



## Media Release

For Release: 23 August 2011

### **ANZ launches Convertible Preference Share (CPS3) Offer**

ANZ today announced that it has lodged a Prospectus with the Australian Securities and Investments Commission for an offer of convertible preference shares (CPS3) to raise \$750 million with the ability to increase or reduce the size of the offer.

This Offer forms part of ANZ's ongoing capital management strategy allowing additional flexibility to manage the timing of the redemption of subordinated debt and other Residual Tier-1 Capital instruments into the future and supports ANZ's consistent focus on the strength of its capital position.

ANZ Chief Financial Officer Peter Marriott said: "ANZ continues to have a peer leading capital position and this Offer provides us with some additional flexibility to manage future redemptions. As part of our capital management strategy, we believe there is an opportunity to test market demand for a new style hybrid capital issue which provides investors with a defensive investment option relative to ordinary equity in volatile markets."

CPS3 will constitute Residual Tier 1 Capital under the Australian Prudential Regulation Authority's (APRA's) current capital adequacy standards and will be eligible for transitional treatment as Additional Tier 1 Capital when those standards are updated as a result of the Basel III reforms.

#### **Key Features of CPS3**

- CPS3 are preference shares issued by ANZ, which will Convert into ANZ Ordinary Shares on 1 September 2019 (subject to certain conditions being satisfied), unless they are Exchanged earlier.
- Dividends on CPS3 are preferred, non-cumulative and based on a floating rate. Dividends are scheduled to be paid semi-annually in arrears, subject to the Payment Tests.
- The Dividend Rate will be calculated on a semi-annual basis as the sum of the 180 day Bank Bill Rate plus the Margin, together multiplied by (1 – corporate tax rate which is currently 30%). The Margin will be determined following the Bookbuild (30 August 2011) and is expected to be in the range of 3.10% to 3.30%.
- On 1 September 2019, CPS3 Holders will receive a variable number of ANZ Ordinary Shares on Conversion unless the Mandatory Conversion Conditions are not satisfied.

- ANZ must convert CPS3 if at any stage its Common Equity Capital Ratio (currently known as the Core Tier 1 Ratio) falls to or below 5.125%. In these circumstances the Mandatory Conversion Conditions do not apply and CPS3 will convert into the number of ANZ Ordinary Shares determined under a 5 day Volume Weighted Average Price (VWAP) calculation, subject to a Maximum Number of ANZ Ordinary Shares. The latter restriction may result in CPS3 Holders receiving substantially less than \$101.01 worth of ANZ Ordinary Shares.
- CPS3 may, subject to APRA's prior written approval where required, be Exchanged by ANZ at its election on 1 September 2017 and any subsequent Dividend Payment Date.
- CPS3 will be classified as a liability for ANZ's accounting purposes and equity for tax purposes.
- ANZ will apply for CPS3 to be quoted on the Australian Securities Exchange (ASX) and they are expected to trade under ASX code 'ANZPC'.

The Offer is expected to open on 31 August 2011 and comprises:

- an ANZ Securityholder Offer, open to Australian resident holders of ANZ Ordinary Shares or convertible preference shares issued by ANZ in September 2008 (CPS1) and in December 2009 (CPS2) on the Register at 7.00pm (Melbourne time) on 3 August 2011;
- a General Offer, open to Australian residents who are neither an ANZ Securityholder Applicant, Broker Firm Applicant nor Institutional Investor;
- a Broker Firm Offer, open to clients of Syndicate Brokers invited to participate through the Broker Firm Offer; and
- an Institutional Offer, open to investors that have been invited by ANZ Securities to bid for CPS3 through the Institutional Offer.

The closing date for the ANZ Securityholder Offer and General Offer is currently scheduled to be at 5:00pm (Melbourne time) on 21 September 2011. The Broker Firm Offer is currently scheduled to close at 10:00am (Melbourne time) on 27 September 2011.

The ANZ CPS3 Prospectus has been lodged with ASIC and the ASX and is available for download within Australia at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com) or by calling the ANZ Information Line on 1800 113 399 (Australia) or +61 3 9415 4010 (international). A replacement Prospectus, containing the Margin and Application forms, will be made available when the Offer opens, expected to be on 31 August 2011. Investors should consider the Prospectus in deciding whether to apply for CPS3. Applications may only be made using the application form attached to or accompanying the replacement Prospectus.

Shareholder approval is not required for the issue of CPS3.

ANZ Securities, Commonwealth Bank of Australia, Goldman Sachs, Macquarie, RBS and UBS have been appointed as Joint Lead Managers on the transaction.

**For investor enquiries, please contact the ANZ Information Line on 1800 113 399 (Australia) or +61 3 9415 4010 (international).**

For media inquiries only contact:

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**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION IN WHOLE OR IN PART IN OR INTO THE U.S.** This statement does not constitute an offer of any securities for sale. The securities offered will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

**Key dates for the Offer**

Lodgement of the Prospectus with ASIC	23 August 2011
Bookbuild to determine the Margin	30 August 2011
Announcement of the Margin and lodgement of the replacement Prospectus with ASIC	31 August 2011
Opening Date	31 August 2011
Closing Date for ANZ Securityholder Offer and General Offer	5.00pm (Melbourne time), 21 September 2011
Closing Date for Broker Firm Offer	10.00am (Melbourne time), 27 September 2011
Issue Date	28 September 2011
CPS3 commence trading on ASX (deferred settlement basis)	29 September 2011
Holding Statements despatched by	3 October 2011
CPS3 commence trading on ASX (normal settlement basis)	5 October 2011
First semi-annual Dividend Payment Date	1 March 2012
First Optional Exchange Date	1 September 2017
Mandatory Conversion Date	1 September 2019

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

Capitalised terms in this media release have the meaning given to them in the Prospectus.



# PROSPECTUS CPS3 CONVERTIBLE PREFERENCE SHARES

**PROSPECTUS** FOR THE ISSUE OF CONVERTIBLE  
PREFERENCE SHARES TO RAISE \$750 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  
COMMONWEALTH BANK  
GOLDMAN SACHS  
MACQUARIE  
RBS  
UBS

**ONLINE MANAGER**  
E\*TRADE AUSTRALIA

**E\*TRADE**  
AUSTRALIA

# IMPORTANT NOTICES

## ABOUT THIS PROSPECTUS

This Prospectus relates to the offer by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ) of convertible preference shares (CPS3) to raise \$750 million with the ability to raise more or less.

This Prospectus is dated 23 August 2011 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. ASIC and ASX take no responsibility for the contents of this Prospectus nor for the merits of the investment to which this Prospectus relates.

This Prospectus expires on the date (**Expiry Date**) which is 13 months after the date of this Prospectus and no CPS3 will be issued on the basis of this Prospectus after the Expiry Date.

## CPS3 ARE NOT DEPOSIT LIABILITIES OF ANZ, ARE NOT PROTECTED ACCOUNTS AND ARE NOT GUARANTEED

CPS3 are not deposit liabilities of ANZ, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS3 are issued by ANZ under the CPS3 Terms and CPS3 Holders have no claim on ANZ except as provided in those CPS3 Terms. The investment performance of CPS3 is not guaranteed by ANZ. There are risks associated in investing in CPS3 – see Section 4.

## DEFINED WORDS AND EXPRESSIONS

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

The definitions specific to CPS3 are in clause 18.2 of the CPS3 Terms in Appendix A. If there is any inconsistency in definitions between those in the Prospectus and the CPS3 Terms, the definitions in clause 18.2 of the CPS3 Terms prevail.

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

## GOVERNING LAW

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

## EXPOSURE PERIOD

Under the Corporations Act, ANZ is prohibited from processing Applications in the seven day period after 23 August 2011, being the date on which this Prospectus was lodged with ASIC.

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

## HOW TO OBTAIN A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com). Application Forms will not be made available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com). If you access an electronic copy of this Prospectus, then you should read "Electronic access to Prospectus" below.

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

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

## ELECTRONIC ACCESS TO PROSPECTUS

The following conditions apply if this Prospectus is accessed electronically:

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

### APPLICATIONS FOR CPS3

Applications for CPS3 under this Prospectus may only be made during the Offer Period (although ANZ reserves the right to accept late Applications) and pursuant to an Application Form attached to or accompanying this Prospectus. The Offer Period may close early.

For information on who is eligible to apply for CPS3 under the Offer and how to make an Application – see Section 2.

### ASX QUOTATION AND ISSUE DATE

ANZ will apply for CPS3 to be quoted on ASX within seven days after the date of this Prospectus. If ASX does not grant permission for CPS3 to be quoted within three months after the date of the Prospectus, CPS3 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

If CPS3 are accepted for quotation on ASX, ANZ will issue CPS3 on or about 28 September 2011.

It is not intended to quote CPS3 on any securities exchange apart from ASX.

### PROVIDING PERSONAL INFORMATION

You will be asked to provide personal information to ANZ (directly or via its agents) if you apply for CPS3. See Section 6.13 for information on how ANZ (and its agents) collect, hold and use this personal information.

### RESTRICTIONS IN FOREIGN JURISDICTIONS

For details of the selling restrictions that apply to CPS3 in foreign jurisdictions – see Section 6.12.

### NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

You should rely only on information in this Prospectus.

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

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

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

The Offer and the information in this Prospectus do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor. It is important that you read the entire Prospectus before deciding whether to apply for CPS3.

In particular, in considering whether to apply for CPS3, it is important that you:

- consider the risk factors, including those that could affect CPS3 or the financial performance and position of ANZ – see Section 4;
- carefully consider these risk factors and other information in the Prospectus in light of your investment objectives, financial situation and particular needs (including financial and tax issues); and
- seek professional investment advice from your financial adviser or other professional adviser.

### DIAGRAMS

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

### ENQUIRIES

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

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



23 AUGUST 2011

Dear Investors

On behalf of the board of Australia and New Zealand Banking Group Limited (ANZ), I am pleased to present you with an opportunity to invest in convertible preference shares (CPS3).

CPS3 are fully paid preference shares issued by ANZ, which will mandatorily convert into ordinary shares of ANZ on 1 September 2019 (subject to certain conditions being satisfied), unless they are exchanged earlier.

ANZ intends to issue 7.5 million CPS3 to raise \$750 million with the ability to raise more or less.

The offer of CPS3 forms part of ANZ's continuing capital management strategy which targets an efficient capital structure with respect to the amount, type, term and cost of capital issued by ANZ.

CPS3 provide investors, subject to the terms, with floating rate, six-monthly, non-cumulative, preferred dividends which are expected to be fully or substantially franked. CPS3 are intended to be quoted on ASX. The key features of CPS3 are set out on page 5 of this Prospectus.

The Directors encourage you to read this Prospectus carefully and consider in particular the risk factors set out in Section 4. If, after reading this Prospectus, you have any questions about the offer or how to apply for CPS3 under the ANZ Securityholder Offer or General Offer, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or contact your broker or other professional adviser.

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

The key dates for the offer are summarised on page 4. The offer may close early, so you are encouraged to submit your application as soon as possible after the opening date.

On behalf of the Board of ANZ, I invite you to consider this investment opportunity.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'John Morschel'.

JOHN MORSCHEL  
CHAIRMAN

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)

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# KEY DATES

KEY DATES FOR THE OFFER	DATE
Lodgement of this Prospectus with ASIC	23 August 2011
Bookbuild to determine the Margin	30 August 2011
Announcement of the Margin and lodgement of the replacement Prospectus with ASIC	31 August 2011
Opening Date	31 August 2011
Closing Date for ANZ Securityholder Offer and General Offer	5:00pm AEST on 21 September 2011
Closing Date for Broker Firm Offer	10:00am AEST on 27 September 2011
Issue Date	28 September 2011
CPS3 commence trading on ASX (unconditional and deferred settlement basis)	29 September 2011
Holding Statements despatched by	3 October 2011
CPS3 commence trading on ASX (normal settlement basis)	5 October 2011
First six-monthly Dividend Payment Date <sup>1</sup>	1 March 2012
First Optional Exchange Date	1 September 2017
Mandatory Conversion Date <sup>2</sup>	1 September 2019

## DATES MAY CHANGE

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

ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS3 are issued. If the Offer is withdrawn before the issue of CPS3, all Application Payments received by ANZ will be refunded (without interest) to Applicants as soon as possible after the withdrawal.

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

<sup>1</sup> Dividends are scheduled to be paid at the end of each six-monthly Dividend Period (on 1 March and 1 September each year) subject to the Payment Tests. If any of these scheduled dates are not Business Days, then the Dividend Payment Date will occur on the next Business Day.

<sup>2</sup> The Mandatory Conversion Date may be later than 1 September 2019, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied – see Section 4.1.9.

# KEY FEATURES OF CPS3

This Prospectus contains information about the offer by ANZ of CPS3 and you should read it in its entirety before deciding whether to apply for CPS3.

CPS3 are preference shares issued by ANZ, which will Mandatorily Convert into Ordinary Shares on 1 September 2019 (subject to certain conditions being satisfied).

CPS3 are being offered as part of ANZ's capital management strategy, with the CPS3 proceeds being used for general corporate purposes.

## FLOATING RATE DIVIDENDS

- Dividends on CPS3 are preferred, non-cumulative, based on a floating rate and are expected to be fully or substantially franked. Dividends are scheduled to be paid six-monthly in arrears, subject to the Directors at their absolute discretion resolving to pay Dividends and the other Payment Tests.
- The Dividend Rate will be calculated each six months as the sum of the Bank Bill Rate plus the Margin, together multiplied by  $(1 - \text{Tax Rate})$ .

## MANDATORY CONVERSION

- On 1 September 2019, CPS3 Holders will receive a variable number of Ordinary Shares on Conversion unless the Mandatory Conversion Conditions are not satisfied or CPS3 are Exchanged by Redemption or Converted following a Common Equity Capital Trigger Event.
- The Mandatory Conversion Conditions are intended to prevent CPS3 Holders from receiving less than approximately \$101.01 worth of Ordinary Shares per CPS3 on Conversion based on the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the 20 Business Days before the Mandatory Conversion Date.<sup>3</sup> The Mandatory Conversion Conditions do not apply where there is a Common Equity Capital Trigger Event.

## COMMON EQUITY CAPITAL TRIGGER EVENT

- ANZ must also Convert CPS3 if its Common Equity Capital Ratio as prescribed by APRA falls below 5.125%. The Mandatory Conversion Conditions do not apply in these circumstances. The number of Ordinary Shares received will be a number based on a VWAP during 5 Business Days before the Common Equity Capital Conversion Date, but not more than the Maximum Conversion Number. As a result CPS3 Holders may receive only the Maximum Conversion Number of Ordinary Shares per CPS3. This may mean that CPS3 Holders receive significantly less than \$101.01 worth of Ordinary Shares per CPS3.<sup>4</sup>

## EXCHANGE

- CPS3 may, subject to APRA's prior written approval, be Exchanged by ANZ at its election on 1 September 2017 and any subsequent Dividend Payment Date or if a Tax Event, a Regulatory Event or an Acquisition Event occurs. CPS3 must, subject to APRA's prior written approval where required, be Exchanged if a Change of Control Event occurs.
- APRA's prior written approval is required for any Redemption and ANZ is not allowed to elect to Redeem CPS3 unless those CPS3 being Redeemed are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality, or APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to Redeem CPS3. CPS3 may only be Exchanged by Redemption following an Acquisition Event or Change of Control Event if that event occurs on or after 28 September 2016.

## LISTING

- ANZ will apply for CPS3 to be quoted on ASX and CPS3 are expected to trade under ASX code "ANZPC".

