

# ANZ Subordinated Notes Offer

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

February 2012



# Disclaimer

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

A public offer of ANZ Subordinated Notes will be made by ANZ pursuant to an Offer Document. The Offer Document was lodged with the ASX on or about 14 February 2012. A Replacement Offer Document with the Margin determined after the Bookbuild will be lodged on or about 21 February 2012. The Offer Document is available (and the Replacement Offer Document will be available) on ANZ's website, <http://www.subnotes.anz.com/>. Applications for ANZ Subordinated Notes can only be made on the application form accompanying the Offer Document. Before making an investment decision you should read the Offer Document in full and consult with your broker or other professional adviser as to whether ANZ Subordinated Notes are a suitable investment having regard to your particular circumstances. This document is not a prospectus under Australian law and does not constitute an invitation to subscribe for or buy any securities or an offer for subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction. It is also not financial product advice, and does not take into account your investment objectives, financial situation or particular needs.

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# ANZ Subordinated Notes – Key features

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- Opportunity for investors to access a simple investment with regular quarterly interest payments
- Fixed maturity date of 14 June 2022 (~10.25 year term)
  - ANZ may redeem all of the ANZ Subordinated Notes on 14 June 2017 (~5.25 years), subject to prior approval of APRA
- Interest is paid quarterly and is paid fully in cash (gross pay)
  - Initial Interest Rate of between 7.00% and 7.25% p.a.<sup>1</sup>
  - Assumes Bank Bill Rate of 4.25%
  - Margin set via Bookbuild in the range of 2.75% and 3.00%
- Interest payments not deferrable so long as the Solvency Condition is met
- On a winding-up of ANZ, ANZ Subordinated Notes rank:
  - Behind Unsubordinated Creditors (includes depositors, bondholders, other creditors)
  - Equally with any equal ranking instruments
  - Ahead of ANZ's preference shareholders and ordinary shareholders
- No conversion into Ordinary Shares
  - No mandatory conversion
  - No conversion based upon a core equity capital ratio
- While APRA is yet to confirm the capital treatment of ANZ Subordinated Notes, we expect that will form part of ANZ's Tier 2 capital requirements
- To be quoted on ASX under code 'ANZHA'

1. These rates are for illustrative purposes only and do not indicate, guarantee or forecast the actual interest rate payable on the ANZ Subordinated Notes for any Interest Period. The Bank Bill Rate as at 14 February 2012 was 4.36%. The actual Interest Rate may be lower or higher than this example.

# Differences from Term Deposits and CPS3

|   | Term Deposits   | ANZ Subordinated Notes   | CPS3  |
|---|---|--|---|
| Protection under the Australian Government Financial Claims Scheme <sup>1</sup> | Yes   | No   | No  |
| Term  | One month to five years   | Approx. 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>4</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   |
| 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   |
| Ability to withdraw   | Subject to conditions   | No   | No  |
| Conversion to Ordinary Shares   | No  | No   | Mandatory conversion and core capital trigger event   |
| Ranking <sup>3</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 consent of APRA

3. See Section 1.4 of the Offer Document – “Ranking of ANZ Subordinated Notes”

4. See Section 1.3 of the Offer Document – “Repayment of Face Value”

# Ranking of ANZ Subordinated Notes

|  |                           | Illustrative examples of existing ANZ obligations and securities <sup>1</sup>   |
|--|---------------------------|---|
| Higher ranking<br><br><br> | Senior Obligations        | <b>Preferred and secured debt</b><br>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 |
|  |                           | <b>Unsubordinated unsecured debt</b><br>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                    |
|  | Equal ranking obligations | <b>Subordinated debt</b><br><b>ANZ Subordinated Notes</b> and other equal ranking subordinated unsecured debt obligations   |
|  | Junior obligations        | <b>Perpetual subordinated debt</b><br>Perpetual Capital Floating Rate Notes issued in 1986  |
|  |                           | <b>Preference shares</b><br>CPS1, CPS2 and CPS3, the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and 2007 Stapled Securities  |
|  |                           | <b>Ordinary Shares</b><br>Ordinary Shares   |
|  | Lower ranking             |   |

1. 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 principle and interest (including on the winding-up of ANZ) equal with, behind or ahead of ANZ Subordinated Notes



