ Subordinated Notes.</p>
<p>The liquidity of ANZ Subordinated Notes may be low</p>	<p>There may be no liquidity or an illiquid market for ANZ Subordinated Notes. The market for ANZ Subordinated Notes may be less liquid than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. This may result in Holders who wish to sell their ANZ Subordinated Notes being unable to do so at an acceptable price, or at all.</p>
<p>ANZ may not pay or may default on payment of Face Value or Interest</p>	<p>There is a risk that Interest or Face Value on ANZ Subordinated Notes may not be paid by ANZ.</p> <p>Further, if ANZ is not Solvent at the time the payment is due, or will not be Solvent immediately after making the payment, no payment will be made and ANZ's failure to pay is not an event of default.</p> <p>There are no other events of default and no terms restricting ANZ in the conduct of its business.</p> <p>If an event of default occurs due to the non-payment of Interest and/or Face Value, Holders may only institute proceedings for:</p> <ul style="list-style-type: none"> <li>■ the winding-up of ANZ; or</li> <li>■ the recovery of money then due by ANZ. However, ANZ is not obliged to pay any amount in those proceedings sooner than that amount would otherwise have been payable and payment of any amount is subject to ANZ being Solvent at the time of and immediately after the payment.</li> </ul> <p>No other remedies are available to Holders to enforce any obligation in respect of ANZ Subordinated Notes.</p> <p>There is a risk that Holders may not recover any or all of the entire amount owed even if proceedings are issued against ANZ.</p>

#### 4.1 RISKS THAT RELATE SPECIFICALLY TO ANZ SUBORDINATED NOTES (CONT)

<p>ANZ may issue further securities</p>	<p>ANZ Subordinated Notes do not in any way restrict ANZ from issuing further securities or from incurring further indebtedness.</p> <p>ANZ may in the future issue securities that:</p> <ul style="list-style-type: none"> <li>■ rank for the payment of the principal or interest (including on the winding-up of ANZ) equal with, behind or ahead of ANZ Subordinated Notes;</li> <li>■ have the same or different maturities as ANZ Subordinated Notes;</li> <li>■ have the same or different dividend, interest or distribution rates as ANZ Subordinated Notes; or</li> <li>■ have the same or different terms and conditions as ANZ Subordinated Notes.</li> </ul> <p>An investment in ANZ Subordinated Notes carries no right to participate in any future issue of securities by ANZ.</p> <p>No prediction can be made as to the effect, if any, which the future issue of securities by ANZ or other Group entities may have on the market price or liquidity of ANZ Subordinated Notes or ANZ's financial position or performance.</p>
<p>ANZ may vary the Terms of ANZ Subordinated Notes</p>	<p>ANZ may vary the Terms without the consent of the Holders in certain specific circumstances or if, in ANZ's reasonable opinion, the variation is not materially prejudicial to the interests of Holders generally. ANZ may also vary the Terms if the variation has been approved by an Extraordinary Resolution of the Holders. Variations under these powers are binding on all Holders despite the fact that a Holder may not agree with the variation. ANZ must not vary the Terms without the prior written approval of APRA where the variation may affect the eligibility of the ANZ Subordinated Notes as Tier 2 Capital.</p>
<p>ANZ may be subject to regulatory intervention</p>	<p>ANZ is a prudentially regulated entity subject to the requirements of, among other things, the Banking Act and the prudential standards set by APRA. The Banking Act includes a number of broad powers and restrictions that may be adverse to Holders, including power for APRA to take control of or to appoint a statutory manager to ANZ in certain circumstances or direct ANZ to do or not to do certain things, including not to make payments or to conduct ANZ's business in a particular way. The Banking Act also limits the rights of persons dealing with ANZ in certain circumstances including limiting the rights of a creditor (such as the Holder) from taking or continuing proceedings against ANZ where a statutory manager has been appointed to it vary or from exercising certain rights where APRA has given a direction to ANZ under the Banking Act.</p>

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP

This list of risks set out below is not exhaustive and are not the only ones ANZ Group may face. Additional risks and uncertainties that ANZ Group is unaware of, or that are currently deemed to be immaterial, may also become important factors that affect the business, results or operations or financial condition of ANZ Group.

By investing in ANZ Subordinated Notes, you may be exposed to a number of risks which affect ANZ and which may impact the value of the ANZ Subordinated Notes.

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, natural disasters and by movements and events that occur in global financial markets.

The global financial crisis (GFC) in 2008 and 2009 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. More recently, sovereign risk (particularly in Europe) and its potential impact on financial institutions in Europe and globally has emerged as a significant risk to the recovery prospects of the global economy. The impact of the GFC and its results (such as heightened sovereign risk) continues to affect global economic activity and capital markets.

The economic effects of the GFC and the more recent European sovereign debt crisis have been widespread and far reaching with unfavourable ongoing impacts on retail sales, 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 GFC, subsequent volatility in financial markets and the more recent sovereign debt crisis in Europe (and potential contagion from it) suggest ongoing vulnerability and adjustment in these and other areas of consumer and business behaviour. The high risk of a default in Greece (and potentially other countries in Europe) could have serious implications for the European Union and the euro.

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, albeit less so than in many European countries and in the United States of America (US).

Should the difficult economic conditions of these countries 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 these negative economic and business impacts 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 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.

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP (CONT)

<p>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 (cont)</p>	<p>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, and decreasing consumer and business confidence.</p> <p>Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing unrest and conflicts 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.</p> <p>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 recent Christchurch earthquake, see the risk factor entitled "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".</p>
<p>Changes in exchange rates may adversely affect the Group's business, operations and financial condition</p>	<p>The recent appreciation in 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 agricultural exports, international tourism, manufacturers, and import-competing producers. Similarly, a depreciation in the Australian or New Zealand dollars relative to other currencies would increase debt service obligations in Australia or New Zealand dollar terms of unhedged exposures. Appreciation of the Australian dollar against the New Zealand dollar, United States dollar and other currencies has had a negative 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 currencies. The Group has put in place hedges to partially mitigate the impact of currency appreciation, but notwithstanding this, any appreciation could have an adverse impact upon the Group's earnings.</p>



<p>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</p>	<p>The markets in which the Group operates are highly competitive and could become even more so, particularly in those segments that are considered to provide higher growth prospects or are in greatest demand, (for example, customer deposits). 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.</p> <p>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 payment 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.</p> <p>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. Any regulatory or behavioural change that occurs in response to this policy shift 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.</p> <p>The effect of competitive market conditions, especially in the Group's main markets, may lead to erosion in the Group's market share or margins, and adversely affect the Group's business, operations, and financial condition.</p>
<p>Changes in monetary policies may adversely affect the Group's business, operations and financial condition</p>	<p>Central monetary authorities (including the Reserve Bank of Australia (RBA), the Reserve Bank of New Zealand (RBNZ), the US Federal Reserve and the monetary authorities in Asian jurisdictions in which we carry on business) set official interest rates so as to affect the demand for money and credit in their relevant jurisdictions. Their 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 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 accurately.</p>
<p>Sovereign risk may destabilise global financial markets adversely affecting all participants, including the Group</p>	<p>Sovereign risk, or the risk that foreign governments will default on their debt obligations, increase borrowings as and when required, 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 that currently experienced or which was experienced during the GFC. Such an event could destabilise global financial markets adversely affecting all participants, including the Group.</p>

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP (CONT)

<p>The withdrawal of the Australian Government Guarantee Scheme for large deposits and wholesale funding and the New Zealand Government Wholesale Funding Guarantee Scheme may adversely impact the Group's access to funding and liquidity</p>	<p>In response to the GFC, a number of government-sponsored financial stabilisation packages (including guarantees of certain bank obligations) were introduced around the world, including in Australia and New Zealand. International capital markets and liquidity conditions improved following the GFC and banks were able to raise non-government guaranteed funds. Many such government-sponsored financial stabilisation packages were withdrawn or phased out, including in Australia and New Zealand in relation to wholesale funding. More recently, heightened sovereign risk and subsequent volatility in financial markets has re-emerged. There is no certainty that financial conditions will improve or that government-sponsored financial stabilisation packages would be re-introduced if conditions deteriorated.</p> <p>The absence of government-sponsored financial stabilisation schemes may result in stress on the global financial system or regional financial systems, which could adversely impact the Group and its customers and counterparties. Specifically, it could adversely affect the Group's ability to access sources of funding and lead to a decrease in the Group's liquidity position and increase in its funding costs, negatively affecting Group's business, operations and financial condition.</p>
<p>The Group is exposed to liquidity and funding risk, which may adversely affect its business, operations and financial condition</p>	<p>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.</p> <p>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.</p> <p>The Group raises funding from a variety of sources including customer deposits and wholesale funding in Australia and off shore markets to ensure that it continues to meet its funding obligations and to maintain or grow its business generally. The composition of the Group's funding is described in the section headed "Funding composition" on page 163 of the 2011 Annual Report. 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 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 upon 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.</p> <p>Since the GFC, developments in the US mortgage industry and in the US and European markets more generally, including recent European sovereign debt concerns and the downgrade by Standard &amp; Poor's of the US government's long-term debt rating on 5 August 2011 have adversely affected the liquidity in global capital markets including an increase in funding costs. Future deterioration in these 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.</p>