## RANKING

- On a winding-up of ANZ, CPS3 rank for payment ahead of Ordinary Shares, equally with CPS1 and CPS2, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors of ANZ.

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There are risks associated with investing in CPS3 and in ANZ. The key risks are summarised in Section 1.8 and risks generally are explained in detail in Section 4.

<sup>3</sup> This VWAP may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

<sup>4</sup> If the number of Ordinary Shares to be issued calculated based on VWAP is less than the Maximum Conversion Number, the VWAP during the 5 Business Days before the Common Equity Capital Conversion Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices reflecting their value based on the VWAP calculation or at all.

# WHAT YOU SHOULD DO

## 1. READ THIS PROSPECTUS

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

- important notices on the inside front cover;
- key features of CPS3 in Section 1;
- information about ANZ in Section 3;
- investment risks in Section 4; and
- CPS3 Terms in Appendix A.

## 2. CONSIDER AND CONSULT

Consider all risks and other information about CPS3 in light of your particular investment objectives and circumstances. Consult your financial adviser or other professional adviser if you are uncertain as to whether you should apply for CPS3.

## 3. WHO MAY APPLY?

The Offer is only being made to:

- ANZ Securityholders who may apply under the ANZ Securityholder Offer;
- Australian resident members of the general public who may apply under the General Offer;
- clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer; and
- Institutional Investors who were invited by ANZ Securities to bid for CPS3 through the Bookbuild under the Institutional Offer.

Applications must be for a minimum of 50 CPS3 (\$5,000). If your Application is for more than 50 CPS3, then you must apply in incremental multiples of 10 CPS3 – that is, for incremental multiples of at least \$1,000.

## 4. WHO ARE ANZ SECURITYHOLDERS?

If you were a registered holder of Ordinary Shares, CPS1 or CPS2 with a registered address in Australia at 7:00pm AEST on 3 August 2011, you are an ANZ Securityholder.

If there is excess demand for CPS3, priority will be given to ANZ Securityholder Applicants over Applications under the General Offer in the allocation of CPS3.

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

## 5. COMPLETE THE APPLICATION FORM

If you have decided to apply for CPS3, you need to apply pursuant to an Application Form attached to or accompanying this Prospectus, including any online Application Form. The Prospectus and Application Forms will be available during the Offer Period. The Application process varies depending on whether you are an ANZ Securityholder Applicant, General Applicant or Broker Firm Applicant – see Section 2 for full details.

## 6. SUBMIT YOUR APPLICATION

If you are an ANZ Securityholder Applicant, your Application must be received by the Registry no later than the Closing Date for the ANZ Securityholder Offer, which is 5:00pm AEST on 21 September 2011 including payment by cheque(s) and BPAY®. You may submit your Application pursuant to a paper Application Form accompanied by an Application Payment using either cheque(s) and/or money order(s), or online by following the instructions at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com) and completing a BPAY® payment.

If you are a General Applicant, your Application must be received by the Registry no later than the Closing Date for the General Offer, which is 5:00pm AEST on 21 September 2011 including payment by cheque(s) and BPAY®. You may submit your Application pursuant to a paper Application Form accompanied by an Application Payment using either cheque(s) and/or money order(s), or online by following the instructions at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com) and completing a BPAY® payment.

If you are a Broker Firm Applicant, your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer, which is 10:00am AEST on 27 September 2011. Please contact your Syndicate Broker for their instructions on how to submit your Application.

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

For more information on applying for CPS3 – see Section 2. If you have any questions about the Offer or how to apply for CPS3 as an ANZ Securityholder Applicant or General Applicant, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or contact your broker or other professional adviser.

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

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

# SECTION 1 ABOUT CPS3

THIS SECTION IS DESIGNED TO PROVIDE INFORMATION ABOUT THE KEY FEATURES AND RISKS OF CPS3.

WHERE INDICATED, MORE DETAILED INFORMATION IS PROVIDED IN OTHER SECTIONS.

# KEY QUESTIONS ABOUT CPS3

## 1.1 GENERAL

- 1.1.1 Who is the issuer?
- 1.1.2 What are CPS3?
- 1.1.3 What is the Issue Price?
- 1.1.4 What is the size of the Offer?
- 1.1.5 What is the purpose of the Offer?
- 1.1.6 What is the term of CPS3?
- 1.1.7 How do CPS3 rank in relation to other ANZ instruments?
- 1.1.8 Will CPS3 be quoted on ASX?
- 1.1.9 Will CPS3 be rated?
- 1.1.10 Are CPS3 guaranteed by the Australian Government?
- 1.1.11 What is the regulatory treatment of CPS3?
- 1.1.12 What are the taxation implications of investing in CPS3?
- 1.1.13 Is brokerage or stamp duty payable?
- 1.1.14 How do the key features of CPS3, CPS2 and CPS1 compare?

## 1.2 DIVIDENDS

- 1.2.1 What are Dividends?
- 1.2.2 How will the Dividend Rate be calculated?
- 1.2.3 How will the Dividend be calculated for each Dividend Period?
- 1.2.4 What is the impact of franking credits?
- 1.2.5 What is the Bank Bill Rate?
- 1.2.6 When are the Dividend Payment Dates?
- 1.2.7 What are the Payment Tests?
- 1.2.8 What is the Distribution Restriction and when will it apply?

## 1.3 MANDATORY CONVERSION

- 1.3.1 What is Mandatory Conversion?
- 1.3.2 When is the Mandatory Conversion Date?
- 1.3.3 What are the Mandatory Conversion Conditions?
- 1.3.4 What is a Common Equity Capital Trigger Event?
- 1.3.5 What is the Common Equity Capital Ratio?
- 1.3.6 Is Conversion on account of a Common Equity Capital Trigger Event subject to the Mandatory Conversion Conditions?
- 1.3.7 When does Conversion on account of a Common Equity Capital Trigger Event occur?
- 1.3.8 How many Ordinary Shares will CPS3 Holders receive on the Mandatory Conversion Date or the Common Equity Capital Conversion Date?
- 1.3.9 What adjustments to the Issue Date VWAP are made to account for changes to ANZ's capital?
- 1.3.10 What can happen if the Mandatory Conversion Conditions are not satisfied?

## 1.4 OPTIONAL EXCHANGE BY ANZ

- 1.4.1 What is Optional Exchange?
- 1.4.2 When is the Optional Exchange Date?
- 1.4.3 What are the requirements for Conversion to be elected as the Exchange Method?
- 1.4.4 What are the Optional Conversion Restrictions?
- 1.4.5 What are the further Conversion restrictions on the Exchange Date?
- 1.4.6 Can CPS3 Holders request Exchange?

## 1.5 OPTIONAL EXCHANGE BY ANZ ON ACCOUNT OF TAX EVENT, REGULATORY EVENT OR ACQUISITION EVENT

- 1.5.1 What is a Tax Event, Regulatory Event or Acquisition Event?
- 1.5.2 What Exchange Method can be elected by ANZ on these events?

## 1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT

- 1.6.1 What must ANZ do on a Change of Control Event?
- 1.6.2 What Exchange Method can be elected by ANZ on a Change of Control Event?
- 1.6.3 What are the restrictions for Redemption to be elected as the Exchange Method?
- 1.6.4 What are the requirements for Conversion to be elected as the Exchange Method?
- 1.6.5 What are the further Conversion restrictions on the Change of Control Exchange Date?
- 1.6.6 What happens if Exchange does not occur?
- 1.6.7 What other obligations does ANZ have in connection with a takeover or scheme of arrangement?

## 1.7 OTHER

- 1.7.1 Can ANZ issue further CPS3, preference shares or other instruments?
- 1.7.2 What voting rights do CPS3 carry?
- 1.7.3 Can ANZ amend the CPS3 Terms?
- 1.7.4 What is an Approved NOHC Event?

## 1.8 POTENTIAL INVESTMENT RISKS

- 1.8.1 Financial market conditions and liquidity
- 1.8.2 Fluctuation in Ordinary Share price
- 1.8.3 Dividends may not be paid
- 1.8.4 Dividends may not be fully franked
- 1.8.5 Changes in Dividend Rate
- 1.8.6 Mandatory Conversion may not occur on the Mandatory Conversion Date
- 1.8.7 Mandatory Conversion on a Common Equity Capital Trigger Event
- 1.8.8 Ranking
- 1.8.9 ANZ's financial performance and position

Topic	Summary	Where to find more information
<b>1.1 GENERAL</b>		
1.1.1 Who is the issuer?	<p>Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (<b>ANZ</b>).</p> <p>ANZ is one of the four major banking groups headquartered in Australia. ANZ began its Australian operations in 1835 and its New Zealand operations in 1840.</p> <p>ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ conducts its operations primarily in Australia, New Zealand, the Asia Pacific region and in a number of other countries including the United Kingdom and the United States.</p>	Section 3
1.1.2 What are CPS3?	<p>CPS3 are fully paid preference shares issued by ANZ, which will Mandatorily Convert into Ordinary Shares on 1 September 2019 (subject to the Mandatory Conversion Conditions being satisfied) and otherwise if at any time a Common Equity Capital Trigger Event occurs.</p> <p>Subject to APRA's prior written approval where required, ANZ may elect to Exchange CPS3 prior to 1 September 2019 in certain circumstances and must do so where a Change of Control Event occurs.</p>	Clauses 1.1, 4, 5 and 6 of the CPS3 Terms
1.1.3 What is the Issue Price?	\$100 per CPS3.	Clause 1.2 of the CPS3 Terms
1.1.4 What is the size of the Offer?	<p>The Offer is for the issue of CPS3 to raise \$750 million with the ability to raise more or less.</p> <p>Applications must be for a minimum of 50 CPS3 (\$5,000). If your Application is for more than 50 CPS3, then you must apply in incremental multiples of 10 CPS3 – that is, for incremental multiples of at least \$1,000.</p>	Section 2
1.1.5 What is the purpose of the Offer?	The Offer is being made as part of ANZ's ongoing capital management strategy, with the CPS3 proceeds being used for ANZ's general corporate purposes.	Section 3
1.1.6 What is the term of CPS3?	<p>CPS3 do not have a fixed maturity date. However, CPS3 Holders will receive Ordinary Shares on Conversion of the CPS3 upon Mandatory Conversion on 1 September 2019 (subject to the Mandatory Conversion Conditions being satisfied and unless CPS3 are Exchanged by Redemption or Converted following a Common Equity Capital Trigger Event). ANZ must also Convert CPS3 if a Common Equity Capital Trigger Event occurs. Such Conversion is not subject to the Mandatory Conversion Conditions and can occur at any time prior to 1 September 2019.</p> <p>Subject to APRA's prior written approval where required, ANZ may also elect to Exchange CPS3 if certain events occur and must do so where a Change of Control Event occurs. ANZ may also elect to Exchange CPS3 at its option on 1 September 2017 or any Dividend Payment Date after that date (subject to the Optional Conversion Restrictions being satisfied).</p>	Clauses 4, 5 and 6 of the CPS3 Terms

Topic	Summary	Where to find more information
<b>1.1 GENERAL (CONT)</b>		
<p>1.1.7 How do CPS3 rank in relation to other ANZ instruments?</p>	<p>For the payment of Dividends, CPS3 rank ahead of Ordinary Shares and rank equally with CPS1 and CPS2, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors.</p> <p>On a winding-up of ANZ, CPS3 rank for payment ahead of Ordinary Shares, equally with CPS1 and CPS2, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors. For the potential effect on the assets of ANZ available to meet the claims of a CPS3 Holder in a winding-up of ANZ if an Approved NOHC Event occurs, see Section 1.7.4. CPS3 Holders do not have any claim on the assets of an Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.</p>	<p>Clauses 9.1 and 9.2 of the CPS3 Terms</p>
<p>1.1.8 Will CPS3 be quoted on ASX?</p>	<p>ANZ will apply for CPS3 to be quoted on ASX and CPS3 are expected to trade under ASX code "ANZPC".</p>	<p>Section 2.6.1</p>
<p>1.1.9 Will CPS3 be rated?</p>	<p>ANZ has not sought a credit rating for CPS3.</p>	
<p>1.1.10 Are CPS3 guaranteed by the Australian Government?</p>	<p>No. CPS3 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS3 do not represent deposits of ANZ and are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act.</p>	
<p>1.1.11 What is the regulatory treatment of CPS3?</p>	<p>Under APRA's current capital adequacy standards for banks, Tier 1 Capital consists of Fundamental Tier 1 Capital and Residual Tier 1 Capital less Tier 1 Capital Deductions.</p> <p>For the purpose of those APRA standards, mandatory convertible preference shares can qualify as Residual Tier 1 Capital if certain requirements are met.</p> <p>APRA has also released certain Interim Arrangements for the issuance of Residual Tier 1 Capital instruments while the Basel III framework is being finalised.</p> <p>Pursuant to those Interim Arrangements, APRA has confirmed that CPS3 will constitute Residual Tier 1 Capital under the current capital adequacy standards and will be eligible for transitional treatment as Additional Tier 1 Capital under the Basel III framework as adopted by APRA. It is possible that APRA's approach to the implementation of Basel III may differ to some extent from the current proposed framework.</p>	<p>Section 3.3</p>
<p>1.1.12 What are the taxation implications of investing in CPS3?</p>	<p>The taxation implications of investing in CPS3 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice.</p> <p>A general outline of the Australian taxation implications is included in the Taxation Summary in Section 5.</p>	<p>Section 5</p>

Topic	Summary		
<b>1.1 GENERAL (CONT)</b>			
1.1.13 Is brokerage or stamp duty payable?	No brokerage or stamp duty is payable on Applications for CPS3. Holders may have to pay brokerage on any subsequent transfer of CPS3 on ASX after quotation.		
1.1.14 How do the key features of CPS3, CPS2 and CPS1 compare?	A comparison of the key features of CPS3, CPS1 and CPS2 is set out in summary form below. These comparisons are not intended to be exhaustive.		
	<b>CPS1</b>	<b>CPS2</b>	<b>CPS3</b>
Legal form	Preference share	Same as for CPS1	Same as for CPS1 and CPS2
Term	Perpetual, subject to mandatory conversion	Same as for CPS1	Perpetual, subject to Mandatory Conversion
Issuer	ANZ	Same as for CPS1	Same as for CPS1 and CPS2
ASX code	ANZPB	ANZPA	ANZPC <sup>5</sup>
Margin	2.50% per annum	3.10% per annum	Expected to be in the range of 3.10% and 3.30% per annum
Nature of dividends <sup>6</sup>	Frankable, floating rate quarterly preferred non-cumulative dividend	Same as for CPS1	Same as for CPS2 except dividends are six-monthly
Rights if dividend is not fully franked <sup>7</sup>	Gross-up	Same as for CPS1	Same as for CPS1 and CPS2
Payment Tests for dividends	Absolute director discretion and APRA tests including a distributable profits test	Same as for CPS1	Same as for CPS1 and CPS2 <sup>8</sup>
Mandatory Conversion Date <sup>9</sup>	16 June 2014	15 December 2016	1 September 2019 <sup>10</sup>
Dividend restrictions if dividends not paid	If a dividend is not paid ANZ must not pay certain distributions on equal or junior ranking instruments, unless consecutive dividends have been paid for 12 months or an optional dividend paid equal to 12 months of unpaid dividends	Same as for CPS1	The dividend restriction differs from CPS1 and CPS2. If a dividend is not paid, ANZ must not pay certain distributions on its Ordinary Shares until and including the next Dividend Payment Date. See further Sections 1.2.8 and 4.1.8
What can happen if the mandatory conversion conditions are not satisfied?	ANZ has the right (subject to APRA's approval) to redeem or resell all CPS for \$100 each. Otherwise, conversion is deferred until the next dividend payment date on which the mandatory conversion conditions are satisfied	Same as for CPS1	Same as for CPS1 and CPS2 but ANZ has no right to resell CPS3
Common Equity Capital Trigger Event	N/A	N/A	This is a new feature required by APRA prudential regulation. This feature is further described in Section 1.3.4 and Section 1.3.5 see also Section 4.1.10
Exchange	May be exchanged at the option of ANZ on the occurrence of certain events including tax, acquisition and regulatory events (and in some circumstances must be exchanged)	Same as for CPS1 except that the definition of "Regulatory Event" in CPS2 includes all laws and regulations, which is wider than under the terms of CPS1	Same as for CPS2. May also be exchanged at the option of ANZ on 1 September 2017 or any Dividend Payment Date after that date. CPS3 may only be Exchanged by way of Redemption following an Acquisition Event or Change of Control Event if the event occurs after 28 September 2016
Ordinary Share price threshold for First Mandatory Conversion Condition <sup>11</sup>	\$9.7160	\$12.2081	56.00% of Issue Date VWAP (being approximately \$10.9200) <sup>12</sup>
Conversion discount	2.50%	1.00%	1.00% <sup>13</sup>
Ranking for dividends and in a winding-up	Rank ahead of Ordinary Shares, equally with certain issued preference shares and any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors	Same as for CPS1	Same as for CPS1 and CPS2. However, the Distribution Restriction does not restrict payments of dividend on CPS1, CPS2 or similar securities if payment is not made on CPS3
Capital classification	Residual Tier 1 Capital	Same as for CPS1	Same as for CPS1 and CPS2
Issue Date	30 September 2008	17 December 2009	28 September 2011