# ANZ Subordinated Notes – Offer summary

|                        |  |
|------------------------|--|
| <b>Offer</b>           | <ul style="list-style-type: none"><li>• Offer by Australia and New Zealand Banking Group Limited (“ANZ”) of ANZ Subordinated Notes</li></ul>   |
| <b>Offer size</b>      | <ul style="list-style-type: none"><li>• \$500 million with the ability to raise more or less</li></ul>   |
| <b>Purpose</b>         | <ul style="list-style-type: none"><li>• ANZ will use the net proceeds for general corporate purposes</li><li>• The ANZ Subordinated Notes are intended to constitute Tier 2 Capital of ANZ</li></ul>   |
| <b>Offer structure</b> | <ul style="list-style-type: none"><li>• The Offer is being made to:<ul style="list-style-type: none"><li>• clients of syndicate brokers;</li><li>• institutional investors; and</li><li>• members of the general public who are Australian residents</li></ul></li><li>• Minimum application of 50 ANZ Subordinated Notes (\$5,000) and thereafter in multiples of 10 ANZ Subordinated Notes (\$1,000)</li></ul> |

# ANZ Subordinated Notes – Summary terms

|                            |   |
|----------------------------|---|
| <b>Issue Price</b>         | <ul style="list-style-type: none"><li>• \$100 per ANZ Subordinated Note</li></ul>   |
| <b>Listing</b>             | <ul style="list-style-type: none"><li>• ANZ has applied for quotation of ANZ Subordinated Notes on ASX, and the notes are expected to trade under code "ANZHA"</li></ul>  |
| <b>Term &amp; Maturity</b> | <ul style="list-style-type: none"><li>• ANZ Subordinated Notes have a term of ~10.25 years unless redeemed earlier by ANZ</li><li>• Assuming the Issue Date is 20 March 2012, the Maturity Date will be 14 June 2022</li><li>• Subject to APRA's prior written approval, ANZ may redeem ANZ Subordinated Notes on:<ul style="list-style-type: none"><li>• 14 June 2017; and</li><li>• any Interest Payment Date for certain tax reasons</li></ul></li></ul>   |
| <b>Ranking</b>             | <ul style="list-style-type: none"><li>• On a winding-up of ANZ, ANZ Subordinated Notes rank for payment:<ul style="list-style-type: none"><li>• behind all Unsubordinated Creditors;</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></li></ul> |

## ANZ Subordinated Notes – Summary terms (cont.)

|                                 |  |
|---------------------------------|--|
| <b>Interest Payment</b>         | <ul style="list-style-type: none"> <li>Floating interest rate</li> <li>Gross pay basis</li> <li>Interest will be paid quarterly in arrears on 14 March, 14 June, 14 September and 14 December, as well as on the Maturity Date or any earlier redemption date, so long as the Solvency Condition is met</li> </ul> |
| <b>Interest Rate</b>            | <ul style="list-style-type: none"> <li>Interest Rate = 90 day BBSW + Margin</li> <li>Margin expected to be in the range of 2.75% and 3.00% per annum and will be determined under a bookbuild process</li> </ul>   |
| <b>Payment Deferral</b>         | <ul style="list-style-type: none"> <li>No, unless ANZ is not Solvent at the time the payment is due or will not be Solvent immediately after making the payment</li> </ul>   |
| <b>Repayment of Face Value</b>  | <ul style="list-style-type: none"> <li>So long as the Solvency Condition is met, on the Maturity Date, Holders will receive: <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> </li> </ul>         |
| <b>Holder Redemption Rights</b> | <ul style="list-style-type: none"> <li>Holders cannot request ANZ Subordinated Notes be redeemed, however ANZ Subordinated Notes can be sold on the ASX at the prevailing market price subject to the liquidity of that market on the ASX</li> </ul>   |
| <b>ANZ Redemption Rights</b>    | <ul style="list-style-type: none"> <li>ANZ may redeem all (but not some only) ANZ Subordinated Notes on: <ul style="list-style-type: none"> <li>14 June 2017; or</li> <li>an Interest Payment Date for certain taxation reasons, subject to obtaining the prior written approval of APRA</li> </ul> </li> </ul>    |



## Key dates for the Offer

|  | Date <sup>1</sup> |
|--|-------------------|
| ASX announcement and ANZ Subordinated Notes Offer Document released  | 14 February 2012  |
| Bookbuild  | 20 February 2012  |
| Opening Date and ASX announcement of the Margin and Replacement ANZ Subordinated Notes Offer Document released | 21 February 2012  |
| Closing Date for the General Offer   | 13 March 2012     |
| Closing Date for the Broker Firm Offer and the Institutional Offer   | 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  | 14 June 2012      |
| First Redemption Date  | 14 June 2017      |
| Maturity Date  | 14 June 2022      |