<p>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</p>	<p>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 of 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 revise their methodologies in response to legal or regulatory changes or other market developments.</p>
<p>The Group may experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios</p>	<p>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 UK Financial Services Authority, US regulators and various Asia Pacific jurisdictions where the Group has operations, to maintain adequate regulatory capital.</p> <p>Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from increased provisions for loan losses and 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.</p> <p>Global and domestic regulators have released proposals, including the Basel III proposals, to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities, and insurance entities. These proposals, together with any risks arising from any regulatory changes, are described below in the risk factor entitled "Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition".</p> <p>Further details about the capital management regime affecting the Group are contained in note 31 to the 2011 Annual Report.</p>

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP (CONT)

<p>The Group is exposed to credit risk, which may adversely affect its business, operations and financial condition</p>	<p>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 tourism and manufacturing industries may have been adversely impacted by the recent appreciation of the Australian 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.</p> <p>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.</p>
<p>An increase in the failure of third parties to honour their commitments in connection with the Group's trading, lending, derivatives and other activities may adversely affect its business, operations and financial condition</p>	<p>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.</p> <p>Credit exposure may also be increased by a number of factors including deterioration in the financial condition of the counterparty, the value of assets the Group holds as collateral, and the market value of the counterparty instruments and obligations it holds. 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.</p>

<p>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</p>	<p>Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group.</p> <p>Overall, the property market has been variable. Whilst there has been some moderation in Australian house prices, with the RP Data-Rismark house price index declining by 3.6% over the 12 month period ending December 2011, this has not had a material impact on the Group's business, operations and financial condition.</p> <p>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 the Group does business could adversely affect the Group's business, operations and financial conditions.</p>
<p>The Group is exposed to market risk which may adversely affect its business, operations and financial condition</p>	<p>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 US dollar) may adversely affect the reported earnings.</p> <p>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 due to credit, liquidity or other problems.</p>
<p>The Group is exposed to the risks associated with credit intermediation and financial guarantors which may adversely affect its business, operations and financial condition</p>	<p>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 US financial guarantors. The underlying structures involve credit default swaps (CDSs) over synthetic collateralised debt obligations (CDOs), portfolios of external collateralised loan obligations (CLOs) or specific bonds/floating rate notes (FRNs).</p> <p>Being derivatives, both the sold protection and purchased protection are marked-to-market. Prior to the commencement of the GFC, 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.</p> <p>During and after the GFC, 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 US dollar and Australian dollar rates.</p>

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP (CONT)

<p>The Group is exposed to operational risk, which may adversely affect its business, operations and financial condition</p>	<p>Operational risk is the risk of loss from inadequate or failed internal processes, people and systems, or from external events. Operational risk includes legal risk and the risk of reputational loss, environmental damage, and health and safety risks, but excludes strategic risk. Loss from operational risk 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. All operational risks carry at least a financial consequence. Examples of operational risk that the Group is exposed to include the losses arising from internal fraud, external fraud, acts that are inconsistent with employment, health or safety laws or agreements, failure to meet professional customer and legal obligations, disruption of business or system failures, failure to execute a transaction correctly including but not limited to internal restructures, inadequate process management and from failure caused by third parties. 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.</p>
<p>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</p>	<p>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.</p> <p>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 and integrate existing and future acquisitions and alliances.</p> <p>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, 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.</p> <p>In addition, the Group must 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.</p>
<p>The Group is exposed to risks associated with information security, which may adversely affect its financial results and reputation</p>	<p>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.</p> <p>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 for compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial position and reputation.</p>



<p>The Group is exposed to reputation risk, which may adversely impact its business, operations and financial condition</p>	<p>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. Accordingly, 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.</p>
<p>The unexpected loss of key staff or inadequate management of human resources may adversely affect the Group's business, operations and financial condition</p>	<p>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 reputations 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. In addition, the Group may in the future have difficulty attracting highly qualified people to fill important roles, which could adversely affect its business, operations and financial condition.</p>
<p>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</p>	<p>Scientific observations and climate modelling point to changes in the global climate system that may see extreme weather events increase in both frequency and severity. Among the possible effects of climate change are the risks of severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. Such events, and others like them, pose the risk of inundation and damage to Group property, and the houses and commercial assets of the Group's customers. In some cases, this impact 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 those customers.</p> <p>While the future impact of climate change is difficult to predict accurately, it should nevertheless be considered among the risks that may adversely impact the Group's business, operations and financial condition in the future.</p> <p>In addition to climatic events, geological events and events related to them, such as volcanic or seismic activity, tsunamis, or other extrinsic events, such as plant and animal diseases or a flu pandemic, can also severely disrupt normal business activity and have a negative effect on the Group's business, operations and financial condition.</p> <p>In New Zealand, a number of major earthquakes have impacted the Christchurch area since September 2010, causing widespread property and infrastructure damage, and deaths. Whilst much of the damage was covered by public (Earthquake Commission) and private insurance, there will potentially be negative impacts on property values and on future levels of insurance and reinsurance coverage across New Zealand. Subsequent earthquakes in Christchurch or in other populated areas may further adversely impact property values and the ability to obtain insurance on properties used by ANZ to secure loans. 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 ANZ's business, operations and financial condition.</p>

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP (CONT)

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 and in the other countries (including but not limited to 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.

The Australian Government and its agencies, including APRA, the RBA and other financial industry regulatory bodies including ASIC, 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 US Federal Reserve Board, the US Department of Treasury, the US Office of the Comptroller of the Currency, the US Office of Foreign Assets Control, the UK's Financial Services 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. 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.



<p>Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition (cont)</p>	<p>As a result of the GFC, regulators have proposed various amendments to financial regulation that will affect the Group. APRA, the Basel Committee on Banking Supervision (Basel Committee) and regulators in other jurisdictions where the Group has a presence have released discussion papers and proposals in regard to strengthening the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. In addition, the US passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the US.</p> <p>Uncertainty remains as to the final form that the proposed regulatory changes will take in Australia, the US and other countries in which the Group operate 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) and hold significant levels of additional liquid assets and undertake additional long-term wholesale funding to replace short-term wholesale funding to more closely match the Group's asset maturity profile.</p>
<p>Unexpected changes to the Group's license to operate in any jurisdiction may adversely affect its business, operations and financial condition</p>	<p>The Group is licensed to operate in the various countries, states and territories in which it operates. Unexpected changes in the conditions of the licenses 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 financial results.</p>
<p>The Group is exposed to insurance risk, which may adversely affect its business, operations and financial condition</p>	<p>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 the risk factor entitled "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". 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.</p>

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ GROUP (CONT)

<p>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</p>	<p>Under Australian Accounting Standards, the Group recognises at fair value:</p> <ul style="list-style-type: none"> <li>■ financial instruments classified as “held-for-trading” or “designated as at fair value through profit or loss”;</li> <li>■ financial assets classified as “available-for-sale”;</li> <li>■ derivatives; and</li> <li>■ financial assets backing insurance and investment liabilities.</li> </ul> <p>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.</p> <p>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.</p>
<p>Changes to accounting policies may adversely affect the Group’s business, operations and financial condition</p>	<p>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.</p> <p>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.</p>
<p>The Group may be exposed to the risk of impairment to capitalised software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition</p>	<p>In certain circumstances the Group may be exposed to a reduction in the value of intangible assets. At reporting date, 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.</p> <p>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.</p> <p>Capitalised software and other intangible assets 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.</p>