Topic	Summary	Where to find more information
<b>1.1 GENERAL (CONT)</b>		
<p>5 ANZ will apply for CPS3 to be quoted on ASX and are expected to trade under ASX code “ANZPC”.</p> <p>6 In the case of each security, dividends are expected to be fully or substantially franked.</p> <p>7 In the case of each security, the payment tests applicable to the dividend also apply to any gross-up.</p> <p>8 For the payment tests applicable to CPS3, see Section 1.2.7.</p> <p>9 In each security, subject to the mandatory conversion conditions being satisfied.</p> <p>10 In addition, CPS3 will convert into Ordinary Shares where a Common Equity Capital Trigger Event occurs. Such Conversion is not subject to the Mandatory Conversion Conditions.</p> <p>11 The Ordinary Share price threshold may be adjusted to reflect transactions affecting the capital of ANZ. In the case of CPS1 and CPS2 the transactions include capital reconstructions, off-market buybacks, returns of capital and bonus and rights issues. In the case of CPS3 the transactions which may adjust the Ordinary Share price threshold are limited to reflect only certain capital reconstructions of Ordinary Shares and pro rata bonus issues of Ordinary Shares, and no adjustment shall be made to the Issue Date VWAP where the adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect - see Section 1.3.9.</p> <p>12 Assuming an Issue Date VWAP equal to the closing Ordinary Share price of \$19.50 on 19 August 2011. The indicative Issue Date VWAP is for illustrative purposes only and does not indicate, guarantee or forecast the Issue Date VWAP or the price of Ordinary Shares on any other day. Actual prices may be higher or lower than this example – see Section 1.3.3.</p> <p>13 As a result of the 1% conversion discount in CPS2 and CPS3, the percentage of the Issue Date VWAP used for the Second Mandatory Conversion Condition in those securities is 50.51% rather than 51.28% in CPS1.</p>		
<b>1.2 DIVIDENDS</b>		
<p>1.2.1 What are Dividends?</p>	<p>Dividends on CPS3 are preferred, non-cumulative, based on a floating rate, subject to certain Payment Tests, and expected to be fully or substantially franked. Accordingly, CPS3 Holders are expected to receive a combination of cash Dividends and franking credits. The value and availability of franking credits to a CPS3 Holder will differ depending on the CPS3 Holder’s particular tax circumstances. Each CPS3 Holder will only receive the benefit of the franking credits where those credits are able to be claimed in the CPS3 Holder’s tax return.</p> <p>Dividends are scheduled to be paid six-monthly in arrears on the Dividend Payment Dates, subject to the Payment Tests – see Section 1.2.7.</p> <p>If any Dividend is not franked or only partially franked, the amount of the Dividend will be increased to compensate for the unfranked component, subject to the Payment Tests.</p> <p>Dividends are non-cumulative. If a Dividend or part of a Dividend is not paid on a Dividend Payment Date, CPS3 Holders have no claim or entitlement in respect of non-payment nor any right to receive that Dividend at any later time (however, the Distribution Restriction may apply in this scenario – see Section 1.2.8).</p>	<p>Clause 3 of the CPS3 Terms</p>
<p>1.2.2 How will the Dividend Rate be calculated?</p>	<p>The Dividend Rate for each Dividend Period will be set on the first Business Day of each Dividend Period and will be calculated using the following formula:</p> <p><b>Dividend Rate</b> = (Bank Bill Rate + Margin) x (1 – Tax Rate) where:</p> <p><b>Bank Bill Rate</b> means the Bank Bill Rate on the first Business Day of the Dividend Period – see Section 1.2.5;</p> <p><b>Margin</b> will be determined under the Bookbuild. The Margin is expected to be in the range of 3.10% and 3.30% per annum; and</p> <p><b>Tax Rate</b> is the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Dividend Payment Date. As at the date of this Prospectus, the relevant rate is 30%.</p>	<p>Clause 3.1 of the CPS3 Terms</p>

Topic	Summary	Where to find more information														
<b>1.2 DIVIDENDS (CONT)</b>																
1.2.2 (continued) How will the Dividend Rate be calculated?	<p>As an example, assuming the Bank Bill Rate on the first Business Day of the Dividend Period is 4.55% per annum and that the Margin is 3.10% per annum, then the Dividend Rate for that Dividend Period would be calculated as follows:</p> <table border="0"> <tr> <td>Bank Bill Rate</td> <td>4.5500% per annum</td> </tr> <tr> <td>Plus the Margin</td> <td>+ 3.1000% per annum</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Equivalent unfranked dividend rate</td> <td>7.6500% per annum</td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td>x 0.70</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td><b>Indicative fully franked Dividend Rate</b></td> <td><b>5.3550% per annum</b></td> </tr> </table>	Bank Bill Rate	4.5500% per annum	Plus the Margin	+ 3.1000% per annum	<hr/>		Equivalent unfranked dividend rate	7.6500% per annum	Multiplied by (1 – Tax Rate)	x 0.70	<hr/>		<b>Indicative fully franked Dividend Rate</b>	<b>5.3550% per annum</b>	
Bank Bill Rate	4.5500% per annum															
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<hr/>																
<b>Indicative fully franked Dividend Rate</b>	<b>5.3550% per annum</b>															
1.2.3 How will the Dividend be calculated for each Dividend Period?	<p>Dividends scheduled to be paid on each Dividend Payment Date will be calculated using the following formula:</p> $\text{Dividend} = \frac{\text{Issue Price} \times \text{Dividend Rate} \times N}{365}$ <p>where:</p> <p><b>Issue Price</b> means \$100 per CPS3;</p> <p><b>Dividend Rate</b> means the rate (expressed as a percentage per annum) calculated as set out in Section 1.2.2; and</p> <p><b>N</b> means the number of days in the Dividend Period calculated as set out in the CPS3 Terms.</p> <p>As an example, if the fully franked Dividend Rate was 5.3550% per annum, then the Dividend on each CPS3 for that Dividend Period (if the Dividend Period was for 182 days) would be calculated as follows:</p> <table border="0"> <tr> <td>Indicative fully franked Dividend Rate</td> <td>5.3550% per annum</td> </tr> <tr> <td>Multiplied by the Issue Price</td> <td>x \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Dividend Period<sup>14</sup></td> <td>x 182</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td><b>Indicative fully franked Dividend payment for the Dividend Period per CPS3</b></td> <td><b>\$2.6702</b></td> </tr> </table> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Dividend payable for any Dividend Period. Actual Dividends may be higher or lower than this example.</p> <p>The Dividend Rate for the first Dividend Period will be set on the Issue Date and will include the Margin as determined under the Bookbuild. For the purposes of calculating the first Dividend, there are 155 days in the first Dividend Period.</p> <p>Dividends will be paid in Australian dollars by direct credit into an Australian dollar account (excluding credit card accounts) of an Australian financial institution nominated by the CPS3 Holder or in any other manner determined by the Directors in accordance with the Constitution.</p>	Indicative fully franked Dividend Rate	5.3550% per annum	Multiplied by the Issue Price	x \$100.00	Multiplied by the number of days in the Dividend Period <sup>14</sup>	x 182	Divided by 365	÷ 365	<hr/>		<b>Indicative fully franked Dividend payment for the Dividend Period per CPS3</b>	<b>\$2.6702</b>	Clauses 3.1 and 18.1 of the CPS3 Terms		
Indicative fully franked Dividend Rate	5.3550% per annum															
Multiplied by the Issue Price	x \$100.00															
Multiplied by the number of days in the Dividend Period <sup>14</sup>	x 182															
Divided by 365	÷ 365															
<hr/>																
<b>Indicative fully franked Dividend payment for the Dividend Period per CPS3</b>	<b>\$2.6702</b>															

<sup>14</sup> Dividend Periods will generally contain 181 to 184 days with the exception of the first Dividend Period which will contain 155 days.

Topic	Summary	Where to find more information
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1.2 DIVIDENDS (CONT)

1.2.4  
What is the impact of franking credits?

Dividends are expected to be fully or substantially franked and, accordingly, CPS3 Holders are expected to receive a combination of cash Dividends and franking credits. The franking credits represent the CPS3 Holder's share of tax paid by ANZ on the profits from which the cash Dividend is paid.

Section 5  
Clause 3.2 of the CPS3 Terms

If the potential value of the franking credits is taken into account in full, the fully franked Dividend Rate of 5.3550% per annum in the example on Section 1.2.3 would be equivalent to an unfranked dividend rate of approximately 7.6500% per annum. However, CPS3 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS3 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each CPS3 Holder.

CPS3 Holders should refer to the Taxation Summary in Section 5 and seek professional advice in relation to their tax position.

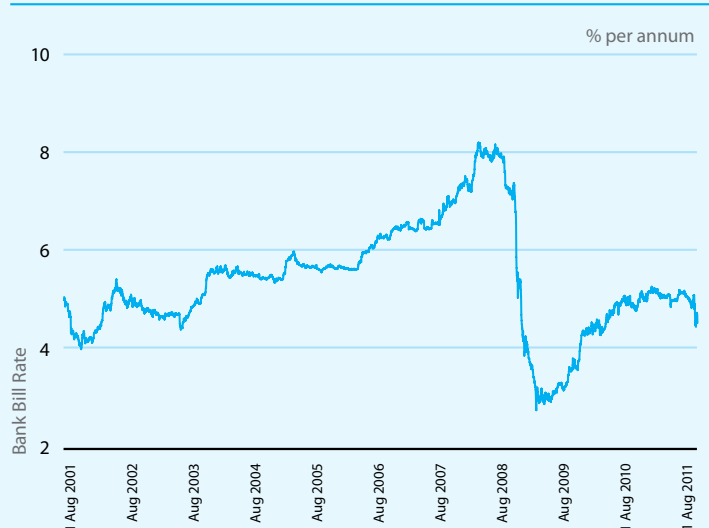
1.2.5  
What is the Bank Bill Rate?

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

Clause 3.1 of the CPS3 Terms

The graph below illustrates the movement in the Bank Bill Rate over the last 10 years. The rate on 19 August 2011 was 4.5517% per annum.

180 DAY BANK BILL RATE FROM 1 AUGUST 2001 TO 19 AUGUST 2011



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

Topic	Summary	Where to find more information
1.2 DIVIDENDS (CONT)		
1.2.6 When are the Dividend Payment Dates?	<p>Subject to the Payment Tests, Dividends are payable six-monthly in arrears on the Dividend Payment Dates. The first Dividend Payment Date is 1 March 2012.</p> <p>Subsequent Dividend Payment Dates occur on 1 September and 1 March each year, subject to adjustment for Business Days. If any of these dates are not Business Days, then the Dividend Payment Date will occur on the next Business Day.</p>	Clause 3.5 of the CPS3 Terms
1.2.7 What are the Payment Tests?	<p>Dividends may not always be paid. The payment of each Dividend is subject to the following Payment Tests being satisfied:</p> <ul style="list-style-type: none"> <li>■ the Directors, at their absolute discretion, resolving to pay that Dividend;</li> <li>■ unless APRA otherwise approves in writing: <ul style="list-style-type: none"> <li>■ such payment of the Dividend does not result in the Prudential Capital Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or the Group (as the case may be) at the time; and</li> <li>■ the amount of the Dividend does not exceed Distributable Profits;</li> </ul> </li> <li>■ such payment does not result in ANZ becoming, or likely to become, insolvent for the purposes of the Corporations Act; and</li> <li>■ APRA does not otherwise object to the payment of the Dividend.</li> </ul>	Clauses 3.3 and 18.2 of the CPS3 Terms
1.2.8 What is the Distribution Restriction and when will it apply?	<p>If for any reason a Dividend has not been paid in full on a Dividend Payment Date (the <b>Relevant Dividend Payment Date</b>), ANZ must not, subject to certain exceptions, without approval of a Special Resolution, until and including the next Dividend Payment Date:</p> <p>(a) declare or pay a dividend or make any distribution on Ordinary Shares; or</p> <p>(b) buy back or reduce capital on any Ordinary Shares,</p> <p>unless the Dividend is paid in full within 3 Business Days of the Relevant Dividend Payment Date.</p> <p>As noted in Section 1.1.14 the Distribution Restriction is less restrictive on ANZ than the corresponding restrictions in CPS1 and CPS2. The Distribution Restriction in CPS3 reflects APRA's current requirements for an instrument to qualify as Residual Tier 1 Capital – see Section 1.1.11.</p>	Clauses 3.8 and 3.9 of the CPS3 Terms

Topic	Summary	Where to find more information
<b>1.3 MANDATORY CONVERSION</b>		
<p>1.3.1 What is Mandatory Conversion?</p>	<p>CPS3 Holders will receive Ordinary Shares on Conversion of the CPS3 on the earliest Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or, in accordance with the CPS3 Terms, the CPS3 are Exchanged by Redemption or Converted following a Common Equity Capital Trigger Event.</p> <p>Upon Conversion on a Mandatory Conversion Date, CPS3 Holders will receive approximately \$101.01 worth of Ordinary Shares per CPS3 based on the VWAP during the 20 Business Days before the Mandatory Conversion Date.<sup>15</sup></p> <p>ANZ must also Convert CPS3 if a Common Equity Capital Trigger Event occurs. Such Conversion will occur on a Common Equity Capital Conversion Date and is not subject to the Mandatory Conversion Conditions being satisfied – see Sections 1.3.4 to 1.3.9 for information relevant to Conversion on account of a Common Equity Capital Trigger Event.</p>	<p>Clauses 4 and 7 of the CPS3 Terms</p>
<p>1.3.2 When is the Mandatory Conversion Date?</p>	<p>The Mandatory Conversion Date is 1 September 2019 provided that all of the Mandatory Conversion Conditions are satisfied (see Section 1.3.3).</p> <p>If any of the Mandatory Conversion Conditions are not satisfied with respect to 1 September 2019, then the Mandatory Conversion Date will be deferred until the next Dividend Payment Date in respect of which all of the Mandatory Conversion Conditions are satisfied.</p>	<p>Clause 4 of the CPS3 Terms</p>