1. These dates 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 the ANZ Subordinated Notes are issued.

# FY11 Results summary

## Overview of financial performance

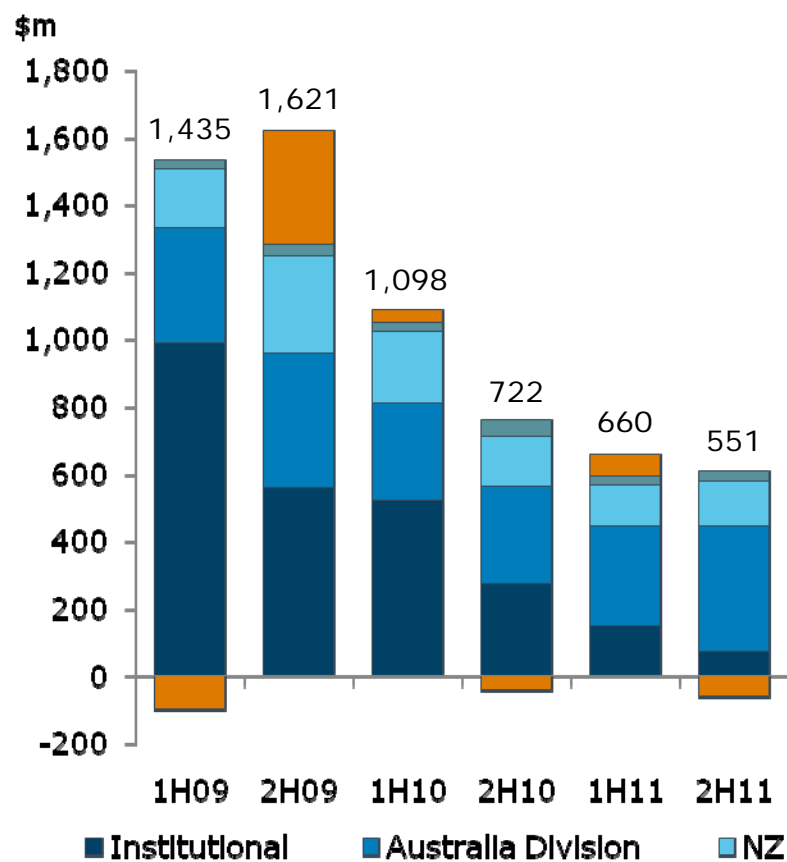
|   | 2011           |              |
|---|----------------|--------------|
|   | \$m            | %            |
| <b>Underlying Profit</b>                  | <b>5,652</b>   | <b>+12%</b>  |
| <b>Operating Income</b>                   | <b>16,812</b>  | <b>+7%</b>   |
| <b>Expenses</b>                           | <b>7,718</b>   | <b>+11%</b>  |
| <b>Provisions</b>                         | <b>1,211</b>   | <b>-33%</b>  |
| <b>Statutory Net Profit After Tax</b>     | <b>5,355</b>   | <b>+19%</b>  |
| <b>EPS (cents)</b>                        | <b>218.4</b>   | <b>+10%</b>  |
| <b>Dividend per Share (cents)</b>         | <b>140</b>     | <b>+11%</b>  |
| <b>Net Interest Margin</b>                | <b>2.46%</b>   | <b>-1bps</b> |
| <b>Customer deposits</b>                  | <b>296,753</b> | <b>16%</b>   |
| <b>Net loans and advances<sup>1</sup></b> | <b>397,285</b> | <b>8%</b>    |

All figures other than Statutory Net Profit after Tax and Dividend are presented on an underlying basis.