<p>Litigation and contingent liabilities may adversely affect the Group's business, operations and financial condition</p>	<p>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 as at 30 September 2011 are contained in note 44 to the 2011 Annual Report. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.</p>
<p>The Group regularly considers acquisition and divestment opportunities, and there is a risk that the Group may undertake an acquisition or divestment that could result in a material adverse effect on its business, operations and financial condition</p>	<p>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.</p> <p>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 Australia and New Zealand.</p> <p>There can be no assurance that any acquisition would have the anticipated positive 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.</p> <p>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, clients, 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 customers, counterparties and vendors of newly acquired businesses will remain as such post-acquisition, and the loss of customers, counterparties and vendors could adversely affect the Group's operations or results.</p> <p>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 clients, customers, depositors and employees. The loss of key employees in connection with an acquisition or disposal could adversely affect the Group's ability to conduct its business successfully.</p> <p>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.</p>

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## SECTION 5 AUSTRALIAN TAX CONSEQUENCES OF INVESTING IN ANZ SUBORDINATED NOTES

THE FOLLOWING IS A SUMMARY OF THE MAIN AUSTRALIAN TAX CONSEQUENCES FOR POTENTIAL HOLDERS OF ANZ SUBORDINATED NOTES AND IS BASED ON AUSTRALIAN TAX LAW AND ADMINISTRATIVE PRACTICE AS AT THE DATE OF THE OFFER DOCUMENT. THIS SUMMARY IS NECESSARILY GENERAL IN NATURE AND IS NOT INTENDED TO BE DEFINITIVE TAX ADVICE TO HOLDERS. ACCORDINGLY, EACH PROSPECTIVE HOLDER SHOULD SEEK THEIR OWN TAX ADVICE.

The following is a summary of the main Australian tax consequences under the Tax Act for Australian tax resident Holders (Resident Holders) and certain Holders who are not tax residents of Australia (Non Resident Holders), who subscribe for ANZ Subordinated Notes and hold them on capital account. The summary is not exhaustive and does not consider the Australian tax consequences for all Holders. In particular, it does not consider the Australian tax consequences for:

- Resident Holders who carry on business at or through a permanent establishment outside Australia;
- Non Resident Holders who carry on business at or through a permanent establishment in Australia; or
- Holders who hold ANZ Subordinated Notes as assets used in carrying on a business of share trading, banking or investment or otherwise hold ANZ Subordinated Notes on revenue account.

This summary does not constitute legal or taxation advice and is of a general nature only. If you are considering investing in ANZ Subordinated Notes you should therefore obtain independent legal and taxation advice relevant to your particular circumstances from time to time.

This summary is based on Australian tax legislation, interpretations of that legislation and administrative practice as at the date of this Offer Document.

## 5.1 RECEIPT OF INTEREST

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### (a) Resident Holder

The ANZ Subordinated Notes should be “debt interests” for the purposes of the Tax Act. Resident Holders should be required to include any Interest they receive in respect of their ANZ Subordinated Notes in their assessable income.

Whether these amounts should be recognised as assessable income on a cash receipts or accruals basis will depend upon the individual circumstances of the Holder. It may also depend upon whether the Holder is subject to Division 230 of the Tax Act (concerning the taxation of financial arrangements).

In May 2010, the Australian government announced that it would provide investors who are individuals with a 50% tax discount on up to \$1,000 of interest income earned on savings products, including bonds. As part of the 2010-11 Mid-Year Economic and Fiscal Outlook, the Australian government announced that the commencement date of the discount is to be deferred to 1 July 2012 and, for the first 12 months of operation, will only apply on up to \$500 of interest income. On 29 November 2011, the Australian government announced that it intended to further defer the commencement of the 50% discount on interest income by a further 12 months, to commence on 1 July 2013. The legislation supporting this discount has not yet been enacted.

### (b) Non Resident Holder

Non-Australian residents are generally subject to Australian interest withholding tax (IWT) at the rate of 10% in respect of interest paid on interests such as the ANZ Subordinated Notes.

However, Interest paid to Non Resident Holders in respect of their ANZ Subordinated Notes should be exempt from IWT and should not otherwise be subject to Australian income tax because ANZ intends to issue the ANZ Subordinated Notes in a manner which will satisfy the requirements of the IWT exemption contained in section 128F of the Tax Act.

## 5.2 DISPOSAL OF ANZ SUBORDINATED NOTES

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### (a) Resident Holders

ANZ Subordinated Notes are likely to be “traditional securities” for the purposes of the Tax Act. On this basis, a Resident Holder should be required to include any gain on the disposal or redemption of ANZ Subordinated Notes in their assessable income as income according to ordinary concepts. This gain should equal the difference between the proceeds of disposal or redemption and the cost to the Resident Holder of the ANZ Subordinated Notes. Where the proceeds of disposal or redemption are less than the cost to a Resident Holder of ANZ Subordinated Notes, the Resident Holder may claim an allowable deduction for the loss in the income year in which the disposal occurs.

A capital gains tax (CGT) event should also happen on the disposal or redemption of the ANZ Subordinated Notes. Any capital gain or capital loss that results from the disposal should be disregarded to the extent to which that gain or loss is included in the Resident Holder’s assessable income as income according to ordinary concepts.

#### (b) Non Resident Holders

A Non Resident Holder may be subject to Australian income tax on any gain derived in respect of the disposal or redemption of ANZ Subordinated Notes if that gain has an Australian source. Whether a gain arising on the sale of ANZ Subordinated Notes by a Non Resident Holder has an Australian source is a question of fact and will depend upon all the circumstances of the disposal. A Non Resident Holder may be eligible for relief from Australian income tax if that Holder is entitled to the benefit of a double tax agreement between Australia and the Non Resident Holder's country of residence for tax purposes.

Any capital gain or capital loss from a disposal or redemption of ANZ Subordinated Notes by a Non Resident Holder should be disregarded for CGT purposes.

### 5.3 APPLICATION OF DIVISION 230

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ANZ Subordinated Notes should be a "financial arrangement" for the purposes of Division 230 of the Tax Act. Division 230 introduces new tax-timing rules for certain taxpayers in relation to recognising gains and losses from "financial arrangements".

Division 230 does not apply to certain taxpayers. It generally does not apply to Holders who are individuals, or to certain other entities (for example, superannuation funds and managed investment schemes) which meet various turnover or asset thresholds, unless they elect for Division 230 to apply to all of their "financial arrangements".

The consequences of Division 230 applying to a Holder will depend upon, for example, whether the Holder is a Resident or Non Resident Holder and whether the Holder chooses to apply any of the elective methods of recognising gains and losses from financial arrangements.

If Division 230 does generally apply to a Holder, it should not apply to a payment of Interest received in respect of their ANZ Subordinated Notes if the Holder is a Non Resident Holder, as such payments should be exempt from IWT (refer to Section 5.1).

### 5.4 PROVISION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER

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Where a Holder has provided ANZ with their tax file number (TFN), or in certain circumstances their Australian Business Number (ABN), or is otherwise exempt from providing this information, no amount of tax should be withheld by ANZ from payments of Interest to the Holder.

You do not have to provide this information and it is not an offence if you fail to do so. However, in respect of a Resident Holder, ANZ will be required to withhold Australian tax at the maximum marginal tax rate (currently 46.5% including the Medicare levy) from any Interest payment and remit the amount withheld to the Australian Taxation Office unless and until you provide your TFN, (in certain circumstances) your ABN or proof of some other exception. A Resident Holder should be entitled to claim a tax credit/rebate (as applicable) in respect of any tax withheld on an Interest payment in their Australian income tax returns.

ANZ expects that payments of Interest to Non Resident Holders will be exempt from IWT, and therefore, ANZ will not be required to withhold an amount of Australian tax from such a payment.

### 5.5 GOODS AND SERVICES TAX (GST)

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No Australian GST should be payable on the issue, disposal or redemption of ANZ Subordinated Notes as the supply of ANZ Subordinated Notes should comprise either an input taxed financial supply or (in the case of a Non Resident Holder) a GST-free supply.

No Australian GST should also be payable in respect of the payment of Face Value or Interest by ANZ.

### 5.6 STAMP DUTY

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No stamp duty should be payable in Australia on the issue, disposal or redemption of any ANZ Subordinated Notes.