<sup>15</sup> The VWAP during the 20 Business Days before the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that CPS3 Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

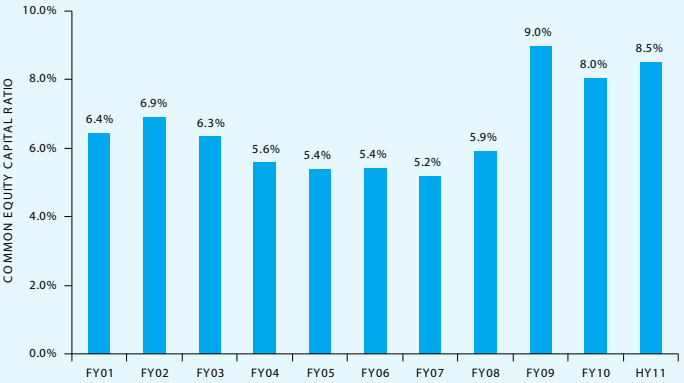
Topic	Summary	Where to find more information				
1.3 MANDATORY CONVERSION (CONT)						
<p>1.3.3 What are the Mandatory Conversion Conditions?</p>	<p>The Mandatory Conversion Conditions are as follows:</p> <p><b>First Mandatory Conversion Condition:</b> the VWAP on the 25th Business Day before (but not including) a possible Mandatory Conversion Date (or, if no trading in Ordinary Shares took place on that 25th Business Day, the first Business Day on which trading in Ordinary Shares took place before that date) is greater than 56.00% of the Issue Date VWAP.</p> <p>The Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to certain adjustments.</p> <p><b>Second Mandatory Conversion Condition:</b> the VWAP during the period of 20 Business Days before (but not including) a possible Mandatory Conversion Date (<b>Second Test Period</b>) is greater than 50.51% of the Issue Date VWAP. This condition partly satisfies one of the criteria that enables CPS3 to qualify as Residual Tier 1 Capital under APRA's capital adequacy guidelines, which require that the number of Ordinary Shares per CPS3 that CPS3 Holders are issued on Conversion may not be greater than the number determined using the following formula:</p> $\frac{\text{Issue Price}}{\text{Issue Date VWAP} \times 0.5}$ <p>This number is known as the <b>Maximum Conversion Number</b>.</p> <p>The Maximum Conversion Number is set to reflect a VWAP of 50.00% of the Issue Date VWAP.</p> <p>As an example, if the Issue Date VWAP is \$19.50, then the Maximum Conversion Number would be calculated as follows:</p> <table data-bbox="448 1377 989 1451"> <tr> <td>Issue Price</td> <td>\$100.00</td> </tr> <tr> <td>Divided by Issue Date VWAP × 0.5</td> <td>÷ \$9.7500</td> </tr> </table> <p><b>Indicative Maximum Conversion Number 10.2564</b></p> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Issue Date VWAP or Maximum Conversion Number. The actual Issue Date VWAP and Maximum Conversion Number may be higher or lower than in the example and these factors may be adjusted after the Issue Date in limited circumstances (see Section 1.3.9).</p> <p>Setting the Second Mandatory Conversion Condition at 50.51% reflects this 50.00% limit adjusted for the 1.00% conversion discount.</p>	Issue Price	\$100.00	Divided by Issue Date VWAP × 0.5	÷ \$9.7500	<p>Clauses 4.3 and 18.2 of the CPS3 Terms</p>
Issue Price	\$100.00					
Divided by Issue Date VWAP × 0.5	÷ \$9.7500					

Topic	Summary	Where to find more information
<b>1.3 MANDATORY CONVERSION (CONT)</b>		
<p>1.3.3 (continued) What are the Mandatory Conversion Conditions?</p>	<p>The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to CPS3 Holders from receiving less than approximately \$101.01 worth of Ordinary Shares per CPS3 on Conversion (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).<sup>16</sup></p> <p><b>Third Mandatory Conversion Condition:</b> Ordinary Shares remain listed and admitted to trading on ASX, and trading of Ordinary Shares has not been suspended for at least five consecutive Business Days prior to a possible Mandatory Conversion Date and the suspension is continuing on the possible Mandatory Conversion Date.</p> <p>The Third Mandatory Conversion Condition is intended to provide protection to CPS3 Holders to enable them to sell the Ordinary Shares they receive on ASX, if they wish to do so. See Section 4.1.1 regarding the risk of liquidity as it relates to Ordinary Shares.</p>	<p>Clauses 4.3 and 18.2 of the CPS3 Terms</p>
<p>1.3.4 What is a Common Equity Capital Trigger Event?</p>	<p>A Common Equity Capital Trigger Event will occur if at any time:</p> <ul style="list-style-type: none"> <li>■ ANZ's Common Equity Capital Ratio as reported by ANZ in its most recent Relevant Disclosure is equal to or less than 5.125%; or</li> <li>■ ANZ determines, or APRA has notified ANZ in writing that it believes that ANZ's Common Equity Capital Ratio is equal to or less than 5.125%.</li> </ul> <p>CPS3 will convert into Ordinary Shares on the Common Equity Capital Conversion Date following the occurrence of a Common Equity Capital Trigger Event in order to meet APRA's requirements for CPS3 to be eligible to be treated as Residual Tier 1 Capital.</p> <p>Such Conversion is not subject to the Mandatory Conversion Conditions being satisfied. The number of Ordinary Shares received will be a number based on a VWAP during 5 Business Days before the Common Equity Capital Conversion Date, but not more than the Maximum Conversion Number. As a result in these circumstances CPS3 Holders may receive only the Maximum Conversion Number of Ordinary Shares per CPS3 which may be worth significantly less than \$101.01 and suffer a loss as a consequence.</p> <p>The Maximum Conversion Number is the CPS3 Issue Price (\$100) divided by 50% of the Issue Date VWAP of Ordinary Shares (as such number may be adjusted in limited circumstances). See Sections 1.3.3 and 1.3.9.<sup>17</sup></p>	<p>Clause 4.5 of the CPS3 Terms</p>

<sup>16</sup> The VWAP during the 20 Business Days before the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

<sup>17</sup> If the number of Ordinary Shares to be issued calculated based on VWAP is less than the Maximum Conversion Number, the VWAP during the 5 Business Days before the Common Equity Capital Conversion Date may differ from the Ordinary Share price on or after that date. The Ordinary Shares may not be listed or may not be able to be sold at prices reflecting their value based on the VWAP calculation or at all.

Topic	Summary	Where to find more information
1.3 MANDATORY CONVERSION (CONT)		
<p>1.3.5 What is the Common Equity Capital Ratio?</p>	<p>The Common Equity Capital Ratio is the ratio of Tier 1 Capital, excluding all Residual Tier 1 Capital, to the risk weighted assets of the ANZ Level 2 Group, as prescribed by APRA.</p> <p>The calculation of the Common Equity Capital Ratio will change when APRA adopts Basel III. This may apply from 1 January 2013. APRA is yet to conclude the revised calculation of the Common Equity Capital Ratio under Basel III.</p> <p>At 31 March 2011, ANZ's Common Equity Capital Ratio was 8.5% under the current APRA regulations. ANZ estimates, as at that date, that this Common Equity Capital Ratio could be between ~7.0% and ~9.5% depending upon the form in which APRA adopts the requirements of Basel III as understood at that date.</p> <p>Basel III proposes several capital buffers to be held over the proposed minimum Common Equity Capital Ratio of 4.5%. At a minimum, these capital buffers would normally require ANZ to hold a minimum Basel III Common Equity Capital Ratio exceeding 7% at all times from the date APRA fully adopts Basel III. In anticipation of, and in order to avoid a breach of, this prudential minimum, ANZ expects that it would target to operate with a Common Equity Capital Ratio in excess of 7%, which would be well above the Common Equity Capital Trigger level of 5.125%. However, ANZ gives no assurance as to what its Common Equity Capital Ratio will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.</p> <p>ANZ has increased its Common Equity Capital Ratio over recent years. The graph below illustrates ANZ's historical Common Equity Capital Ratio under current APRA regulations.</p>	<p>Sections 3.3.3, 3.3.4 and 4.1.10</p> <p>Clause 18.2 of the CPS3 Terms</p>

Topic	Summary	Where to find more information
1.3 MANDATORY CONVERSION (CONT)		
<p>1.3.5 (continued) What is the Common Equity Capital Ratio?</p>	<p><b>ANZ COMMON EQUITY CAPITAL RATIO</b></p>  <p><b>Note:</b> ANZ's financial year, denoted "FY" above, finishes on 30 September of each calendar year whilst HY 11 is the half year ended 31 March 2011.</p> <p>The above graph is for illustrative purposes only and does not indicate, guarantee or forecast ANZ's Common Equity Capital Ratio. The ratio may be higher or lower and may be affected by unexpected events affecting ANZ's business, operations and financial condition.</p>	<p>Clause 18.2 of the CPS3 Terms Sections 3.3.3, 3.3.4 and 4.1.10</p>
<p>1.3.6 Is Conversion on account of a Common Equity Capital Trigger Event subject to the Mandatory Conversion Conditions?</p>	<p>No. Conversion following a Common Equity Capital Trigger Event is not subject to the Mandatory Conversion Conditions. The number of Ordinary Shares a Holder will receive is determined as described in Section 1.3.8 and cannot be more than the Maximum Conversion Number.</p>	<p>Clause 4.7 of the CPS3 Terms</p>
<p>1.3.7 When does Conversion on account of a Common Equity Capital Trigger Event occur?</p>	<p>If a Common Equity Capital Trigger Event occurs, ANZ must notify CPS3 Holders within 1 Business Day of that event occurring. That notice must state a date on which the CPS3 will convert (<b>Common Equity Capital Conversion Date</b>). This date must be no later than the Business Day after the earliest date allowable for conversion under the ASX Listing Rules following the date ANZ gives notice of that event.</p>	<p>Clauses 4.6 and 4.7 of the CPS3 Terms</p>

Topic	Summary	Where to find more information
1.3 MANDATORY CONVERSION (CONT)		
<p>1.3.8 How many Ordinary Shares will CPS3 Holders receive on the Mandatory Conversion Date or the Common Equity Capital Conversion Date?</p>	<p>If CPS3 are Converted on the Mandatory Conversion Date or the Common Equity Capital Conversion Date (as the case may be), CPS3 Holders will receive a number of Ordinary Shares per CPS3 that is equivalent to the number calculated using the following formula:</p> $\frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>VWAP for this purpose is the VWAP during the 20 Business Days before the Mandatory Conversion Date or 5 Business Days before the Common Equity Capital Conversion Date (as the case may be). Conversion is subject to the Maximum Conversion Number (see Section 1.3.3).</p>	<p>Clauses 7 and 18.2 of the CPS3 Terms</p>
<p>1.3.9 What adjustments to the Issue Date VWAP are made to account for changes to ANZ's capital?</p>	<p>The Issue Date VWAP, and consequently the Maximum Conversion Number, may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the CPS3 Terms (but not other transactions, including rights issues, which may affect the capital of ANZ).</p> <p>However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect.</p>	<p>Clauses 7.4 to 7.7 of the CPS3 Terms</p>
<p>1.3.10 What can happen if the Mandatory Conversion Conditions are not satisfied?</p>	<p>If any of the Mandatory Conversion Conditions are not satisfied, Conversion is deferred until the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied. Conversion following a Common Equity Capital Trigger Event is not subject to the Mandatory Conversion Conditions. Regardless of whether the Mandatory Conversion Conditions are satisfied, subject to APRA's prior written approval, CPS3 may be Exchanged by way of Redemption on any Optional Exchange Date where ANZ has so elected in accordance with the CPS3 Terms.</p>	<p>Clauses 4.4, 7 and 8 of the CPS3 Terms</p>

Topic	Summary	Where to find more information
<b>1.4 OPTIONAL EXCHANGE BY ANZ</b>		
<p>1.4.1 What is Optional Exchange?</p>	<p>ANZ may choose to Exchange all or some CPS3 on issue after the occurrence of a Tax Event or Regulatory Event, and may choose to Exchange all (but not some only) CPS3 on issue after the occurrence of an Acquisition Event. For a summary of these events see Section 1.5.1 below.</p> <p>ANZ may also choose to Exchange all or some CPS3 on issue on an Optional Exchange Date.</p> <p><b>Exchange</b> means:</p> <ul style="list-style-type: none"> <li>■ subject to APRA's prior written approval and provided certain conditions are satisfied (see below), CPS3 may be Converted into a variable number of Ordinary Shares with a value (based on the VWAP during a period, usually 20 Business Days, before the Exchange Date) of approximately \$101.01 per CPS3;<sup>18</sup></li> <li>■ subject to APRA's prior written approval and provided certain conditions are satisfied (see Section 1.5.2 below), CPS3 may be Redeemed for \$100 per CPS3; or</li> <li>■ a combination of the above.</li> </ul> <p>CPS3 Holders should not expect that APRA will give its approval to any Redemption.</p> <p>ANZ is not permitted to Redeem any CPS3 at any time unless those CPS3 being Redeemed are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality as CPS3, or APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ chooses to Redeem CPS3. In the case of an Acquisition Event, ANZ is further restricted from choosing Redemption as described in Section 1.5.2 below.</p>	<p>Section 1.5 Clause 5 of the CPS3 Terms</p>
<p>1.4.2 When is the Optional Exchange Date?</p>	<p>The Optional Exchange Date is 1 September 2017 and each Dividend Payment Date after that date.</p>	<p>Clause 18.2 of the CPS3 Terms</p>
<p>1.4.3 What are the requirements for Conversion to be elected as the Exchange Method?</p>	<p>ANZ may not choose to Convert CPS3 under an optional Exchange if, on the second Business Day before the date on which ANZ sends a notice advising CPS3 Holders that it wishes to Convert CPS3 (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (<b>Non-Conversion Test Date</b>), an Optional Conversion Restriction applies (see Section 1.4.4).</p> <p>Further, if ANZ has chosen to Convert CPS3, ANZ may not proceed to Convert CPS3 if, on the Exchange Date, certain further restrictions apply (see Section 1.4.5).</p>	<p>Clauses 5.4 and 5.5 of the CPS3 Terms</p>
<p>1.4.4 What are the Optional Conversion Restrictions?</p>	<p>The <b>Optional Conversion Restrictions</b> are:</p> <p><b>First Optional Conversion Restriction:</b> the VWAP on the Non-Conversion Test Date is less than 56.00% of the Issue Date VWAP; and</p> <p><b>Second Optional Conversion Restriction:</b> Ordinary Shares are not listed and admitted to trading on ASX, or trading of Ordinary Shares has been suspended for at least five consecutive Business Days prior to the Non-Conversion Test Date and remains suspended on the Non-Conversion Test Date.</p>	<p>Clause 5.4 of the CPS3 Terms</p>

<sup>18</sup> If Conversion occurs as a result of an Acquisition Event or a Change of Control Event, the period for calculating the VWAP may be less than 20 Business Days before the Exchange Date. See clause 18.2 (definition of "VWAP Period") of the CPS3 Terms. The VWAP of Ordinary Shares during the relevant period before the Exchange Date that is used to calculate the number of Ordinary Shares that CPS3 Holders receive may differ from the Ordinary Share price on or after the Exchange Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