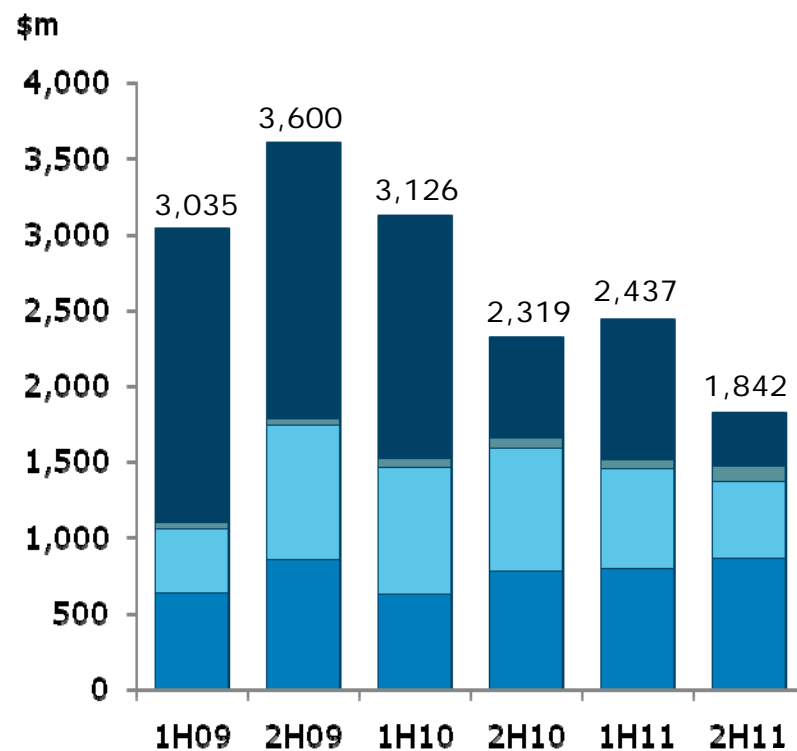
1. Including acceptances

# Credit quality is improving

## Total Provision Charge



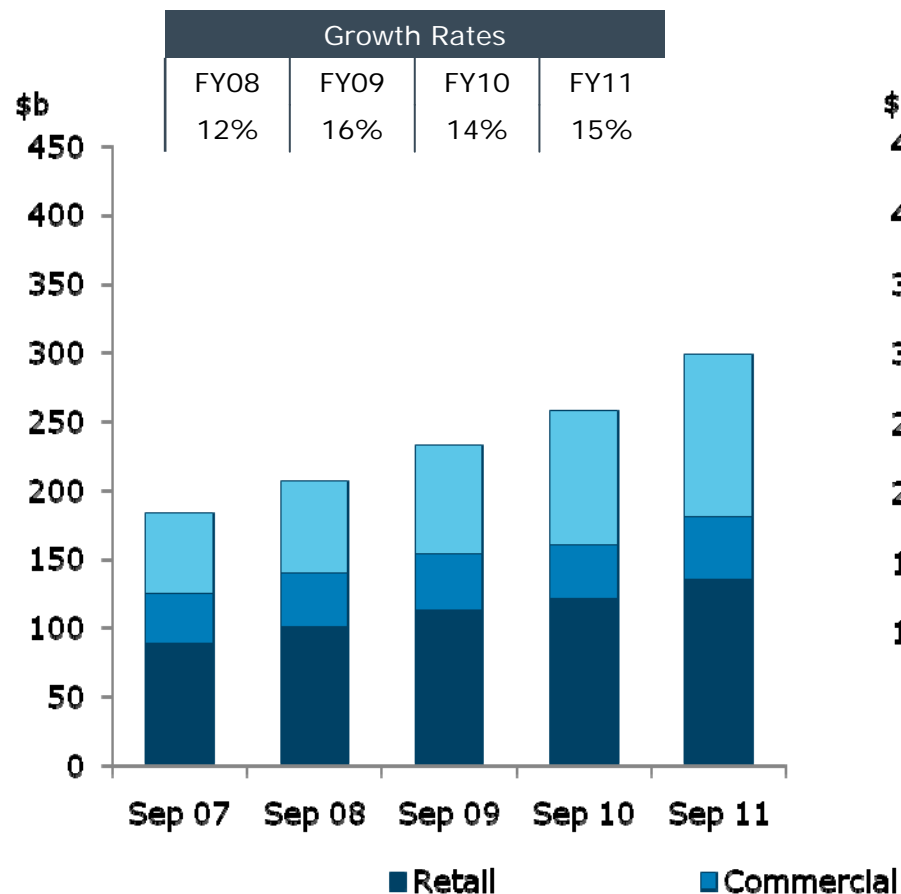