APPENDIX A  
TERMS OF ANZ  
SUBORDINATED NOTES

THIS APPENDIX CONTAINS THE FULL  
ANZ SUBORDINATED NOTES TERMS

The following are the terms and conditions which will apply to each ANZ Subordinated Note. The obligations of ANZ under the ANZ Subordinated Notes are constituted by the ANZ Subordinated Note Deed Poll. Definitions and interpretation provisions are set out in Condition 15 (“Interpretation”).

## 1 FORM AND FACE VALUE

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### 1.1 FORM

The ANZ Subordinated Notes are unsecured, subordinated debt obligations of ANZ issued in registered form by entry in the Register.

### 1.2 FACE VALUE

The ANZ Subordinated Notes have a Face Value in Australian dollars of \$100.

### 1.3 CHESS

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

- (a) the rights and obligations of a person holding the ANZ Subordinated Notes; and
  - (b) all dealings (including transfers and payments) in relation to the ANZ Subordinated Notes within CHESS,
- will be subject to and governed by the ASX Settlement Operating Rules.

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

### 1.4 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.

## 2 STATUS

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### 2.1 STATUS AND RANKING

The ANZ Subordinated Notes constitute direct and unsecured subordinated obligations of ANZ, ranking:

- (a) equally among themselves;
- (b) at least equally with all other unsecured subordinated obligations incurred or assumed by ANZ other than those mandatorily preferred by law; and
- (c) subordinate to the Unsubordinated Creditors of ANZ.

### 2.2 SOLVENCY CONDITION TO PAYMENT

So long as ANZ is not in winding-up (other than a winding-up under or in connection with a scheme of amalgamation or reconstruction not involving bankruptcy or insolvency):

- (a) the obligations of ANZ to make any payment in respect of the ANZ Subordinated Notes will be conditional on ANZ being Solvent at the time of the payment; and
- (b) no payment in respect of the ANZ Subordinated Notes will be made unless ANZ is Solvent immediately after making the payment,

and if in accordance with this Condition 2.2 ANZ fails to make any payment in respect of any ANZ Subordinated Note when due, that failure will not constitute an Event of Default for the purposes of Condition 8.1(b) (“non-payment of interest”) or Condition 8.1(c) (“non-payment of Face Value”).

A certificate signed by ANZ, by two authorised signatories of ANZ, its auditor or, if ANZ is being wound up, its liquidator, as to whether ANZ is Solvent at any time is (in the absence of wilful default, bad faith or manifest error) conclusive evidence of the information contained in the certificate and will be binding on the Holders. In the absence of such a certificate, Holders are entitled to assume (unless the contrary is proved) that ANZ is Solvent at the time of, and will be Solvent immediately after, any payment in respect of the ANZ Subordinated Notes.

### 2.3 SUBORDINATION IN A WINDING-UP

In the event of the winding-up of ANZ, all amounts due in respect of the ANZ Subordinated Notes will be subordinated in right of payment to the claims of all Unsubordinated Creditors but will rank prior to the claims of the holders of any subordinated obligations which rank or are expressed to rank junior to the claims of the Holders.



## 2.4 NATURE OF OBLIGATIONS

The ANZ Subordinated Notes do not constitute a deposit liability of ANZ and will not be a protected account for the purposes of the depositor protection provisions in, or the Financial Claims Scheme established under, the Banking Act and are not any other kind of account with ANZ. In addition, ANZ Subordinated Notes are not guaranteed or insured by any government, Government Agency or compensation scheme of the Commonwealth of Australia or any other jurisdiction or by any other person.

## 3 INTEREST

### 3.1 ANZ SUBORDINATED NOTES BEAR INTEREST

Each ANZ Subordinated Note bears interest on its Face Value from and including its Issue Date to but excluding its Maturity Date. Interest accrues daily.

### 3.2 INTEREST PAYMENT DATES

Interest in respect of an ANZ Subordinated Note will be payable quarterly in arrears, on each 14 March, 14 June, 14 September and 14 December commencing on 14 June 2012. If any of those dates is not a Business Day, the Interest Payment Date is the following Business Day.

### 3.3 INTEREST RATE

Subject to these Conditions, ANZ shall pay on each ANZ Subordinated Note on an Interest Payment Date interest ("Interest") calculated according to the following formula:

$$\text{Interest} = \frac{(\text{Face Value} \times \text{Interest Rate} \times \text{N})}{365}$$

Where:

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

$$\text{Interest Rate} = \text{Bank Bill Rate} + \text{Margin}$$

Where:

**Bank Bill Rate** (expressed as a percentage per annum) means, for an Interest Period, the average mid-rate for Bills of a term of 90 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 Interest 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 90 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 90 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** means the margin (expressed as a percentage per annum) specified in, or determined in accordance with, the Bookbuild.

**N** means in respect of:

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

### 3.4 ISSUER TO DETERMINE AND NOTIFY

ANZ must:

- (a) determine the Interest Rate and amount of interest for each Interest Period in respect of an ANZ Subordinated Note; and
- (b) notify the Registrar, ASX and the Holders of its determination no later than the fifth Business Day after the first day of the Interest Period.

## 4 REDEMPTION

### 4.1 REDEMPTION ON MATURITY

ANZ agrees to redeem each ANZ Subordinated Note on the Maturity Date by payment of its Face Value (together with any accrued and unpaid interest on the ANZ Subordinated Note to the Maturity Date).

### 4.2 EARLY REDEMPTION BY ANZ

- (a) ANZ may redeem all (but not some) of the ANZ Subordinated Notes on 14 June 2017 (or if this date is not a Business Day then the next Business Day) by payment in respect of each ANZ Subordinated Note of its Face Value of each ANZ Subordinated Note (together with any accrued and unpaid interest on the ANZ Subordinated Note to the date of redemption).
- (b) However, ANZ may only do so if ANZ has given at least 20 days' (and no more than 60 days') notice to the Holders, the Registrar and the ASX.

### 4.3 EARLY REDEMPTION FOR TAXATION REASONS

- (a) ANZ may redeem all (but not some) of the ANZ Subordinated Notes on an Interest Payment Date by payment in respect of each ANZ Subordinated Note of its Face Value (together with any accrued and unpaid interest on the ANZ Subordinated Note to the date of redemption) if ANZ is required under Condition 7.2 ("Issuer to pay additional amounts") to increase the amount of a payment in respect of an ANZ Subordinated Note.
- (b) However, ANZ may only do so if ANZ has given at least 20 days' (and no more than 60 days') notice to the Holders, the Registrar and the ASX.

### 4.4 NO EARLY REDEMPTION AT THE OPTION OF HOLDERS

A Holder cannot require ANZ to redeem all or some of the ANZ Subordinated Notes held by that Holder before their Maturity Date.

### 4.5 EFFECT OF NOTICE OF REDEMPTION

Any notice of redemption given under this Condition 4 ("Redemption") is irrevocable.

### 4.6 PURCHASES

ANZ and any Related Entities may at any time purchase ANZ Subordinated Notes in the open market or otherwise. Any ANZ Subordinated Notes purchased under this Condition 4.6 ("Purchases") are not extinguished (unless held beneficially by ANZ at the Maturity Date) and may be held, resold or cancelled at the discretion of ANZ, subject to compliance with law.

### 4.7 CONSENT OF APRA

ANZ may not redeem any ANZ Subordinated Notes under Condition 4.2 ("Early redemption by ANZ") or Condition 4.3 ("Early redemption for taxation reasons") or purchase, or procure that any of its subsidiaries purchase, any ANZ Subordinated Notes under Condition 4.6 ("Purchases") without the prior written approval of APRA and ANZ will not be permitted to redeem any ANZ Subordinated Notes unless:

- (a) the ANZ Subordinated Notes are replaced concurrently or beforehand with Tier 2 Capital of the same or better quality; or
- (b) APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to redeem the ANZ Subordinated Notes.

## 5 TITLE AND TRANSFER

### 5.1 TITLE

Title to ANZ Subordinated Notes passes when details of the transfer are entered in the Register.

### 5.2 REGISTER CONCLUSIVE AS TO OWNERSHIP

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

### 5.3 NON-RECOGNITION OF INTERESTS

Except as required by law, ANZ must treat the person whose name is entered in the Register as the holder of an ANZ Subordinated Note as the absolute owner of that ANZ Subordinated Note. This Condition 5.3 applies whether or not an ANZ Subordinated Note is overdue and despite any notice of ownership, trust or interest in the ANZ Subordinated Note.