Topic	Summary	Where to find more information
<b>1.4 OPTIONAL EXCHANGE BY ANZ (CONT)</b>		
<p>1.4.5 What are the further Conversion restrictions on the Exchange Date?</p>	<p>The further Conversion restrictions on the Exchange Date are that the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Exchange Date if the Exchange Date were a possible Mandatory Conversion Date.</p> <p>If the Conversion restrictions on the Exchange Date apply, ANZ will notify CPS3 Holders and the Conversion will be deferred until the next Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date unless otherwise Exchanged in accordance with the CPS3 Terms.</p>	<p>Clause 5.5 of the CPS3 Terms</p>
<p>1.4.6 Can CPS3 Holders request Exchange?</p>	<p>CPS3 Holders do not have a right to request Exchange.</p>	<p>Clause 9.10(g) of the CPS3 Terms</p>
<b>1.5 OPTIONAL EXCHANGE BY ANZ ON ACCOUNT OF TAX EVENT, REGULATORY EVENT OR ACQUISITION EVENT</b>		
<p>1.5.1 What is a Tax Event, Regulatory Event or Acquisition Event?</p>	<p>A summary of these events which give ANZ a right to Exchange CPS3 is as follows:</p> <ul style="list-style-type: none"> <li>■ a <b>Tax Event</b> will broadly occur if ANZ receives professional advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling on or after the Issue Date, there is a more than insubstantial risk which the Directors determine to be unacceptable that ANZ would be exposed to more than an insignificant increase in its costs in relation to CPS3 being on issue, any Dividend would not be a frankable dividend or distribution for tax purposes or franking credits may not be available to Australian tax resident CPS3 Holders generally or the CPS3 would cease to be disregarded for certain purposes in relation to a NOHC;</li> <li>■ a <b>Regulatory Event</b> will broadly occur if ANZ receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on ANZ in relation to CPS3 which the Directors determine to be unacceptable, or the Directors determine that ANZ will not be entitled to treat all CPS3 as Residual Tier 1 Capital; or</li> <li>■ an <b>Acquisition Event</b> will broadly occur if certain takeover bids or schemes of arrangement occur in relation to ANZ.</li> </ul>	<p>Clauses 5.1 and 18.2 of the CPS3 Terms</p>
<p>1.5.2 What Exchange Method can be elected by ANZ on these events?</p>	<p>Where ANZ wishes to Exchange CPS3 on the occurrence of an Acquisition Event, ANZ may not specify Redemption as the Exchange Method unless the Acquisition Event has occurred on or after the fifth anniversary of the Issue Date.</p> <p>In any case ANZ may only specify Redemption as the Exchange Method if the conditions described above in Section 1.4.1 are met.</p>	<p>Section 1.4.1 Clauses 5.2 and 5.3 of the CPS3 Terms</p>

Topic	Summary	Where to find more information
<b>1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT</b>		
1.6.1 What must ANZ do on a Change of Control Event?	Subject to APRA's prior written approval for any Redemption, ANZ must Exchange all CPS3 on issue if a Change of Control Event occurs.  A Change of Control Event occurs if an Acquisition Event occurs and certain further approvals or conditions needed for the acquisition to occur or be implemented have been obtained or satisfied or waived.	Clause 6 of the CPS3 Terms
1.6.2 What Exchange Method can be elected by ANZ on a Change of Control Event?	If a Change of Control Event occurs, ANZ must elect (by giving a Change of Control Exchange Notice) to do one of the following in relation to CPS3, subject to APRA's prior written approval where required and certain further restrictions: <ul style="list-style-type: none"> <li>Convert each CPS3 into a number of Ordinary Shares with a value of approximately \$101.01 (based on the VWAP during a period, usually 20 Business Days, before the Exchange Date), provided certain conditions are satisfied (see below);<sup>19</sup> or</li> <li>Redeem each CPS3 for \$100 (but subject to certain conditions (see below)).</li> </ul> If APRA does not approve Redemption and the restrictions to electing Conversion apply, ANZ will not be required to give a Change of Control Exchange Notice to CPS3 Holders and, accordingly, will not be required to make this election.	Clause 6 of the CPS3 Terms
1.6.3 What are the restrictions for Redemption to be elected as the Exchange Method?	Where a Change of Control Event occurs, ANZ may not specify Redemption as the Exchange Method unless the Change of Control Event has occurred on or after the fifth anniversary of the Issue Date and if the conditions described above in Section 1.4.1 in relation to Redemption are met.	Clause 6.3(c) of the CPS3 Terms
1.6.4 What are the requirements for Conversion to be elected as the Exchange Method?	The restrictions described in Sections 1.4.3, 1.4.4 and 1.4.5 in relation to Optional Exchange also apply on electing Conversion as the Exchange Method following a Change of Control Event.	Sections 1.4.3, 1.4.4 and 1.4.5 Clauses 5.4 and 6.3(c) of the CPS3 Terms
1.6.5 What are the further Conversion restrictions on the Change of Control Exchange Date?	If ANZ has elected to Convert CPS3 as the Exchange Method on the occurrence of a Change of Control Event, ANZ may not proceed to Convert CPS3 if, on the date on which Exchange is to occur ( <b>Change of Control Exchange Date</b> ), certain further restrictions apply.  These Conversion restrictions on the Change of Control Exchange Date apply if the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Change of Control Exchange Date if the Change of Control Exchange Date were a possible Mandatory Conversion Date.	Clause 6.5 of the CPS3 Terms

<sup>19</sup> If Conversion occurs as a result of an Acquisition Event or a Change of Control Event, the period for calculating the VWAP may be less than 20 Business Days before the Exchange Date. See clause 18.2 (definition of "VWAP Period") of the CPS3 Terms. The VWAP during the relevant period before the Change of Control Exchange Date that is used to calculate the number of Ordinary Shares that CPS3 Holders receive may differ from the Ordinary Share price on or after the Change of Control Exchange Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

Topic	Summary	Where to find more information
<b>1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT (CONT)</b>		
1.6.6 What happens if Exchange does not occur?	If ANZ is not required to give a Change of Control Exchange Notice or the restrictions prevent Conversion, ANZ will, unless APRA does not approve Redemption (or ANZ is not allowed to elect Redemption) and the restrictions to electing Conversion apply, give a new Change of Control Exchange Notice which will specify either Redemption or Conversion (as elected by ANZ) as the Exchange Method for Exchange on the next Dividend Payment Date. Where Conversion is elected, Conversion will not occur if the restrictions described in Section 1.6.5 apply on that date. This process will be repeated until an Exchange occurs.	Section 1.6.5 Clause 6.5 of the CPS3 Terms
1.6.7 What other obligations does ANZ have in connection with a takeover or scheme of arrangement?	On the occurrence of a recommended takeover or scheme of arrangement which would result in an Acquisition Event, if the Directors consider that ANZ will not be permitted to elect to Exchange CPS3 or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to CPS3 Holders or that CPS3 Holders are entitled to participate in the scheme of arrangement or a similar transaction.	Clause 11 of the CPS3 Terms
<b>1.7 OTHER</b>		
1.7.1 Can ANZ issue further CPS3, preference shares or other instruments?	ANZ reserves the right to issue further preference shares (including further CPS3) or other instruments, or permit the conversion of shares to preference shares or other instruments, which rank behind, equal with or (to the maximum extent permitted by the Constitution) ahead of CPS3, whether in respect of dividends, return of capital on a winding-up of ANZ or otherwise.  CPS3 do not confer on CPS3 Holders any right to subscribe for new securities in ANZ, to participate in any bonus issues of shares in ANZ's capital or to participate in ANZ's dividend reinvestment or bonus option plans.	Clauses 9.3 and 9.12 of the CPS3 Terms
1.7.2 What voting rights do CPS3 carry?	CPS3 Holders generally do not have voting rights, except in the limited circumstances described in the CPS3 Terms.	Clause 10.2 of the CPS3 Terms

Topic	Summary	Where to find more information
1.7 OTHER (CONT)		
1.7.3 Can ANZ amend the CPS3 Terms?	<p>Subject to complying with all applicable laws, and with APRA's prior written approval, ANZ may amend the CPS3 Terms without the consent of CPS3 Holders in certain circumstances.</p> <p>ANZ may also, with APRA's prior written approval, amend the CPS3 Terms if the amendment has been approved by a Special Resolution.</p>	Clause 15 of the CPS3 Terms
1.7.4 What is an Approved NOHC Event?	<p>An Approved NOHC Event is an event initiated by the Directors which would result in ANZ having an ultimate holding company which is a "non-operating holding company" within the meaning of the Banking Act (NOHC) and where following the occurrence of that event:</p> <ul style="list-style-type: none"> <li>■ the ordinary shares of the NOHC are listed on ASX;</li> <li>■ the NOHC assumes all of ANZ's obligations to Convert the CPS3 into ordinary shares in the NOHC; and</li> <li>■ the NOHC agrees to comply with the Distribution Restriction (with appropriate modifications).</li> </ul> <p>If an Approved NOHC Event occurs, the CPS3 Terms may be amended to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including following the Mandatory Conversion Date). The Approved NOHC will use all reasonable endeavours to procure quotation on ASX of all these shares at the time of Conversion.</p> <p>The occurrence of an Approved NOHC Event does not allow ANZ to elect to Exchange CPS3 nor does it entitle CPS3 Holders to Exchange their CPS3.</p> <p>CPS3 Holders may not have any right to vote on an Approved NOHC Event. Where an Approved NOHC Event is accompanied by a transfer of assets from ANZ to the Approved NOHC or another subsidiary of the Approved NOHC, ANZ may as a result have reduced assets to meet the claims of its creditors and shareholders (including CPS3 Holders).</p> <p>Following the substitution of an Approved NOHC as issuer of the Ordinary Shares on Conversion, prior to Conversion CPS3 Holders continue to hold a preference share in ANZ which ranks for payment of dividends and in a winding-up of ANZ as described in Section 1.1.7 and 1.8.8 and which is convertible into ordinary shares in the approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in ANZ.</p>	Clauses 12, 15 and 18.2 of the CPS3 Terms

Topic	Summary	Where to find more information
<b>1.8 POTENTIAL INVESTMENT RISKS</b>		
Before deciding whether to apply for CPS3, you should consider whether CPS3 are a suitable investment for you. There are risks associated with investing in CPS3 and in ANZ. Many of those risks are outside the control of ANZ and its Directors. A summary of the key risks which are detailed in Section 4 follows.		
1.8.1 Financial market conditions and liquidity	<p>The market price of CPS3 may fluctuate due to various factors that affect financial market conditions. It is possible that CPS3 may trade at a market price below their Issue Price of \$100.</p> <p>There may be no liquidity or an illiquid market for CPS3 and that market may be volatile. The market for CPS3 may be less liquid and/or more volatile than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. CPS3 Holders who wish to sell their CPS3 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CPS3 or the market for CPS3 is volatile.</p>	Sections 4.1.1 and 4.1.2
1.8.2 Fluctuation in Ordinary Share price	The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions and ANZ's financial performance and position and transactions affecting the share capital of ANZ – see Sections 4.1.2 and 4.1.3. As a result, the value of Ordinary Shares received by CPS3 Holders upon Conversion may be greater than or less than anticipated when they are issued or thereafter.	Sections 4.1.2, 4.1.3, 4.1.4 and 4.1.9
1.8.3 Dividends may not be paid	<p>There is a risk that Dividends will not be paid. If for any reason a scheduled Dividend has not been paid in full on the relevant Dividend Payment Date, then the Distribution Restriction will apply unless the Dividend is paid within 3 Business Days of that date.</p> <p>The CPS3 Terms contain no events of default and, accordingly, a failure to pay a scheduled Dividend on CPS3 will not constitute an event of default. Further, in the event that ANZ does not pay a scheduled Dividend on CPS3, a CPS3 Holder has no right to apply for ANZ to be wound up and will have no right of set-off or offsetting rights or claim on ANZ.</p>	Section 4.1.5
1.8.4 Dividends may not be fully franked	<p>ANZ currently expects Dividends to be fully or substantially franked. However, there is no guarantee that ANZ will have sufficient franking credits in the future to fully frank Dividends.</p> <p>If a Dividend is unfranked or partially franked, the Dividend will be increased to compensate for the unfranked component, subject to the Payment Tests.</p> <p>The value and availability of franking credits to a CPS3 Holder will differ depending on the CPS3 Holder's particular tax circumstances.</p>	Section 4.1.6
1.8.5 Changes in Dividend Rate	The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate. There is a risk that this rate may become less attractive when compared to the rates of return available on comparable securities.	Section 4.1.7

Topic	Summary	Where to find more information
<b>1.8 POTENTIAL INVESTMENT RISKS (CONT)</b>		
1.8.6 Mandatory Conversion may not occur on the Mandatory Conversion Date	Unless Exchanged on or before that date, CPS3 are expected to Convert into Ordinary Shares on the Mandatory Conversion Date. However, there is a risk that Conversion will not occur on the Mandatory Conversion Date because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if Ordinary Shares cease to be quoted on ASX or have been suspended from trading for a certain period. Mandatory Conversion may therefore not occur when scheduled or at all. The Ordinary Share Price may be affected by transactions affecting the share capital of ANZ, such as rights issues.	Sections 1.3.9 and 4.1.9 Clause 4 of the CPS3 Terms
1.8.7 Mandatory Conversion on a Common Equity Capital Trigger Event	The Mandatory Conversion Conditions do not apply on a Common Equity Capital Trigger Event. This may mean that CPS3 Holders receive significantly less than \$101.01 worth of Ordinary Shares per CPS3 upon Conversion following a Common Equity Capital Trigger Event and suffer a loss as a consequence. A Common Equity Capital Trigger Event may occur at any time prior to the Scheduled Mandatory Conversion Date.	Section 4.1.10
1.8.8 Ranking	<p>CPS3 are not deposits of ANZ, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. CPS3 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.</p> <p>CPS3 are issued by ANZ on the CPS3 Terms and CPS3 Holders have no claim on ANZ in respect of CPS3 except as provided in those CPS3 Terms. CPS3 are not secured.</p> <p>On a winding-up of ANZ, CPS3 rank for payment ahead of Ordinary Shares, equally with the CPS1 and CPS2, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors. On a winding-up, there is a risk that CPS3 Holders will lose all or some of their investment. For the potential effect on the assets of ANZ available to meet the claims of a CPS3 Holder in a winding-up of ANZ if an Approved NOHC Event occurs, see Section 1.7.4. CPS3 Holders do not have any claim on the assets of an Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.</p>	Section 4.1.15
1.8.9 ANZ's financial performance and position	<p>The market price of CPS3 (and the Ordinary Shares into which they are expected to Convert) may be affected by ANZ's financial performance and position. For specific risks associated with an investment in ANZ, see Section 4.2.</p> <p>ANZ's financial performance and position may also affect the credit rating associated with ANZ's securities, which may impact the market price and liquidity of CPS3. ANZ's credit rating may be revised, withdrawn or suspended by ratings agencies at any time.</p>	Section 4.2

#### WHERE CAN I GET MORE INFORMATION?

If you have any questions about the Offer or how to apply for CPS3 under ANZ Securityholder Offer or General Offer, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) or contact your broker or other professional adviser.

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

## SECTION 2

# ABOUT THE OFFER

THIS SECTION SETS OUT:

- WHO THE OFFER IS MADE TO;
- WHAT YOU MUST DO IF YOU WISH TO APPLY FOR CPS3;
- DETAILS OF ASX QUOTATION AND TRADING; AND
- OTHER INFORMATION RELEVANT TO THE OFFER AND YOUR APPLICATION.