## New Impaired Assets



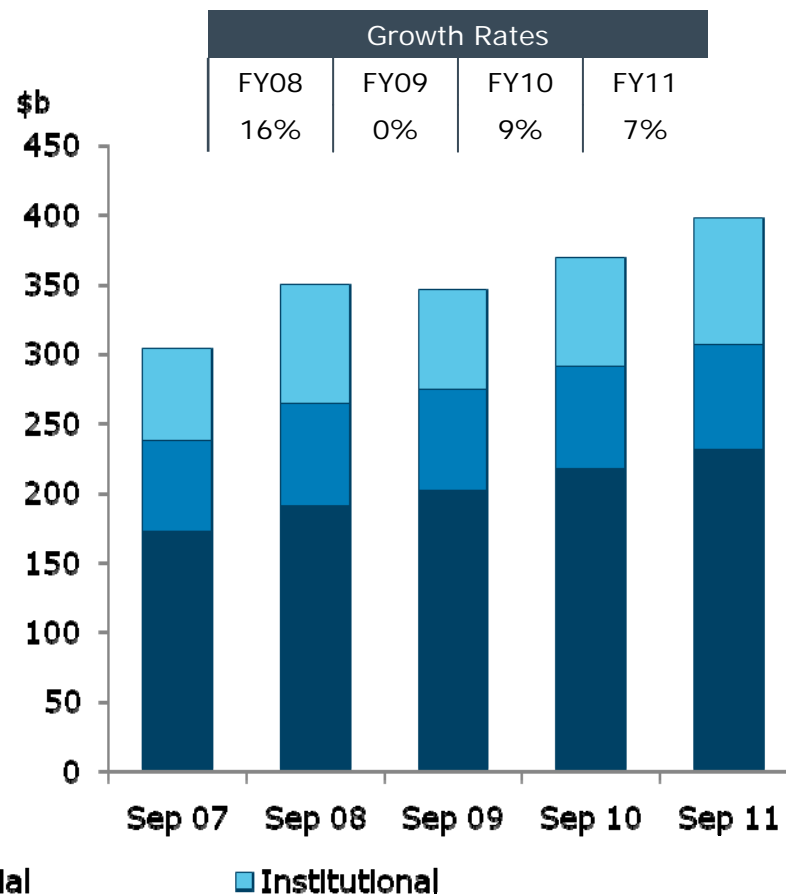
# Balance Sheet

# Group loans and deposits

## Group customer deposits

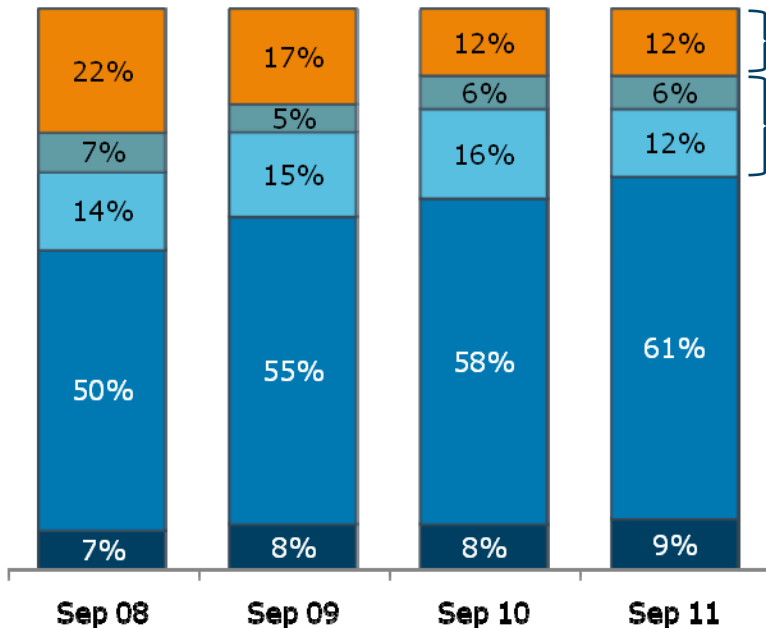
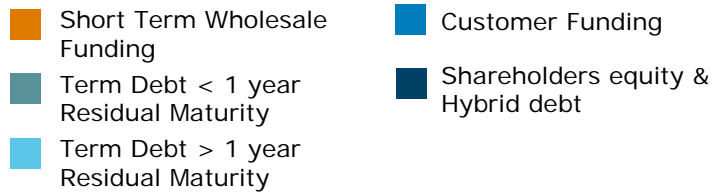