### 5.4 JOINT HOLDERS

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

## 5.5 TRANSFER

Subject to the ASX Listing Rules, ANZ Subordinated Notes will be transferable only in accordance with these Conditions and the ASX Settlement Operating Rules. A Holder may not transfer part of an ANZ Subordinated Note.

## 5.6 INSTRUMENTS OF TRANSFER

A Holder may transfer an ANZ Subordinated Note:

- (a) by a proper ASTC transfer according to the ASX Settlement Operating Rules;
- (b) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
- (c) subject to Conditions 1.3 ("CHESS") by any proper or sufficient instrument of transfer of marketable securities under applicable law.

## 5.7 TRANSFER ON OCCURRENCE OF CERTAIN EVENTS

The Registrar must register a transfer of an ANZ Subordinated Note to or by a person who is entitled to make or receive the transfer as a consequence of:

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

## 6 PAYMENTS

### 6.1 PAYMENTS TO HOLDER ON THE RECORD DATE

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

### 6.2 METHOD OF PAYMENT

Payments will be made 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 Registrar 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 cheque, through the post directed to:
  - (i) the address of the Holder (or in the case of a jointly held ANZ Subordinated 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 ANZ Subordinated Note, all the joint Holders) directs in writing.

### 6.3 UNCOMPLETED PAYMENTS

If:

- (a) a Holder has not notified the Registrar of an Australian dollar bank account maintained in Australia with a financial institution (excluding credit card accounts) to which payments in respect of the ANZ Subordinated Note 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 non-interest bearing, special purpose account maintained by ANZ or the Registrar until:
- (c) 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;
- (d) ANZ determines as permitted by Condition 6.4 ("Time limit on claims") to refuse any claim in respect of that amount in accordance with Condition 6.4 ("Time limit on Claims") in which case ANZ may treat that amount as its own; or
- (e) ANZ is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

No additional interest is payable in respect of any delay in payment.

### 6.4 TIME LIMIT ON CLAIMS

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

## 6.5 DETERMINATION AND CALCULATION FINAL

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

## 6.6 ROUNDING

Unless otherwise specified in these Conditions:

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

## 6.7 JOINT HOLDERS

A payment to any one joint holder of an ANZ Subordinated Note will discharge ANZ's liability in respect of the payment.

## 6.8 NO SET-OFF

Neither ANZ nor a Holder has any contractual right to set off any sum at any time due and payable to a Holder or ANZ (as applicable) under or in relation to the ANZ Subordinated Notes against amounts owing by the Holder to ANZ or by ANZ to the Holder (as applicable).

## 6.9 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.

## 6.10 NO INTEREST ACCRUES

No interest accrues on any unpaid amount in respect of any ANZ Subordinated Note.

## 7 TAXATION

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### 7.1 GENERAL

All payments in respect of the ANZ Subordinated Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Commonwealth of Australia or by any authority having power to tax (together "Taxes"), unless such withholding or deduction is required by law.

### 7.2 ISSUER TO PAY ADDITIONAL AMOUNTS

Where a withholding or deduction for Taxes is required by law, ANZ must pay such additional amounts ("**Additional Amounts**") to the Holders as will result in those Holders receiving the amounts that would have been received by them had no such withholding or deduction been required, except that no such additional amounts will be payable with respect to any ANZ Subordinated Notes:

- (a) in respect of which the Holder is liable for those Taxes in respect of the ANZ Subordinated Notes by reason of its having some connection with the Commonwealth of Australia, other than the mere holding of the ANZ Subordinated Notes or the receipt of the relevant payment; or
- (b) in respect of which the Holder is an Offshore Associate of ANZ (acting other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act); or
- (c) in respect of which those Taxes have been imposed or levied as a result of the Holder of the ANZ Subordinated Notes being party to or participating in a scheme to avoid such Taxes, being a scheme to which ANZ was neither a party to nor participated in; or
- (d) to, or to a third party on behalf of, an Australian resident Holder or a non-resident Holder who is engaged in carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that person has not supplied an appropriate tax file number, Australian business number or other exemption details.

### 7.3 TAX FILE NUMBER

ANZ will deduct tax from payments of interest on the ANZ Subordinated Notes at the highest marginal tax rate plus the highest medicare levy if an Australian resident investor or a non-resident investor carrying on business in Australia at or through a permanent establishment of the non-resident in Australia has not supplied an appropriate tax file number, Australian Business Number or exemption details.

## 8 EVENTS OF DEFAULT

### 8.1 EVENTS OF DEFAULT WITH RESPECT TO ANZ SUBORDINATED NOTES

The following are Events of Default:

- (a) **(winding-up)**
  - (i) the making of an order by a court of the State of Victoria, Commonwealth of Australia or a court with appellate jurisdiction from such court which is not successfully appealed or permanently stayed within 60 days of the entry of such order; or
  - (ii) the valid adoption by ANZ's shareholders of an effective resolution, in each case for the winding-up of ANZ (other than under or in connection with a scheme of amalgamation or reconstruction not involving bankruptcy or insolvency); or
- (b) **(non-payment of interest)** subject to Condition 2.2 ("Solvency Condition to Payment") default in the payment of interest on any ANZ Subordinated Note when due, continued for 30 days; or
- (c) **(non-payment of Face Value)** subject to Condition 2.2 ("Solvency Condition to Payment") default in the payment of the Face Value of any ANZ Subordinated Note when due.

### 8.2 CONSEQUENCES OF EVENT OF DEFAULT

- (a) Upon the occurrence of an Event of Default specified in Condition 8.1(a) ("winding-up"), subject to Condition 8.3 ("Subordination"), the Face Value of, and all accrued and unpaid interest on, the ANZ Subordinated Notes will automatically become due and payable.
- (b) If an Event of Default contemplated by Condition 8.1(b) ("non-payment of interest") or (c) ("non-payment of Face Value") with respect to any ANZ Subordinated Notes occurs and is continuing, a Holder may only, in order to enforce the obligations of ANZ under such ANZ Subordinated Notes:
  - (i) notwithstanding the provisions of paragraph (b)(ii) below, institute proceedings in the State of Victoria, Commonwealth of Australia (but not elsewhere) for the winding-up of ANZ (all subject to, and in accordance with, Condition 8.3 ("Subordination")); or
  - (ii) institute proceedings for recovery of the money then due, provided that ANZ will not, by virtue of the institution of any such proceedings (other than proceedings for the winding-up of ANZ) be obliged to pay any sums representing Face Value or interest in respect of the ANZ Subordinated Notes sooner than the same would otherwise have been payable by it and provided that ANZ is Solvent at the time of, and will be Solvent immediately after, any such payment.
- (c) No remedy against ANZ other than those referred to in this Condition 8 ("Events of Default"), shall be available to the Holders, whether for the recovery of amounts owing in respect of the ANZ Subordinated Notes or in respect of any breach by ANZ of any of its other obligations under or in respect of the ANZ Subordinated Notes.

### 8.3 SUBORDINATION

- (a) Subject to Condition 2 ("Status"), in the event of the winding-up of ANZ constituting an Event of Default with respect to the ANZ Subordinated Notes, an amount equal to the Face Value of the ANZ Subordinated Notes then outstanding, together with all accrued and unpaid interest is immediately due and payable.
- (b) As a result of the Subordination Provisions, no amount will be payable in the winding-up of ANZ in Australia in respect of the ANZ Subordinated Notes until all claims of Unsubordinated Creditors admitted in the winding-up have been satisfied in full, see Condition 2.3 ("Subordination in a winding-up"). By subscription for, or transfer of, ANZ Subordinated Notes to a Holder, that Holder will be taken to have agreed that no amount in respect of the ANZ Subordinated Notes will be repaid until all the claims of the Unsubordinated Creditors admitted in the winding-up have been satisfied. If proceedings with respect to the winding-up of ANZ in Australia were to occur, the Holders could recover less relative to the holders of deposit liabilities and the holders of unsubordinated liabilities and prior ranking subordinated liabilities of ANZ.
- (c) If in a winding-up, the amount payable with respect to the ANZ Subordinated Notes and any claims ranking equally with the ANZ Subordinated Notes cannot be paid in full, the ANZ Subordinated Notes and other claims ranking equally with the ANZ Subordinated Notes will share relatively in any distribution of ANZ's assets in a winding-up in proportion to the respective amounts to which they are entitled.