## 2.1 OFFER

The Offer is for the issue of CPS3 to raise \$750 million with the ability to raise more or less.

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

The Offer comprises:

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

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify CPS3 or the Offer or to otherwise permit a public offering of CPS3 outside Australia. This Prospectus does not constitute an offer of securities in the United States or to any US Persons, or to any person acting for the account or benefit of a US Person. CPS3 may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 6.12.

For details of how to apply for CPS3 under the Offer – see Section 2.2.1.

### 2.1.1 AUSTRALIAN RESIDENT ANZ SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS

If you apply online, you will be required to pay for CPS3 using BPAY® – see Section 2.3.1 for BPAY® payment instructions.

BPAY® is an electronic payment service that enables you to pay for your CPS3 directly from your cheque or savings account online through participating Australian banks, credit unions or building societies.

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

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

## 2.2 OBTAINING A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com). Application Forms will not be made available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at [www.CPS3Offer.anz.com](http://www.CPS3Offer.anz.com) and may be available through your Syndicate Broker. If you access an electronic copy of this Prospectus, then you should read the paragraphs below and the “Electronic access to Prospectus” paragraph in the “Important Notices” Section at the start of this Prospectus.

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

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

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

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

## Applying for CPS3

## 2.2.1 OVERVIEW

WHO CAN APPLY FOR CPS3?	HOW MANY CPS3 CAN YOU APPLY FOR?	WHEN TO APPLY <sup>20</sup>	HOW DO I APPLY ONLINE?	HOW DO I APPLY USING A PAPER APPLICATION FORM?
<p><b>ANZ Securityholder Applicant</b> – that is, a holder of Ordinary Shares, CPS1 or CPS2 shown on the Register at 7:00pm AEST on 3 August 2011 with an address in Australia applying through the ANZ Securityholder Offer.</p>	<p>Your Application must be for a minimum of 50 CPS3 (\$5,000).</p> <p>If your Application is for more than 50 CPS3, then you must apply in incremental multiples of 10 CPS3 – that is, for incremental multiples of at least \$1,000.</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any ANZ Securityholder Applicant a lesser number of CPS3 than that applied for.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 31 August 2011.</p> <p>The Closing Date<sup>21</sup> for the ANZ Securityholder Offer is 5:00pm AEST on 21 September 2011.</p> <p>Your completed personalised blue paper ANZ Securityholder Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p>	<p>You can apply online at <a href="http://www.CPS3Offer.anz.com">www.CPS3Offer.anz.com</a>.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>You will be asked to identify the holding that gives you the entitlement to apply by providing your SRN or HIN which can be found on your holding statement or payment advice.</p> <p>When applying online, you will be required to pay for CPS3 using BPAY<sup>®</sup> – see Section 2.3.1.</p>	<p>You can request a paper copy of the Prospectus and your personalised blue ANZ Securityholder Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST).</p> <p>Instructions on how to complete your personalised blue ANZ Securityholder Application Form are set out on the Application Form.</p> <p>You will be required to pay for CPS3 by 21 September 2011 by cheque(s) and BPAY<sup>®</sup>. The method of payment may be either by cheque(s) and/or money order(s) – see Section 2.3.1. BPAY<sup>®</sup> is not available for ANZ Securityholder Applicants using a personalised blue paper ANZ Securityholder Application Form. If you wish to pay by BPAY<sup>®</sup> you need to make an online Application.</p> <p>You will be required to post your completed personalised blue paper ANZ Securityholder Application Form to the Registry – see Section 2.2.2.</p>
<p><b>General Applicant</b> – that is, a member of the general public who is an Australian resident applying through the General Offer.</p> <p>An ANZ Securityholder who does not use their personalised blue ANZ Securityholder Application Form will be treated as a General Applicant.</p>	<p>Your Application must be for a minimum of 50 CPS3 (\$5,000).</p> <p>If your Application is for more than 50 CPS3, then you must apply in incremental multiples of 10 CPS3 – that is, for incremental multiples of at least \$1,000.</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any General Applicant a lesser number of CPS3 than that applied for.</p>	<p>Applications will only be accepted during the Offer Period, which will open on 31 August 2011.</p> <p>The Closing Date<sup>22</sup> for the General Offer is 5:00pm AEST on 21 September 2011.</p> <p>Your completed white paper Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p>	<p>You can apply online at <a href="http://www.CPS3Offer.anz.com">www.CPS3Offer.anz.com</a>.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>When applying online, you will be required to pay for CPS3 using BPAY<sup>®</sup> – see Section 2.3.1.</p>	<p>There are white paper Application Forms contained in the back of this Prospectus that should be used by General Applicants. You can request a paper copy of the Prospectus and white paper Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST).</p> <p>Instructions on how to complete the white paper Application Form are set out on the Application Form.</p> <p>If applying using the white Application Form, you will be required to pay for CPS3 using cheque(s) and/or money order(s) – see Section 2.3.1. BPAY<sup>®</sup> is not available for General Applicants using a white paper Application Form. If you wish to pay by BPAY<sup>®</sup> you need to make an online Application.</p> <p>You will be required to post your completed white paper Application Form to the Registry – see Section 2.2.2.</p>

20 The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS3 are issued.

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

22 The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS3 are issued.

<sup>®</sup> Registered to BPAY Pty Limited (ABN 69 079 137 518)

## 2.2.1 OVERVIEW

WHO CAN APPLY FOR CPS3?	HOW MANY CPS3 CAN YOU APPLY FOR?	WHEN TO APPLY <sup>23</sup>	HOW DO I APPLY?
Broker Firm Applicant – that is, a retail client of a Syndicate Broker invited to participate through the Broker Firm Offer. <sup>21</sup>	<p>Your Application must be for a minimum of 50 CPS3 (\$5,000).</p> <p>If your Application is for more than 50 CPS3, then you must apply in incremental multiples of 10 CPS3 – that is, for incremental multiples of at least \$1,000.</p> <p>Your Syndicate Broker will inform you of your Allocation.</p>	<p>Applications will only be accepted during the Offer Period, which is expected to open on 31 August 2011.</p> <p>The Closing Date<sup>24</sup> for the Broker Firm Offer is 10:00am AEST on 27 September 2011.</p> <p>Your completed white paper Application Form and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</p>	<p>There are white paper Application Forms in the back of this Prospectus that should be used by Broker Firm Applicants.</p> <p>General instructions on how to complete the white paper Application Form are set out on the Application Form.</p> <p>You must contact your Syndicate Broker for their specific instructions on how to submit the white paper Application Form and your Application Payment to your Syndicate Broker.</p> <p>You must NOT return your white paper Application Form to the Registry.</p> <p>Your Syndicate Broker:</p> <ul style="list-style-type: none"> <li>■ must have received your completed white paper Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – being 10:00am AEST on 27 September 2011; and</li> <li>■ will act as your agent in processing your white paper Application Form and providing your Application details and Application Payment to ANZ.</li> </ul>
Institutional Investor – that is, an investor who was invited by ANZ Securities to bid for CPS3 in the Bookbuild, who is not an ANZ Securityholder Applicant, General Applicant or Broker Firm Applicant and who is applying through the Institutional Offer. <sup>25</sup>	Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus.	The Bookbuild will be conducted on 30 August 2011.	Application and settlement procedures for Institutional Investors will be advised by ANZ Securities.

<sup>23</sup> The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS3 are issued.

<sup>24</sup> The ANZ Securityholder Offer and General Offer have a different Closing Date to the Broker Firm Offer to allow sufficient time for the processing of cheques and money orders received with Applications made under the ANZ Securityholder Offer and General Offer.

<sup>25</sup> CPS3 may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 6.12.

## 2.2.2 DELIVERING PAPER APPLICATION FORMS – ANZ SECURITYHOLDER OFFER AND GENERAL OFFER

If you are an ANZ Securityholder Applicant or you are a General Applicant and paying by cheque and/or money order, you must return your completed paper Application Form and Application Payment to the address below so that they are received by the Registry before the Closing Date, which is 5:00pm AEST on 21 September 2011.

By mail to the Registry:

ANZ CPS3 Offer  
c/Computershare Investor Services Pty Limited  
GPO Box 505  
Melbourne VIC 3001  
Australia

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

### 2.3 How to pay

#### 2.3.1 OVERVIEW

	ONLINE	PAPER APPLICATION FORM
ANZ Securityholder Offer	<p>If you apply using an online Application Form at <a href="http://www.CPS3Offer.anz.com">www.CPS3Offer.anz.com</a>, you must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by ANZ.</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> <li>■ access your participating BPAY® financial institution either through telephone banking or internet banking;</li> <li>■ select BPAY® and follow the prompts;</li> <li>■ enter the biller code supplied;</li> <li>■ enter the unique Customer Reference Number supplied for each Application;</li> <li>■ enter the total amount to be paid which corresponds to the number of CPS3 you wish to apply for under each Application (that is, a minimum of \$5,000 – 50 CPS3, and incremental multiples of \$1,000 – 10 CPS3). Note that your financial institution may apply limits on your use of BPAY® and that you should make enquiry about the limits that apply in your own personal situation;</li> <li>■ select the account you wish your payment to be made from;</li> <li>■ schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and</li> <li>■ record your BPAY® receipt number and date paid. Retain these details for your records.</li> </ul> <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p>	<p>If you apply under the ANZ Securityholder Offer using a personalised blue paper ANZ Securityholder Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ CPS3 Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply under the ANZ Securityholder Offer using a personalised blue paper ANZ Securityholder Application Form. If you wish to pay by BPAY®, you will need to make an online Application – see adjacent column.</p> <p>Your completed personalised blue paper ANZ Securityholder Application Form and Application Payment must be received by the Registry by the Closing Date.</p>

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## 2.3 How to pay

### 2.3.1 OVERVIEW (CONT)

	ONLINE	PAPER APPLICATION FORM
General Offer	<p>If you apply using an online Application Form at <a href="http://www.CPS3Offer.anz.com">www.CPS3Offer.anz.com</a>, you must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for each of your Applications. Follow the BPAY® instructions above for the ANZ Securityholder Offer to complete your Application. If you do not make a BPAY® payment your Application will be incomplete and will not be accepted by ANZ.</p> <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p>	<p>If you apply under the General Offer using a white paper Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ CPS3 Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply under the General Offer using a white paper Application Form. If you wish to pay by BPAY®, you need to make an online Application – see adjacent column.</p> <p>Your completed white paper Application Form and Application Payment must be received by the Registry by the Closing Date.</p>
Broker Firm Offer	<p>You must contact your Syndicate Broker for information on how to submit the white paper Application Form and your Application Payment to your Syndicate Broker. You may be able to apply for CPS3 under the Broker Firm Offer using an online application and payment facility.</p>	

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### 2.3.2 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your CPS3 on ASX after CPS3 have been quoted on ASX.

### 2.3.3 APPLICATION PAYMENTS HELD ON TRUST

All Application Payments received before CPS3 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 CPS3 are issued to successful Applicants, the Application Payments held on trust will be payable to ANZ.

### 2.3.4 REFUNDS

If you are not allotted any CPS3 or you are allotted fewer CPS3 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.

## 2.4 PROVISION OF PERSONAL INFORMATION

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your CPS3. For information about the acknowledgements and privacy statement in relation to personal information that you provide to ANZ by completing an Application Form – see Section 6.13.

## 2.5 ALLOCATION POLICY

### 2.5.1 OVERVIEW

The Allocation policy for CPS3 to be issued to or as directed by Syndicate Brokers and Institutional Investors will be determined under the Bookbuild – see Section 2.5.2. The Bookbuild allocation will be agreed by the Joint Lead Managers and ANZ following completion of the Bookbuild.

Allocations for the ANZ Securityholder Offer and the General Offer will be determined by ANZ in consultation with the Joint Lead Managers after the Closing Date – as set out in Section 2.5.4. There is no specified proportion of the Offer that may be allocated to the ANZ Securityholder Offer or the General Offer. ANZ (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from ANZ Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the day CPS3 commence trading on a deferred settlement basis – expected to be 29 September 2011.

### 2.5.2 BOOKBUILD

The Bookbuild is a process that is conducted by the Joint Lead Managers in consultation with ANZ before the Opening Date to determine the Margin and firm Allocations of CPS3 to Bookbuild participants. In this process, the Bookbuild participants are invited to lodge bids for a number of CPS3. On the basis of those bids, the Joint Lead Managers and ANZ will, by mutual agreement, determine the Margin and the firm Allocations to Syndicate Brokers. ANZ Securities and ANZ will by mutual agreement determine the firm Allocations to certain Institutional Investors. The Bookbuild will be conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by ANZ and the Joint Lead Managers in the Offer Management Agreement – see Section 6.6.

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

### 2.5.3 SETTLEMENT

The Joint Lead Managers have agreed with ANZ to bid into the Bookbuild on a broker firm basis. This means that each JLM (other than ANZ Securities) is responsible for ensuring that payment is made for all CPS3 allocated to them or at their direction.

The Offer Management Agreement may be terminated by the Joint Lead Managers in certain circumstances – see Section 6.6. If the Offer Management Agreement is terminated, Bookbuild participants can withdraw their firm Allocations. For details of the fees payable under the Offer Management Agreement – see Section 6.8.

### 2.5.4 ALLOCATIONS

Institutional Offer	Allocations to Institutional Investors will be agreed by ANZ Securities and ANZ.
Broker Firm Offer	Allocations to Syndicate Brokers will be agreed by the Joint Lead Managers and ANZ. Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker.
ANZ Securityholder Offer and General Offer	<p>ANZ Securityholder Applicants and General Applicants who submit a valid Application Form and Application Payment may receive an Allocation, subject to the right of ANZ in consultation with the Joint Lead Managers to determine the Allocations, when the Offer closes.</p> <p>If there is excess demand for CPS3, priority will be given to ANZ Securityholder Applicants over General Applicants.</p> <p>ANZ, after consultation with the Joint Lead Managers, has absolute discretion to determine the method and extent of the priority Allocation.</p> <p>ANZ (at its discretion and in consultation with the Joint Lead Managers) and the Joint Lead Managers reserve the right to:</p> <ul style="list-style-type: none"> <li>■ allocate to any ANZ Securityholder Applicant or General Applicant all CPS3 for which they have applied;</li> <li>■ reject any Application by an ANZ Securityholder Applicant or a General Applicant; or</li> <li>■ allocate to any ANZ Securityholder Applicant or General Applicant a lesser number of CPS3 than that applied for, including less than the minimum Application of CPS3 or none at all.</li> </ul> <p>No assurance is given that any ANZ Securityholder Applicant or General Applicant will receive an Allocation.</p>

## 2.6 ASX QUOTATION, HOLDING STATEMENTS AND OTHER INFORMATION

### 2.6.1 ASX QUOTATION

ANZ will apply to ASX for CPS3 to be quoted on ASX. If ASX does not grant permission for CPS3 to be quoted within three months after the date of this Prospectus, CPS3 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

It is expected that CPS3 will begin trading on ASX on a deferred settlement basis on 29 September 2011 under ASX code "ANZPC". Trading is expected to continue on that basis until 5 October 2011, when it is anticipated that trading of CPS3 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 CPS3. If you are a successful Applicant and sell your CPS3 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 AEST) or your Syndicate Broker, after the Issue Date to enquire about your Allocation. Alternatively, if you are an ANZ Securityholder, you can check your holding online at [www.investorcentre.com](http://www.investorcentre.com). To use this facility, you will need internet access and your Holder Identification Number or Securityholder Reference Number to pass the security features on the website.