## Group net loans and advances (including acceptances)

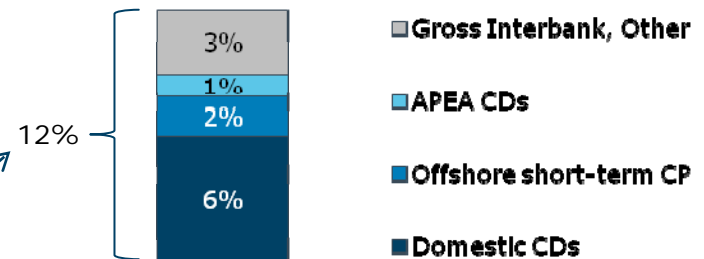


# ANZ has a well diversified funding profile with an increasing weighting to customer funding

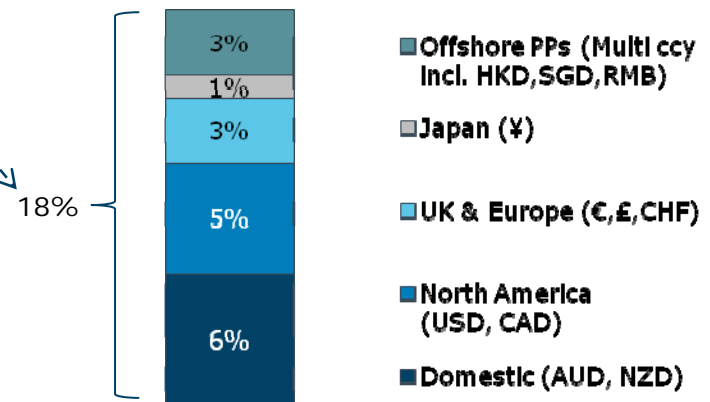
## Strong Funding Composition



## Maintained low levels of short-term wholesale funding

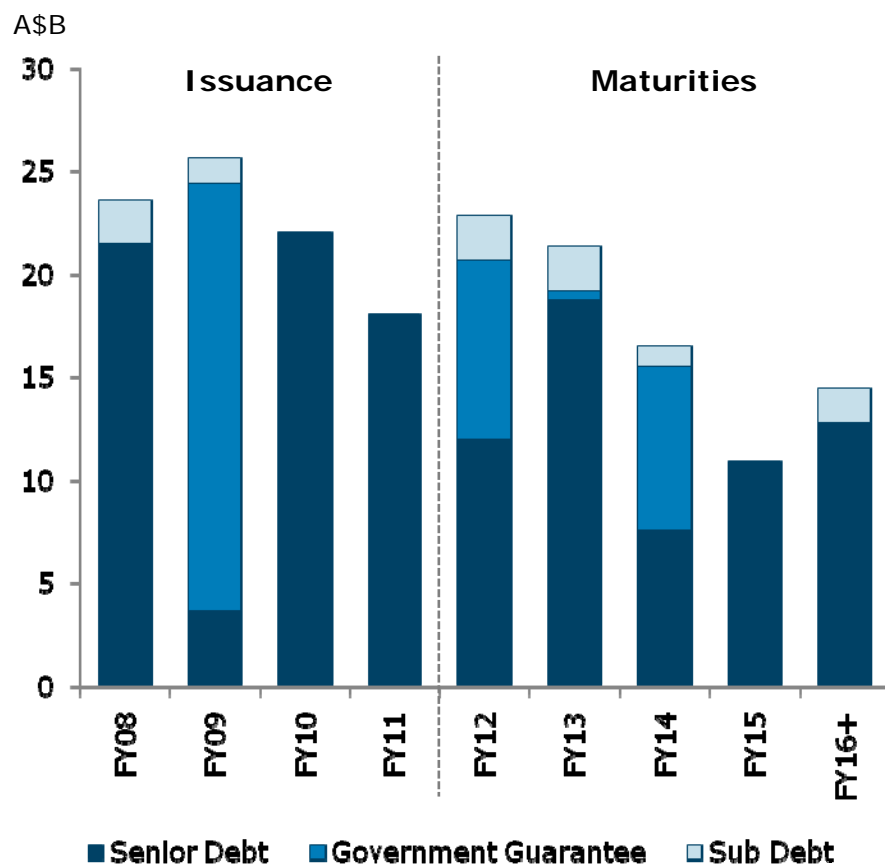