- (d) Any amount not paid due to Condition 2.2 (“Solvency condition to payment”) or Condition 8.2(b)(ii) (“Consequences of Event of Default”), remains a debt owing to the Holder by ANZ until it is paid and will be payable on the first Business Day on which payment can be made in compliance with the relevant Condition.

#### 8.4 NOTIFICATION

If an Event of Default occurs, ANZ must promptly after becoming aware of it notify the Registrar, the Holders and ASX of the occurrence of the Event of Default (specifying details of it).

## 9 MEETINGS OF HOLDERS

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### 9.1 MEETINGS PROVISIONS

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 variation to these Conditions proposed by ANZ in accordance with Condition 10 (“Variation”).

### 9.2 CONVENING A MEETING

The Meeting Provisions contain provisions governing notice, quorum requirements and other matters relevant to the conduct of a meeting.

ANZ:

- (a) may convene a meeting at any time; and
- (b) must convene a meeting upon the request in writing of Holders holding not less than 10 per cent of the Outstanding ANZ Subordinated Notes and is indemnified to its satisfaction against its costs and expenses.

The Meeting Provisions also contain provisions for the passing of resolutions by writing signed by defined majorities of Holders.

### 9.3 RESOLUTIONS BINDING

Any resolution passed at any meeting of the Holders or by writing is binding on all Holders, whether or not they are present at the meeting.

## 10 VARIATION

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### 10.1 VARIATION WITH CONSENT

Subject to Condition 10.2 (“Variation without consent”) and Condition 10.3 (“No variation which may affect Tier 2 eligibility”), ANZ may vary the ANZ Subordinated Note Deed Poll and these Conditions with the approval of the Holders by Extraordinary Resolution.

### 10.2 VARIATION WITHOUT CONSENT

Subject to Condition 10.3 (“No variation which may affect Tier 2 Eligibility”), ANZ may vary the ANZ Subordinated Note Deed Poll and these Conditions without the approval of the Holders if, in the reasonable opinion of ANZ, the variation:

- (a) is necessary or advisable to comply with any law;
- (b) is necessary to correct an obvious error, or otherwise of a formal, technical or administrative nature only; or
- (c) is made to cure any ambiguity or correct or supplement any defective or inconsistent provision; or
- (d) is necessary or advisable to maintain the quotation of the Notes on ASX; or
- (e) is not materially prejudicial to the interests of the Holders generally.

### 10.3 NO VARIATION WHICH MAY AFFECT TIER 2 ELIGIBILITY

The prior written approval of APRA is required in respect of any variation in respect of the ANZ Subordinated Note Deed Poll and these Conditions where such variation may affect the eligibility of the ANZ Subordinated Notes as Tier 2 Capital.

### 10.4 HOLDER APPROVAL NOT REQUIRED

ANZ does not require the approval of Holders to vary or terminate any registry agreement or other agreement in respect of ANZ Subordinated Notes (other than the ANZ Subordinated Note Deed Poll and these Conditions).

### 10.5 NOTICE TO HOLDERS

ANZ must notify Holders of any variation to the ANZ Subordinated Note Deed Poll and these Conditions.

## 10.6 MEANING OF VARY AND VARIATION

In this Condition 10 (“Variation”) “vary” includes amend, modify, cancel, alter or add to and “variation” has a corresponding meaning.

## 11 FURTHER ISSUES AND NO OTHER RIGHTS

### 11.1 FURTHER ISSUES

ANZ may, from time to time without the consent of the Holders, issue any securities ranking equally with the ANZ Subordinated Notes (on the same terms or otherwise) or ranking in priority to or junior to the ANZ Subordinated Notes.

### 11.2 NO OTHER RIGHTS

A Holder of ANZ Subordinated Notes has:

- (a) no right to participate in the issue of any other securities of ANZ; and
- (b) no right to vote at any meeting of members of ANZ.

## 12 QUOTATION

ANZ agrees to use all reasonable endeavours to procure that the ANZ Subordinated Notes are quoted on ASX until their Maturity Date.

## 13 NOTICES

### 13.1 NOTICES TO HOLDERS

All notices, certificates, consents, approvals, waivers and other communications in connection with an ANZ Subordinated 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); or
- (b) except for a notice of meeting in accordance with Condition 9 (“Meeting of Holders”) and subject to Condition 15.6 (“Code of Banking Practice”):
  - (i) so long as the ANZ Subordinated Notes are quoted on ASX, by publication of an announcement on ASX; or
  - (ii) given by an advertisement published in the Australian Financial Review or The Australian; or
  - (iii) if the Offer Document specifies an additional or alternative newspaper, given by publication in that newspaper.

### 13.2 TO ANZ AND REGISTRAR

All notices and other communications by a Holder to ANZ and the Registrar will be valid if posted by ordinary mail to ANZ and the Registrar at the addresses shown below:

- (a) Attention: Company Secretary  
Australia and New Zealand Banking Group Limited  
Address: ANZ Centre Melbourne  
Level 9  
833 Collins Street  
Docklands 3008  
Victoria  
Australia
- (b) Attention: Computershare Investor Services Pty Limited  
Address: GPO Box 2975  
Melbourne Victoria 3001  
Australia

or to such other address as ANZ notifies to the Holders from time to time.

Unless a later time is specified in it, a notice or communication takes effect from the time it is received by ANZ or Registrar except that if it is received after 5.00pm in the place of receipt or not on a Business Day, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.



### 13.3 RECEIPT – PUBLICATION ON ASX

If published by an announcement on ASX communications are taken to be received when the announcement is made on ASX.

### 13.4 RECEIPT – PUBLICATION IN NEWSPAPER

If published in a newspaper, communications are taken to be received on the first date that publication has been made in all the required newspapers.

### 13.5 RECEIPT – POSTAL

Unless a later time is specified in it, a notice, if sent by post shall be deemed to have been given 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.

### 13.6 NON-RECEIPT OF NOTICE

If there are two or more Holders, the non-receipt of any notice by, or the accidental omission to give any notice to, a Holder does not invalidate the giving of that notice.

## 14 GOVERNING LAW AND JURISDICTION

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### 14.1 GOVERNING LAW

The ANZ Subordinated Notes are governed by the law in force in the State of Victoria.

### 14.2 JURISDICTION

ANZ submits to the non-exclusive jurisdiction of the courts of Victoria and courts of appeal from them. ANZ waives any right it has to object to an action being brought in those courts including by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

### 14.3 SERVING DOCUMENTS

Without preventing any other method of service, any document in any action may be served on ANZ by being delivered or left at ANZ's address in the ANZ Subordinated Note Deed Poll.

## 15 INTERPRETATION

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### 15.1 DEFINITIONS

In these Conditions the following expressions have the following meanings:

**Additional Amount** has the meaning given in Condition 7 ("Taxation").

**ANZ** means Australia and New Zealand Banking Group Limited (ABN 11 005 357 522).

**ANZ Subordinated Note Deed Poll** means the deed poll entitled "ANZ Subordinated Note Deed Poll" executed by ANZ on or about 14 February 2012.

**ANZ Subordinated Notes** means a registered debt obligation of ANZ constituted by, and specified in the ANZ Subordinated Note Deed Poll, the details of which are recorded in, and evidenced by, entry in a register.

**APRA** means the Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ.

**ASX** means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

**ASX Listing Rules** means the listing rules of ASX from time to time with any modifications or waivers in their application to ANZ which ASX may grant.

**ASX Settlement Operating Rules** means the settlement operating rules of ASX from time to time with any applicable modifications or waivers granted by ASX.

**Bank Bill Rate** has the meaning given to it in Condition 3.3 ("Interest Rate").

**Banking Act** means the Banking Act 1959 (Cth).

**Bill** has the meaning it has in the Bills of Exchange Act 1909 of Australia and a reference to the acceptance of a Bill is to be interpreted in accordance with that Act.

**Bookbuild** means the process conducted prior to the opening of the Offer whereby certain investors lodge bids for the Subordinated Notes and, on the basis of those bids, ANZ and the joint lead managers to the Offer determine the Margin.