### 2.6.2 HOLDING STATEMENTS

ANZ will apply for CPS3 to participate in CHESS. No certificates will be issued for CPS3. ANZ expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 3 October 2011.

### 2.6.3 PROVISION OF BANK ACCOUNT DETAILS FOR DIVIDENDS

ANZ's current policy is that Dividends will be paid in Australian dollars by direct credit into nominated Australian financial institution accounts (excluding credit card accounts), for CPS3 Holders with a registered address in Australia. For all other CPS3 Holders, ANZ's current policy is that Dividends will be paid by Australian dollar cheque.

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

If you are an ANZ Securityholder Applicant or a General Applicant who has not already quoted your TFN or ABN and you are issued any CPS3, then you may be contacted in relation to quoting your TFN, ABN or both.

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

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, in respect of CPS3 Holders, ANZ may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.50% including the Medicare levy) on the amount of any Dividend (to the extent the Dividend is not fully franked) unless you provide one of the following:

- TFN;
- TFN exemption number (if applicable); or
- ABN (if CPS3 are held in the course of an enterprise carried on by you).

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

## 2.7 ENQUIRIES

### 2.7.1 ANZ SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS

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

- have further questions on how to apply for CPS3;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether CPS3 are a suitable investment for you, you should consult your financial adviser or other professional adviser.

### 2.7.2 BROKER FIRM APPLICANTS

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

## SECTION 3

# ABOUT ANZ

THIS SECTION SETS OUT:

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

### 3.1 OVERVIEW OF ANZ

ANZ, 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. ANZ is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on 14 July 1977. ANZ's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia and the telephone number is +61 3 9683 9999. Its Australian Company Number is ACN 005 357 522.

As at 31 March 2011, ANZ had total assets of \$537.5 billion and shareholders' equity of \$35.1 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 19 August 2011, ANZ had a market capitalisation of approximately \$50.2 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. Consistent with this strategy, one aim includes revenues sourced from Asia Pacific, Europe & America driving 25 per cent to 30 per cent of Group profit by 2017. While there is a strong focus on organic growth, ANZ continues to explore appropriate acquisitions throughout Asia where opportunities arise.

#### 3.1.1 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 consists of (i) Retail, (ii) Commercial, (iii) Institutional, (iv) Wealth and (v) Group Centre.

##### RETAIL

Retail consists of two business units: (i) Retail Distribution and (ii) Retail Products.

- Retail Distribution operates the Australian branch network, Australian call centre, specialist businesses (including ATMs, retail foreign exchange centres, specialist mortgage sales staff, mortgage brokerage and franchisees and direct channels), online banking and distribution services.
- Retail Products is responsible for delivering a range of products including:
  - Mortgages, providing housing finance to consumers in Australia for both owner-occupied and investment purposes;
  - Cards and Unsecured Lending, providing consumer credit cards, ePayment products, personal loans and ATM facilities in Australia; and
  - Deposits, providing transaction banking and savings products, including term deposits and cash management accounts.

##### COMMERCIAL

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

- Business Banking provides a full range of banking services, including risk management, to metropolitan-based small to medium sized business clients with a turnover of up to \$40 million.
- Small Business Banking Products provides a full range of banking services for metropolitan-based small businesses in Australia with borrowings of up to \$550,000.
- Regional Commercial Banking provides a full range of banking services to retail customers and small business and agribusiness customers in rural and regional Australia, and includes the recent acquisition of loans and deposits from Landmark Financial Services.
- Esanda provides motor vehicle and equipment finance, and investment products.

## INSTITUTIONAL

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

Wealth consists of two business units: (i) ANZ Private and (ii) OnePath Australia Limited (formerly ING Australia Limited).

- ANZ Private specialises in assisting high net worth individuals and families to manage, grow and preserve their family assets. The businesses within ANZ Private include Private Bank, Trustees, E\*TRADE, Investment Lending and Super Concepts.
- OnePath Australia Limited, formerly a joint venture between ANZ and ING Group, is now a wholly owned subsidiary of ANZ. OnePath Australia Limited operates as part of the Group's specialist wealth management and protection business. It provides a comprehensive range of wealth and insurance products available through financial advisers and the ANZ branch network.

## GROUP CENTRE

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

- Global Services and Operations ("GSO") which is the Group's core support division comprising Operations, Global Shared Services is responsible for the overall design and delivery of scalable processes and professional services to the Group globally, and Property.
- Technology is responsible for the Group's information and technology solutions and infrastructure, including the development, maintenance and support of technology solutions for staff and customers globally.
- Financial Management comprises Group Finance, Finance Professional Services, Group Legal and Company Secretary's Office, Internal Audit, Group Taxation, Group Treasury, and Investor Relations.
- Risk has global responsibility for the effectiveness of the Group's risk management framework and risk strategies, policies and processes. Divisional Risk teams (Risk Australia, Risk New Zealand, Risk Asia Pacific, Europe & America, Risk Institutional, and Risk Global Services and Operations) provide an active business partnership to embed and manage the Group Risk Framework within the regions. Central Risk teams (Governance, Risk Infrastructure, Credit & Market Risk, and Risk Chief of Staff) provide common governance and capabilities intended to enable effective enterprise-wide risk management.
- Strategy, M&A Marketing and Innovation is responsible for the Group's global business strategy, including the expansion and re-shaping of the Group's businesses, mergers, acquisitions and divestments. It is also responsible for the Group's global brand positioning and marketing strategy, and for overseeing the Group's strategic productivity.
- Human Resources delivers global human resources capabilities, including developing and managing strategies, policies, processes and initiatives relating to the employment and development of staff.
- Corporate Communications is responsible for all external communication between the Group, the media and other constituents, as well as internal communication across the Group and geographies.
- Corporate Affairs manages key external relationships within Community, Corporate Responsibility, Government and Regulatory Affairs. This includes leadership and governance of the Group's Corporate Responsibility agenda.

### 3.1.2 ASIA PACIFIC, EUROPE & AMERICA

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

- 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. This includes partnerships or joint venture investments in Indonesia with PT Panin Bank; in the Philippines with Metrobank; in China with Bank of Tianjin and Shanghai Rural Commercial Bank ("SRCB"); in Malaysia with AMMB Holdings Berhad; and in Vietnam with Sacombank and Saigon Securities Incorporated ("SSI").

- 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, which are located in Bangalore and the Philippines, include operations and technology support services to all geographic regions.

During 2010, ANZ acquired selected Royal Bank of Scotland Group plc businesses in Asia. The acquisitions of the businesses in the Philippines, Vietnam and Hong Kong were completed during the first half of the Group's 2010 fiscal year, and the acquisition of the businesses in Taiwan, Singapore and Indonesia were completed during the second half of the Group's 2010 fiscal year.

### 3.1.3 NEW ZEALAND

The New Zealand region consists of (i) Retail, (ii) Commercial and Agri, (iii) Institutional, (iv) Wealth, and (v) an operations and support area, which includes Treasury and capital funding.

#### RETAIL

Retail is comprised of two business units: (i) National Bank Retail and (ii) ANZ Retail.

- National Bank Retail, operating under the National Bank brand in New Zealand, provides a full range of banking services to personal and business banking customers.
- ANZ Retail, operating under the ANZ brand in New Zealand, provides a full range of banking services to personal and business banking customers.

#### COMMERCIAL AND AGRICULTURE

Commercial and Agri is comprised of three business units: (i) Corporate and Commercial Banking, (ii) Agri Banking and (iii) UDC.

- Corporate and Commercial Banking incorporates the ANZ and National Bank brands and provides financial solutions through a relationship management model for medium-sized businesses with a turnover of up to NZ\$150 million.
- Agri Banking provides a full range of banking services to rural and agribusiness customers.
- UDC provides motor vehicle and equipment finance, operating leases and investment products.

#### INSTITUTIONAL

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

Wealth is comprised of two business units: Private Banking and OnePath.

- Private Banking includes the private banking operations under the ANZ and National Bank brands.
- OnePath New Zealand Limited, formerly a joint venture between ANZ and the ING Group, is now a wholly owned subsidiary of ANZ. It manufactures and distributes investment and insurance products and advice.

#### OPERATIONS AND SUPPORT

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

### 3.1.4 GLOBAL INSTITUTIONAL

The Global 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 Global 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.

Global Institutional 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.

- Transaction Banking provides working capital solutions including lending and deposit products, cash transaction banking management, trade finance, international payments, securities lending, clearing and custodian services,

principally to institutional and corporate customers.

- Global Markets provides risk management services to corporate and institutional clients in relation to foreign exchange, interest rates, credit, and commodities markets. This includes the business of providing origination, underwriting, structuring and risk management services and advice and sale of both credit and derivative products globally. Global Markets also manages the Group's interest rate risk position.
- Global Loans provides term loans, general working capital facilities and specialist loan structuring. In addition to relationship lending, it provides specialist credit analysis, structuring, execution and ongoing monitoring of strategically significant customer transactions, including project and structured finance, debt structuring and acquisition finance, loan product structuring and management, structured asset and export finance. It also includes loan agency services.
- Relationship and Infrastructure includes client relationship teams for global institutional customers and corporate customers, and central support functions.

## 3.2 FINANCIAL INFORMATION ABOUT ANZ

### 3.2.1 2010 FINANCIAL YEAR

ANZ's profit after tax for the year ended 30 September 2010 was \$4,501 million, as compared to \$2,943 million for the year ended 30 September 2009, representing an increase of 53%. Underlying profit<sup>26</sup> was \$5,025 million, as compared to \$3,772 million for the year ended 30 September 2009, representing an increase of 33% and the underlying profit before provisions and tax was \$8,811 million for the year ended 30 September 2010, as compared to \$8,299 million for the year ended 30 September 2009, representing an increase of 6%.

The dividend for the year ended 30 September 2010 was 126 cents per Ordinary Share (fully franked), representing a dividend payout ratio of 71.6%, as compared to 102 cents per Ordinary Share (fully franked) for the year ended 30 September 2009 representing a dividend payout ratio of 82.3%.

Underlying revenue (excluding significant and unusual items) increased 10% for the year ended 30 September 2010 to \$15,782 million. Underlying operating expenses (excluding significant and unusual items) increased 15%, from \$6,068 million to \$6,971 million and hence the underlying cost to income ratio (excluding significant and unusual items) rose to 44.2% for the year ended 30 September 2010 from 42.2%. The underlying provision for credit impairment decreased 40% to \$1,820 million reflecting the economic conditions across Australia and New Zealand.

### 3.2.2 2011 INTERIM RESULTS

All growth rates for the half year ended 31 March 2011 are expressed relative to the half year ended 31 March 2010.

ANZ's profit after tax for the half year ended 31 March 2011 increased from \$1,925 million to \$2,664 million, or 38% on the same half last year. Underlying profit<sup>26</sup> increased from \$2,298 million to \$2,818 million, or 23%, while underlying profit before provisions and tax increased from \$4,318 million for the half year ended 31 March 2010 to \$4,609 million for the half year ended 31 March 2011, or 7%.

The 2011 interim dividend of 64 cents per Ordinary Share (fully franked) represented an increase of 23% on the 2010 interim dividend.

Underlying revenue (excluding significant and unusual items) increased from \$7,567 million to \$8,430 million, or 11%, while underlying operating expenses (excluding significant and unusual items) increased from \$3,249 million to \$3,821 million, or 18%. The underlying cost to income ratio (excluding significant and unusual items) increased from 42.9% to 45.3%. The provision for credit impairment charge of \$675 million was significantly lower, down \$407 million on the half year ended 31 March 2010.

### 3.2.3 HISTORICAL RESULTS

The profit information in Section 3.2.1 and Section 3.2.2 is historical information and is not a forecast of results to be expected in future periods.

### 3.2.4 IMPACT OF THE OFFER ON ANZ'S CONSOLIDATED BALANCE SHEET

The issue of the CPS3 will increase ANZ's loan capital liabilities by \$740 million (\$750 million gross proceeds of the Offer, less \$10 million Offer costs) and increase ANZ's liquid assets by \$740 million, with no impact on ANZ's net assets or shareholders' equity. Total assets and total liabilities will increase by approximately 0.1%.

ANZ may raise more or less than \$750 million pursuant to the Offer and these figures will be impacted accordingly.

<sup>26</sup> Underlying profit is derived by excluding significant and unusual items which sit outside the ongoing business activities of the Group from statutory profit.

### 3.3 CAPITAL ADEQUACY

#### 3.3.1 PRUDENTIAL REGULATION

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

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

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

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

Following APRA's adoption of the Basel II framework, ANZ sought and has been granted accreditation from APRA to use the Advanced Internal Ratings Based methodology for credit risk and the Advanced Management Approach for operational risk.

The Basel Committee has released a series of consultation papers (Basel III) which propose changes to the Basel II framework – details are set out below in Section 3.3.3.

The effect of the Offer on ANZ's capital adequacy ratio is set out in Section 3.3.6.

#### 3.3.2 PRUDENTIAL CAPITAL CLASSIFICATION

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

Tier 1 Capital consists of Fundamental Tier 1 Capital and Residual Tier 1 Capital less Tier 1 Capital Deductions. Fundamental Tier 1 Capital includes paid up ordinary shares, general reserves and retained earnings, together with minority interests, but excludes retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes, and expected dividend payments (net of expected dividend reinvestment) that have yet to be accrued in the financial statements.

On 27 May 2011, APRA released a letter entitled "Interim Arrangements for Additional Tier 1 Capital Instruments" (**Interim Arrangements**) which provided transitional arrangements for the issuance of eligible Residual Tier 1 Capital instruments until the end of 2012, while the Basel III framework is being finalised in Australia. APRA confirmed that it is prepared, on an interim basis, to accept newly issued Residual Tier 1 Capital instruments as being eligible for transitional treatment as Additional Tier 1 Capital under the Basel III framework on the basis that they meet the eligibility criteria in the current prudential standards and the additional criteria set out in the Interim Arrangements.

APRA has provided confirmation that CPS3 will, once issued constitute Residual Tier 1 Capital under the Prudential Standards current at the date of this Prospectus and, pursuant to APRA's Interim Arrangements, will be eligible for transitional treatment as Additional Tier 1 Capital when those prudential standards are updated as a result of APRA's implementation of the Basel III reforms (notwithstanding the proposed Basel III requirements for Residual Tier 1 Capital instruments summarised in Section 3.3.3 below).

#### 3.3.3 PROPOSED REGULATORY CHANGES

The Basel Committee has released the Basel III proposals with the aim of strengthening the global capital and liquidity framework to improve the banking sector's ability to absorb shocks arising from financial and economic stress.