## Well diversified term wholesale funding portfolio

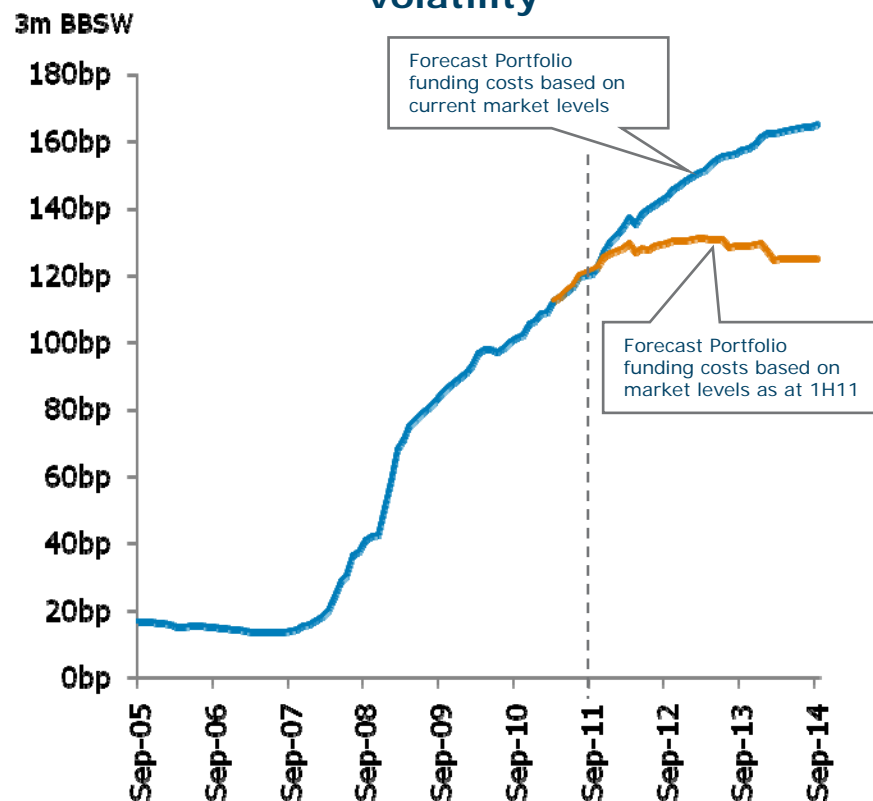


# Stable term debt issuance, portfolio costs increasing

## Stable term funding profile



## Portfolio term funding costs expected to increase further due to current market volatility

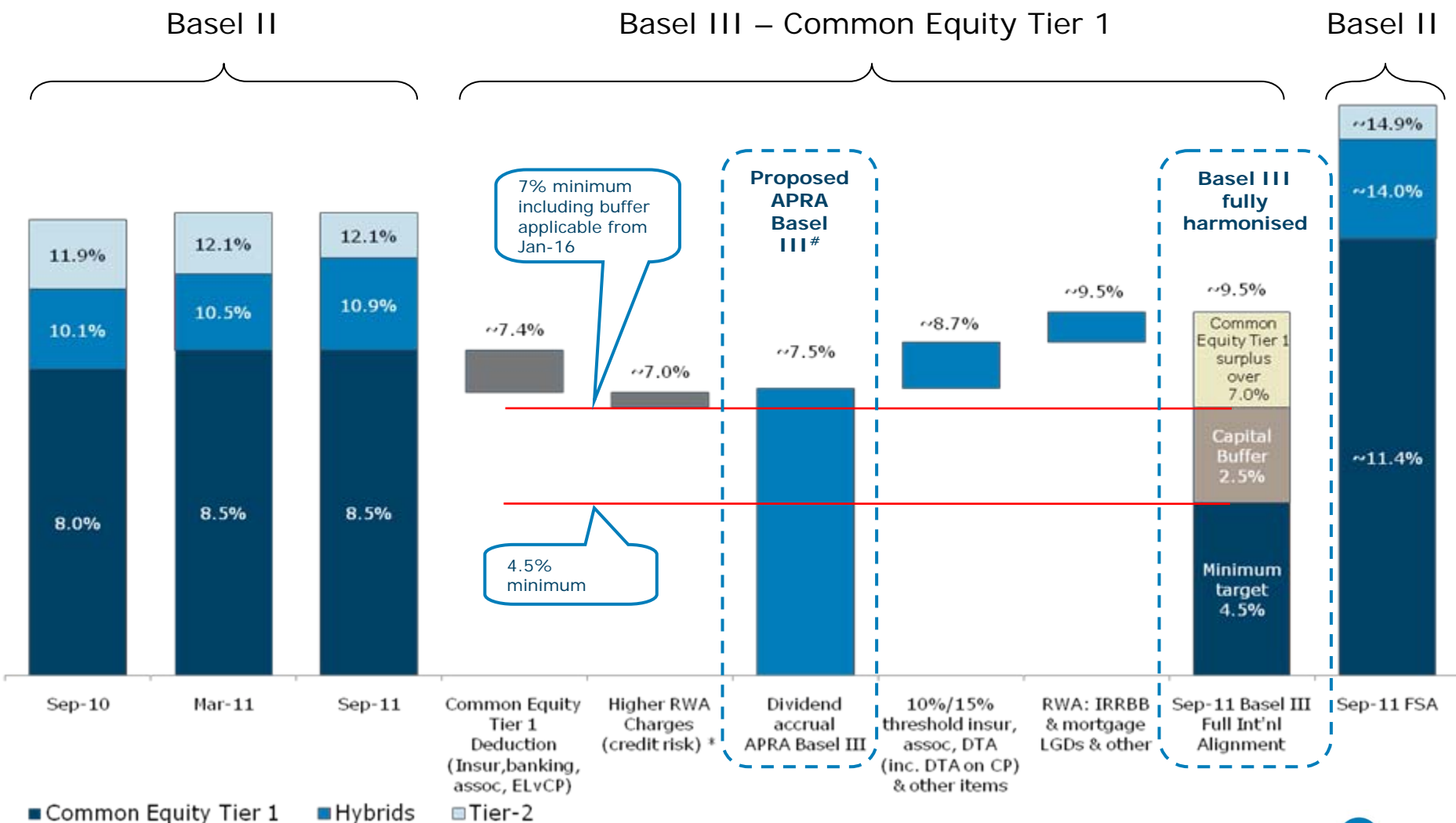


FY11 includes \$2.4bn of pre-funding from FY10

All numbers are at Group Level