**Business Day** means a day which is a business day within the meaning of the ASX Listing Rules.

**CHES** means the Clearing House Electronic Subregister System operated by ASX.

**Conditions** means these terms and conditions.

**Corporations Act** means the Corporations Act 2001 of Australia.

**Event of Default** has the meaning given in Condition 8 ("Events of Default").

**Extraordinary Resolution** means a resolution passed at a meeting duly convened and held in accordance with the ANZ Subordinated Note Deed Poll by a majority of at least 75 per cent of the votes cast.

**Face Value** means, the face value and denomination of the ANZ Subordinated Notes as specified in Condition 1.2 ("Face value").

**Government Agency** means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

**Holder** means, for an ANZ Subordinated Note, each person whose name is entered in the Register as the holder of that note.

**Interest Payment Date** means each date so specified in Condition 3.2 ("Interest Payment Dates") and as adjusted in accordance with these Conditions.

**Interest Period** means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) 20 March 2012; and
- (b) the final Interest Period ends on (but excludes) the Maturity Date (or such earlier date on which the Face Value and accrued and unpaid interest in respect of an ANZ Subordinated Note becomes due and payable).

**Interest Rate** means the interest rate (expressed as a percentage per annum) calculated in accordance with Condition 3.3 ("Interest Rate").

**Issue Date** means the date on which a ANZ Subordinated Note is issued being 20 March 2012.

**Margin** means the margin specified in or determined in accordance with Condition 3.3 ("Interest Rate for ANZ Subordinated Notes").

**Maturity Date** means 14 June 2022 or if that date is not a Business Day the following Business Day.

**Meetings Provisions** means the provisions for the convening of meetings of, and passing of resolutions by, Holders set out in schedule 2 of the ANZ Subordinated Note Deed Poll.

**Offer** means the invitation under the Offer Document made by ANZ for persons to subscribe for ANZ Subordinated Notes.

**Offer Document** means the offer document (and any supplement to it) prepared on behalf of, and approved by, ANZ in connection with the issue of ANZ Subordinated Notes and includes:

- (a) all documents incorporated by reference in it; and
- (b) any other information approved by ANZ from time to time.

**Offshore Associate** means an associate (as defined in section 128F of the Tax Act ) of ANZ that is either a non-resident of the Commonwealth of Australia that does not receive a payment in respect of the ANZ Subordinated Notes in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that receives a payment in respect of the ANZ Subordinated Notes in carrying on business at or through a permanent establishment outside of Australia.

**Outstanding** means all of the ANZ Subordinated Notes other than:

- (a) ANZ Subordinated Notes which have been redeemed or satisfied in full by ANZ; or
- (b) ANZ Subordinated Notes for which funds equal to their aggregate Face Value are on deposit with the Registrar in respect of which the Registrar holds an irrevocable direction to apply funds in repayment of ANZ Subordinated Notes to be redeemed on that day; or
- (c) ANZ Subordinated Notes in respect of which ANZ is entitled to refuse a claim as a result of the operation of Condition 6.4 ("Time limit on claims").

**Record Date** means, in the case of:

- (a) payments of interest, the date which is 8 calendar days before the date of payment (or as otherwise prescribed by the ASX Listing Rules or if not prescribed by ASX, a date determined by ANZ and notified to ASX); and
- (b) payments of the Face Value, a date determined by ANZ and notified to ASX (or such other date as may be prescribed by ASX).

**Register** means a register of holders of ANZ Subordinated 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.

**Registrar** means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other person appointed by ANZ to maintain the Register.

**Related Entity** has the meaning it has in the Corporations Act.

**Solvent** means at any time in respect of ANZ:

- (a) it is able to pay all its debts as and when they become due and payable; and
- (b) its assets exceed its liabilities, in each case determined on an unconsolidated stand-alone basis.

**Subordination Provisions** means together Condition 2.2 ("Solvency condition to payment"), Condition 2.3 ("Subordination in a winding up"), Conditions 8.2(b) and (c) ("Consequences of Event of Default") and Condition 8.3 ("Subordination").

**Tax Act** means the Income Tax Assessment Act 1936 of Australia.

**Taxes** has the meaning given to it in Condition 7.1 ("Taxation").

**Tier 2 Capital** means Tier 2 capital as defined by APRA from time to time.

**Unsubordinated Creditors** means all creditors of ANZ (including all depositors of ANZ) other than:

- (a) the Holders;
- (b) creditors whose claims against ANZ rank, or are expressed to rank, equally with the claims of Holders; and
- (c) creditors whose claims against ANZ rank, or are expressed to rank, junior to the claims of the Holders.

## 15.2 REFERENCES TO CERTAIN GENERAL TERMS

Unless the contrary intention appears, a reference in these Conditions to:

- (a) a group of persons is a reference to any two or more of them jointly and to each of them individually;
- (b) a document (including these Conditions) includes any variation or replacement of it;
- (c) law means common law, principles of equity and statutes of any relevant jurisdiction (and statute laws include federal or state laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them), orders of a court of competent jurisdiction and, so long as ANZ Subordinated Notes are quoted on ASX, the ASX Listing Rules;
- (d) Australian dollars or A\$ is a reference to the lawful currency of Australia;
- (e) a time of day is a reference to Melbourne time;
- (f) the word "person" includes an individual, a firm, a body corporate, an unincorporated association and an authority;
- (g) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and

each of them individually;

- (i) anything (including any amount) is a reference to the whole and each part of it;
- (j) the words “including”, “for example” or “such as” when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (k) a reference to an amount of Face Value or interest includes any Additional Amount due in respect of that amount;
- (l) a reference to a “proper ASTC transfer” has the meaning given in the Corporations Regulations;
- (m) if a calculation is required under these Conditions, unless the contrary intention is expressed, the calculation will be rounded to four decimal places; and
- (n) a reference to the Code of Banking Practice is to the Australian Banker’s Association Code of Banking Practice (May 2004) version as amended by any subsequent amendment ANZ adopts.

### 15.3 NUMBER

The singular includes the plural and vice versa.

### 15.4 HEADINGS

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of these Conditions.

### 15.5 INCONSISTENCY WITH ASX LISTING RULES

So long as ANZ Subordinated Notes are quoted on ASX, these Conditions as they relate to those ANZ Subordinated Notes are to be interpreted in a manner consistent with applicable ASX Listing Rules.

### 15.6 CODE OF BANKING PRACTICE

ANZ has adopted the Code of Banking Practice and relevant provisions of the Code of Banking Practice apply to the ANZ Subordinated Notes to the extent they are held by a Holder who is a retail client (as defined in Chapter 7 of the Corporations Act).

# B

## APPENDIX B GLOSSARY

THIS APPENDIX B IS A GLOSSARY OF TERMS USED THROUGHOUT THIS OFFER DOCUMENT AND THE APPLICATION FORMS. THERE IS ALSO A LIST OF DEFINED TERMS IN CLAUSE 15 OF THE ANZ SUBORDINATED NOTES TERMS.

Term	Meaning
2003 Trust Securities	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	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
2007 Stapled Securities	the £450,000,000 of stapled securities issued by ANZ in 2007, each comprising a fully paid subordinated note issued by ANZ New York Branch stapled to a fully paid preference share issued by ANZ
ABN	Australian Business Number
ADI	authorised deposit-taking institution, as defined in the Banking Act
Allocation	the number of ANZ Subordinated Notes allocated under this Offer Document to: <ul style="list-style-type: none"> <li>■ General Applicants at the end of the Offer Period; and</li> <li>■ Syndicate Brokers and Institutional Investors under the Bookbuild</li> </ul>
ANZ	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, AFSL 234527)
ANZ Group or Group	ANZ and its controlled entities
ANZ Information Line	1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8.30am to 5.30pm)
ANZ Securities	ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531)
ANZ Subordinated Notes	a registered debt obligation of ANZ constituted by, and owing under a Deed Poll, the details of which are recorded in, and evidenced by, entry in a Register
Applicant	a person who submits an Application
Application	a valid application made for a specified number of ANZ Subordinated Notes made pursuant to the applicable Application Form
Application Form	each of the application forms attached to, or accompanying, this Offer Document upon which an Application may be made, being: <ul style="list-style-type: none"> <li>■ the electronic Application Form provided for online Applications under the General Offer; and</li> <li>■ the white paper Application Form in the back of this Offer Document to be used by Broker Firm Applicants and General Applicants</li> </ul>
Application Payment	the monies payable on each Application, calculated as the number of ANZ Subordinated Notes applied for multiplied by the Face Value
APRA	Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ
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
ATO	Australian Taxation Office