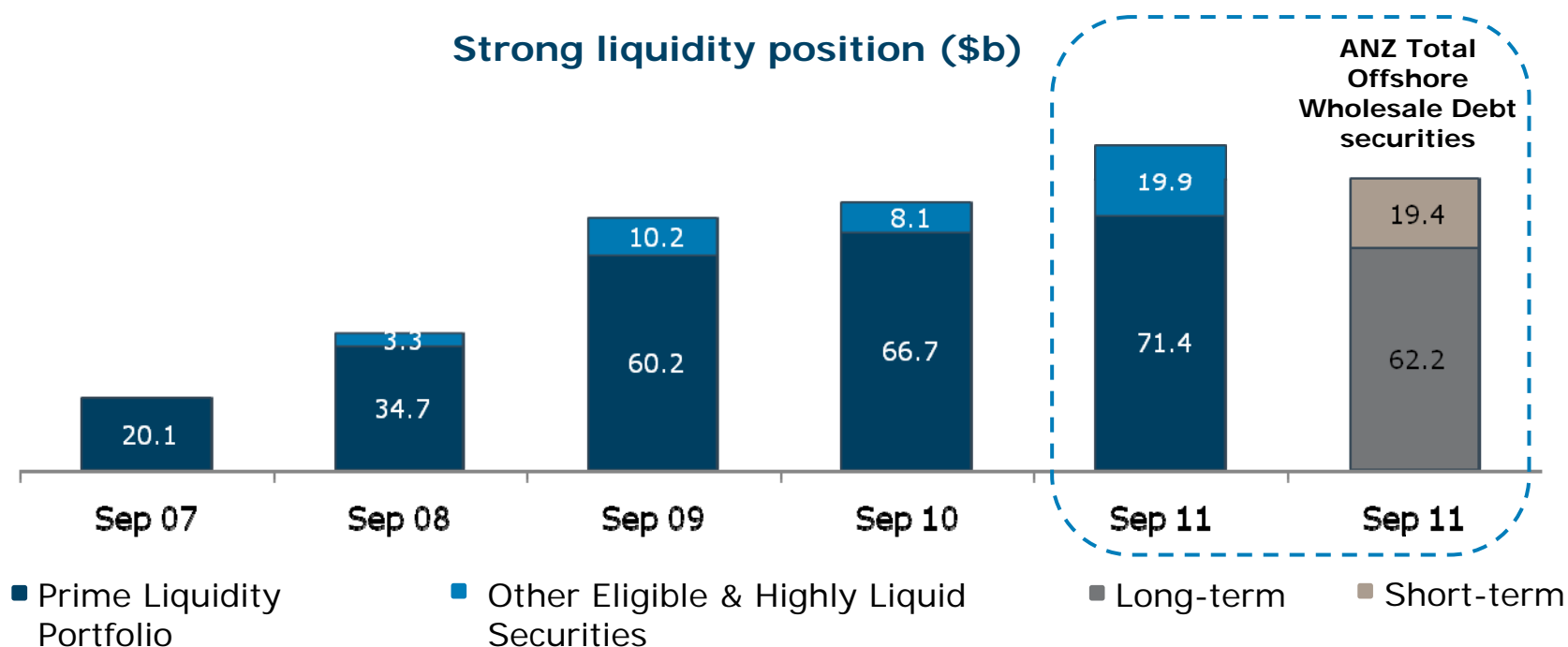
# ANZ well capitalised and positioned to transition to Basel III



\* Excludes Basel 2.5 Market & Securitisation Risks and any Basel 3 liquidity changes

# Still subject to discussion paper feedback

# Total liquid assets exceed TOTAL offshore wholesale debt portfolio



## Composition of prime liquid asset portfolio (\$71.4b)