Term	Meaning
Bank Bill Rate	(expressed as a percentage per annum) means, for an Interest Period, the average mid-rate for bills of a term of 90 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 Interest Period subject to fall-backs if there is a manifest error in the calculation of that average mid-rate or that average mid-rate is not displayed. For the full definition – see Condition 3.3 of the Terms
Banking Act	Banking Act 1959 (Cth)
Bookbuild	the process conducted by or on behalf of ANZ whereby certain investors lodge bids for ANZ Subordinated Notes, and, on the basis of those bids, ANZ and the Joint Lead Managers determine the Margin
Broker Firm Applicant	a retail client of a Syndicate Broker who is invited to participate under the Broker Firm Offer
Broker Firm Offer	the invitation made to clients of Syndicate Brokers to apply for an allocation of ANZ Subordinated Notes from Syndicate Brokers under this Offer Document
Business Day	a business day as defined in the Listing Rules
CGT	capital gains tax
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ABN 49 008 504 532)
Closing Date	the last day on which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> <li>■ 5pm on 13 March 2012 for the General Offer;</li> <li>■ 10am on 19 March 2012 for the Broker Firm Offer; or</li> <li>■ 10am on 19 March 2012 for the Institutional Offer</li> </ul>
Co-managers	Ord Minnett and Morgan Stanley Smith Barney
Corporations Act	Corporations Act 2001 (Cth)
CPS1	the convertible preference shares issued by ANZ in 2008 under a prospectus dated 9 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)
Deed Poll	the deed poll dated on or about 14 February 2012 made by ANZ
Extraordinary Resolution	means a resolution passed at a meeting of Holders duly convened and held in accordance with the Deed Poll by a majority of at least 75 per cent of the votes cast
Face Value	\$100 per ANZ Subordinated Note
Financial Claims Scheme	The financial claims scheme established under the Banking Act
First Redemption Date	14 June 2017
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 ANZ Subordinated Notes under this Offer Document
GST	goods and services tax

Term	Meaning
Holder	a person entered in the Register as a holder of ANZ Subordinated Notes
Holding Statement	a statement issued to Holders by the Registrar which sets out details of ANZ Subordinated Notes allotted to them under the Offer
Institutional Investor	an investor invited to participate in the Institutional Offer
Institutional Offer	the invitation to institutional investors to apply for ANZ Subordinated Notes under this Offer Document
Interest	interest payable on each ANZ Subordinated Note
Interest Payment Dates	14 March, 14 June, 14 September and 14 December each year, until the Maturity Date or any earlier redemption date. If any of these scheduled dates are not Business Days, then the Interest Payment Date will occur on the next Business Day
Interest Period	each period commencing on (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. However: <ul style="list-style-type: none"> <li>■ the first Interest Period commences on (and includes) the Issue Date; and</li> <li>■ the final Interest Period ends on (but excludes) the Maturity Date or a redemption date (or such earlier date on which the Face Value and accrued and unpaid interest in respect of an ANZ Subordinated Note becomes due and payable)</li> </ul>
Interest Rate	the sum of the Bank Bill Rate on the first Business Day of the relevant Interest Period plus the Margin, in each case expressed as a percentage per annum
Issue	the process of issuing ANZ Subordinated Notes to Holders. Issue and Issued have corresponding meanings
Issue Date	the date ANZ Subordinated Notes are Issued which is expected to be 20 March 2012
IWT	interest withholding tax
Joint Lead Managers	ANZ Securities, J.P. Morgan, Macquarie and Morgan Stanley
J.P. Morgan	J.P. Morgan Australia Limited (ABN 52 002 888 011, AFSL 238188)
Listing Rules	the listing rules of ASX, with any modification or waivers which ASX may grant to ANZ from time to time
Macquarie	Macquarie Capital (Australia) Limited (ABN 79 123 199 548, AFSL 314416)
Margin	the margin to be determined under the Bookbuild
Maturity Date	14 June 2022
Morgan Stanley	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276, AFSL 233741)
Morgan Stanley Smith Barney	Morgan Stanley Smith Barney Australia Pty Ltd (ABN 19 009 145 555, AFSL 240813)
Non Resident Holders	certain Holders who are not tax residents of Australia. See Section 5
Offer	the offer made through this Offer Document by ANZ of ANZ Subordinated Notes to raise \$500 million, with the ability to raise more or less. The offer comprises the Broker Firm Offer, the Institutional Offer and the General Offer
Offer Document	this Offer Document which was lodged with ASX on 14 February 2012
Offer Period	the period from the Opening Date to the Closing Date
Online Manager	ETRADE Australia Securities Limited (ABN 93 078 174 973)
Opening Date	the opening date of the Offer which is 21 February 2012
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
Outstanding ANZ Subordinated Notes	<p>all of the ANZ Subordinated Notes other than:</p> <ul style="list-style-type: none"> <li>■ ANZ Subordinated Notes which have been redeemed or satisfied in full by ANZ; or</li> <li>■ ANZ Subordinated Notes for which funds equal to their aggregate Face Value are on deposit with the Registrar in respect of which the Registrar holds an irrevocable direction to apply funds in repayment of ANZ Subordinated Notes to be redeemed on that day; or</li> <li>■ ANZ Subordinated Notes in respect of which ANZ is entitled to refuse a claim as a result of the operation of Condition 6.4 (“Time limit on claims”) in the Terms</li> </ul>
Participating Broker	any participating organisation of ASX selected by the Joint Lead Managers to participate in the Broker Firm Offer
Payment Default	ANZ fails to pay interest within 30 days of the due date or to pay the Face Value when due
Perpetual Capital Floating Rate Notes	the US\$300m perpetual subordinated floating rate notes issued by ANZ
Privacy Act	Privacy Act 1988 (Cth)
Protected Account	such accounts as are identified as such from time to time under the Australian Government’s Financial Claims Scheme (see <a href="http://www.guaranteescheme.gov.au/qa/deposits.html#3">http://www.guaranteescheme.gov.au/qa/deposits.html#3</a> )
Record Date	in the case of interest, the date which is 8 calendar days before the date of payment and, in the case of payment of the Face Value, a date determined by ANZ and notified to ASX (or such other date as may be prescribed by ASX)
Register	the register of ANZ Subordinated Notes maintained by the Registrar on ANZ’s behalf and including any sub-register established and maintained in CHESS
Registrar	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registrar that ANZ appoints to maintain the Register
Resident Holder	Australian tax resident holders. See Section 5
Shareholder	a holder of Ordinary Shares from time to time
Solvency Condition	has the meaning described in Section 1.2
Solvent	<p>at any time in respect of ANZ,</p> <ul style="list-style-type: none"> <li>■ ANZ is able to pay all its debts as and when they become due and payable; and</li> <li>■ ANZ’s assets exceed its liabilities, in each case determined on an unconsolidated stand-alone basis</li> </ul>
Syndicate Broker	any of the Joint Lead Managers, Co-Managers or Participating Brokers
Tax Act	Income Tax Assessment Acts of 1936 (Cth) and Income Tax Assessment Act 1997 (Cth)
Terms	the terms of ANZ Subordinated Notes attached as a schedule to the Deed Poll, as set out in Appendix A



Term	Meaning
TFN	Tax File Number
Tier 1 Capital	means Tier 1 Capital as defined by APRA from time to time
Tier 2 Capital	means Tier 2 capital as defined by APRA from time to time
TFN	Tax File Number
Unsubordinated Creditors	<p>Unsubordinated Creditors means all creditors of ANZ (including all depositors of ANZ) other than:</p> <ul style="list-style-type: none"> <li>(a) the Holders;</li> <li>(b) creditors whose claims against ANZ rank, or are expressed to rank, equally with the claims of Holders; and</li> <li>(c) creditors whose claims against ANZ rank, or are expressed to rank, junior to the claims of the Holders.</li> </ul>
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
Winding-up Default	<ul style="list-style-type: none"> <li>(a) the making of an order by a court of the State of Victoria, Commonwealth of Australia or a court with appellate jurisdiction from such court which is not successfully appealed or permanently stayed within 60 days of the entry of such order; or</li> <li>(b) the valid adoption by ANZ's shareholders of an effective resolution, in each case for the winding-up of ANZ (other than under or in connection with a scheme of amalgamation or reconstruction not involving bankruptcy or insolvency)</li> </ul>

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