The consultation papers aim to increase the quality, quantity, consistency and transparency of banks' capital bases, whilst strengthening the risk coverage of the capital framework by:

- increasing the minimum level of capital, with new minimum capital targets for Common Equity Capital (4.5%), Tier 1 Capital (6.0%) and Total Capital (8.0%) to be phased in between 2013 and 2015;

- increasing the capital buffers that banks are required to hold for stress scenarios and to dampen the impact of pro cyclical elements of the current prudential regulations. A capital conservation buffer of 2.5% and a counter cyclical buffer of between 0.0% and 2.5% will be phased in between 2016 and 2019. Failure to maintain the full capital buffers will result in limitations on the amount of current year earnings that can be paid as discretionary bonuses and to holders of Tier 1 and Tier 2 Capital instruments as coupons and capital returns;
- increasing Tier 1 deductions, although a number of the proposals are consistent with the current APRA prudential standards and in some cases are less onerous than APRA's current prudential standards;
- increasing the focus on Fundamental Tier 1 Capital and tightening the regulations for Residual Tier 1 and Tier 2 Capital instruments, including a proposal that at the time of 'non viability' of a bank, these instruments will be written off, with any potential compensation for investors limited to an issuance of ordinary shares. Existing Residual Tier 1 Capital and Tier 2 Capital instruments that do not have these requirements will be phased out between 2013 and 2022. These proposals are to be supplemented, by yet to be released details around 'contingent capital' and 'bail in' instruments, which will not initially be recognised as prudential capital, but which are converted into Fundamental Tier 1 Capital at predetermined trigger points;
- supplementing the risk adjusted capital ratio targets with the introduction of a minimum leverage ratio (Tier 1 capital divided by adjusted total assets including off balance sheet exposures) of 3.0% between 2013 and 2018;
- introducing measures to address the impact of systematic risk and inter-connectedness risk;
- improving transparency of reporting capital ratio calculations in the financial statements; and
- increasing the capital requirements for traded market risk, credit risk, and securitisation transactions (although in some cases these are less onerous than APRA's current prudential standards).

The Basel Committee is expected to finalise the majority of the reforms during 2011, for implementation between 2012 and 2019. Following the release of the final reforms by the Basel Committee, ANZ expects APRA to engage the Australian banking and insurance industry ahead of the development and implementation of revised Australian prudential standards. It is not possible to accurately determine the impacts associated with these reforms on ANZ, including revised operating capital targets and timetable for implementation, until APRA's position is finalised.

#### 3.3.4 CAPITAL MANAGEMENT STRATEGY

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

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

#### 3.3.5 COMMON EQUITY CAPITAL RATIO

The calculation of the Common Equity Capital Ratio will change when APRA adopts Basel III. This may apply from 1 January 2013, however APRA is yet to conclude the revised calculation of Common Equity Capital Ratio under Basel III.

At 31 March 2011 ANZ's Common Equity Capital Ratio was 8.5% under the current APRA regulations. ANZ estimated that the Common Equity Capital Ratio could be between ~7.0% and ~9.5% depending upon the form in which APRA adopts the requirements of the Basel III Consultation Paper.

The Basel III Consultation Paper, and subsequent announcements from the Basel Committee, proposes several capital buffers to be held over the proposed minimum Common Equity Capital Ratio of 4.5%. At a minimum, these capital buffers would require ANZ to normally hold a minimum Basel III Common Equity Capital Ratio exceeding 7% at all times from the date APRA fully adopts Basel III. In order to avoid a breach of this prudential minimum, ANZ expects that it would target to operate with a Common Equity Capital Ratio in excess of 7%, which would be well above the Common Equity Capital Trigger level of 5.125%. ANZ gives no assurance as to what its Common Equity Capital Ratio will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

Until draft Australian prudential standards are issued, it is not possible to determine with certainty the impacts and timetable associated with the implementation of the reforms proposed by the Basel III Consultation Paper on ANZ, including the extent to which APRA will align its definition of the Common Equity Capital Ratio with that paper.

### 3.3.6 PRO FORMA CONSOLIDATED CAPITAL ADEQUACY POSITION AS AT 31 MARCH 2011

ANZ's summarised consolidated capital adequacy ratios set out below are derived from supplementary information included in the consolidated results for the half year ended 31 March 2011. This information is not subject to KPMG's audit opinion.

The purpose of the pro forma capital adequacy ratios is to present ANZ's regulatory capital adequacy position as at 31 March 2011 adjusted for the effect of the issue of CPS3 pursuant to the Offer.

The first column presents the summarised consolidated regulatory capital ratio of ANZ as at 31 March 2011 and the second column reflects the impact of the issue of CPS3 pursuant to the Offer.

#### ANZ SUMMARISED CONSOLIDATED REGULATORY CAPITAL ADEQUACY RATIOS AS AT 31 MARCH 2011

(\$ million)	ANZ 31 March 2011 <sup>27</sup>	Pro-forma Adjustments <sup>28</sup>	Pro forma ANZ <sup>29</sup>
Core Tier 1 (Common Equity Capital)	8.5%	0.0%	8.5%
Tier 1	10.5%	0.3%	10.8%
Tier 2	1.6%	0.0%	1.6%
<b>TOTAL</b>	<b>12.1%</b>	<b>0.3%</b>	<b>12.4%</b>

<sup>27</sup> ANZ's capital adequacy position as at 31 March 2011. ANZ's Core Tier 1 Capital Ratio equates to the Common Equity Capital Ratio referred to in the CPS3 Terms.

<sup>28</sup> Tier 1 Capital raising of \$750 million less Tier 1 Capital Deductions of \$10 million, being the estimated costs of the Offer. If there is over or under-subscription for CPS3, the Tier 1 Capital and Total Capital ratios will be adjusted for the amount of the over or under-subscription and associated transaction costs.

<sup>29</sup> ANZ's capital adequacy ratios will have also been impacted by the capital initiatives identified in Section 3.3.5 along with organic capital growth, changes in provisions and Risk Weighted Assets growth since 31 March 2011.

### 3.4 FUNDING AND LIQUIDITY

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

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

- Name Crisis scenario modelling: ANZ requires that it remains cash flow positive under stressed "name-crisis" scenarios, whereby a proportion of deposits are assumed to be withdrawn by customers and ANZ's access to wholesale capital markets is severely restricted. These stresses capture "name-crisis" scenarios under both normal and stressed financial market conditions.
- Funding Market Stress scenario modelling: ANZ requires that it remains cash flow positive for an extended period of time under stressed funding market scenarios, whereby access to wholesale funding markets is severely restricted. These stresses capture both global and offshore specific funding market disruptions.
- Normal Business Conditions scenario modelling: ANZ monitors its expected liquidity position under normal conditions, based on statistical modelling of balance sheet behaviour.
- Liquid Asset Portfolio: ANZ's liquidity and funding risk is reduced through the holding of a portfolio of highly liquid assets. In a market stress event, these assets are pledgeable securities with the RBA and other central banks for cash.
- Wholesale Funding Maturity Concentration Limits: Maturity Concentration Limits are applied with the aim of preventing ANZ's wholesale funding requirements from being overly reliant on large issuance over a short period. These limits require funding to be well diversified by tenor.
- Structural Liquidity Metrics: ANZ requires that a high proportion of long term assets are funded with long term and "sticky" forms of funding. These metrics aim to ensure a high level of funding sustainability, thereby reducing the vulnerability of the balance sheet to market and/or name specific stress.

ANZ strictly observes its prudential obligations in relation to liquidity and funding risk as required by APRA Prudential Standard APS 210, as well the prudential requirements of overseas regulators on ANZ's offshore operations. APRA is currently in the process of revising its Liquidity Risk prudential standard in line with the Basel III proposals (see Section 3.3.3 for further information).

## SECTION 4

# INVESTMENT RISKS

THIS SECTION DESCRIBES SOME OF THE POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN CPS3 AND IN ANZ.

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

BEFORE APPLYING FOR CPS3, YOU SHOULD CONSIDER WHETHER CPS3 ARE A SUITABLE INVESTMENT FOR YOU. THERE ARE RISKS ASSOCIATED WITH AN INVESTMENT IN CPS3 AND IN ANZ, MANY OF WHICH ARE OUTSIDE THE CONTROL OF ANZ AND ITS DIRECTORS. THESE RISKS INCLUDE THOSE IN THIS SECTION AND OTHER MATTERS REFERRED TO IN THIS PROSPECTUS.

## 4.1 RISKS ASSOCIATED WITH INVESTING IN CPS3

### 4.1.1 LIQUIDITY

There may be no liquid market for CPS3. The market for CPS3 may be less liquid than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. CPS3 Holders who wish to sell their CPS3 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CPS3.

CPS3 are expected to Convert into Ordinary Shares on 1 September 2019 (subject to certain conditions being satisfied) unless CPS3 are otherwise Exchanged on or before that date. Where CPS3 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

### 4.1.2 FINANCIAL MARKET CONDITIONS

The market price of CPS3 may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, credit spreads, movements in the market price of Ordinary Shares or senior or subordinated debt, and factors that may affect ANZ's financial performance and position. CPS3 may trade at a market price below the Issue Price.

The market price of CPS3 may be more sensitive than that of Ordinary Shares to changes in interest rates and credit spreads. Increases in relevant interest rates or ANZ's credit spread may adversely affect the market price of CPS3.

In recent years markets have become more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

You should carefully consider this additional volatility risk before making any investment in CPS3.

The Ordinary Shares held as a result of any Conversion of CPS3 will, following Conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon Conversion will depend upon the market price of Ordinary Shares after the Mandatory Conversion Date or other date on which CPS3 are Converted. That market is also subject to the factors outlined above and may also be volatile.

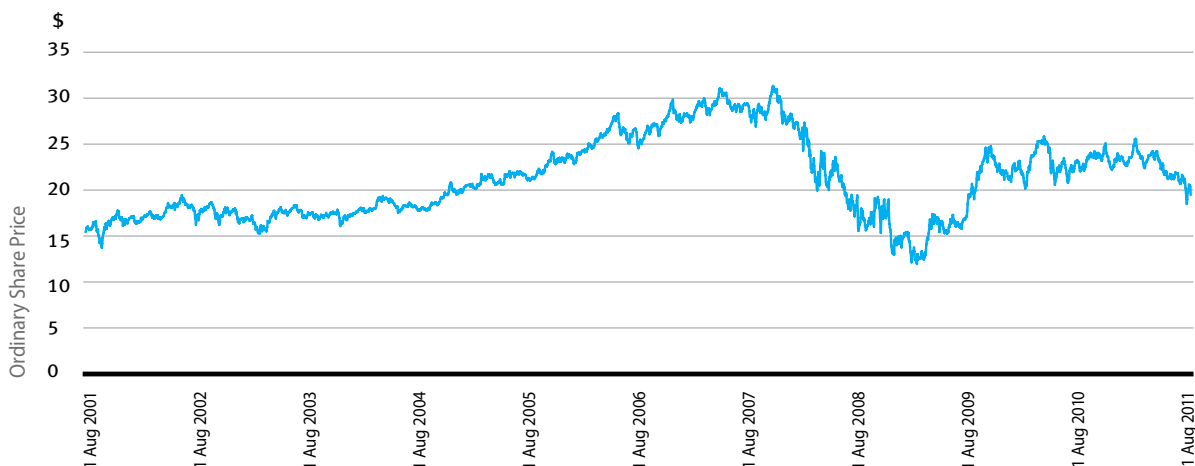
### 4.1.3 EXPOSURE TO ANZ'S FINANCIAL PERFORMANCE AND POSITION

If ANZ's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS3 could decline in value even if CPS3 have not been Converted. Accordingly, when you evaluate whether to invest in CPS3 you should carefully evaluate the investment risks associated with an investment in ANZ – see Section 4.2.

### 4.1.4 FLUCTUATION IN ORDINARY SHARE PRICE

Upon Conversion (other than Conversion resulting from a Common Equity Capital Trigger Event – see Section 4.1.10), CPS3 Holders will receive approximately \$101.01 worth of Ordinary Shares per CPS3 (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date or other date on which CPS3 are Converted).<sup>30</sup> The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions and ANZ's financial performance and position – see Section 4.1.2. As a result, the value of Ordinary Shares received upon Conversion may be greater than or less than \$101.01 per CPS3 when they are issued or thereafter, and could be less than the Issue Price of CPS3. In relation to Conversion on account of a Common Equity Capital Trigger Event, see further Section 4.1.10.

#### ANZ SHARE PRICE FROM 1 AUGUST 2001 – 19 AUGUST 2011



<sup>30</sup> The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that CPS3 Holders receive may differ from the Ordinary Share price on or after the date of Conversion. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

#### 4.1.5 DIVIDENDS MAY NOT BE PAID

There is a risk that Dividends will not be paid. CPS3 do not oblige ANZ to pay Dividends.

The payment of Dividends is subject to the Payment Tests – see Section 1.2.7. The Payment Tests require, among other things, that the Directors, at their absolute discretion, resolve to pay a Dividend and that ANZ has sufficient profits as required by APRA (being referred to as Distributable Profits) available to pay the Dividend. There is a risk that one or more elements of the Payment Tests will not be satisfied, and there is therefore a risk that a Dividend may not be paid in full or at all.

Distributable Profits are the amounts of profits from which APRA allows Dividends to be paid. APRA requires that Dividends may only be paid to the extent that they do not exceed Distributable Profits in respect of any Dividend Payment Date. APRA prescribes the calculation of Distributable Profits for both Level 1 (broadly, ANZ and a limited class of subsidiaries closely controlled by ANZ) and for Level 2 (broadly, the Group, but excluding certain prescribed entities and associates). Distributable Profits are determined as the lesser of the profits at these two levels.

For each level, the amount of Distributable Profits as at any Dividend Payment Date is calculated by taking the current year profits (not deducting certain interest, dividends and distributions on Upper Tier 2 Capital and Tier 1 Capital) for the 12 month period that ended on 31 March or 30 September immediately before the relevant Dividend Payment Date, and subtracting from that amount the amount of dividends or other distributions paid by the Group (at the relevant level) in the 12 months up to and including that date on Tier 1 Capital and Upper Tier 2 Capital securities.

Further, the payment of Dividends is subject to ANZ's capital ratios being above those required from time to time by APRA after the payment.

The CPS3 Terms contain no events of default and, accordingly, failure to pay a Dividend when scheduled will not constitute an event of default. Further, in the event that ANZ does not pay a Dividend when scheduled, a CPS3 Holder:

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

Dividends are non-cumulative, and therefore if a Dividend is not paid CPS3 Holders will have no recourse whatsoever to payment from ANZ and will not receive payment of those Dividends.

However, if ANZ does not pay a Dividend in full on a Dividend Payment Date, then the Distribution Restriction applies to ANZ unless the Dividend is paid in full within 3 Business Days of that date – see Section 1.2.8 for more details.

In addition, ANZ may be prevented from paying a Dividend by the requirements of the Corporations Act that its assets exceed its liabilities by an amount sufficient for payment of the Dividend, that payment is fair and reasonable to ANZ's shareholders and payment of the Dividend does not materially prejudice ANZ's ability to pay its creditors. ANZ may also be prevented from paying Dividends by the terms of other securities (such as Tier 1 Capital and Upper Tier 2 Capital securities) if a dividend or other distribution has not been paid on those securities. If such a constraint applies, ANZ may not be able to pay Dividends on CPS3 without the approval of the holders of those other securities – see Section 4.1.8.

Changes in regulations applicable to ANZ (including Basel III) may impose additional requirements which prevent ANZ from paying a Dividend in additional circumstances.

#### 4.1.6 DIVIDENDS MAY NOT BE FULLY FRANKED

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

If a Dividend is unfranked or partially franked, any Dividend paid on the Dividend Payment Date for that Dividend will be increased to compensate for the unfranked component, subject to the Payment Tests – see Section 1.2.7.

The value and availability of franking credits to a CPS3 Holder will differ depending on the CPS3 Holder's particular tax circumstances. CPS3 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS3 Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each CPS3 Holder. CPS3 Holders should also refer to the Taxation Summary in Section 5 and seek professional advice in relation to their tax position.

#### 4.1.7 CHANGES IN DIVIDEND RATE

The Dividend Rate is calculated for each Dividend Period by reference to the Bank Bill Rate, which is influenced by a number of factors and varies over time. The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate – see Section 1.2.5.

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

#### 4.1.8 DISTRIBUTIONS ON CPS3 MAY BE RESTRICTED BY THE TERMS OF OTHER SIMILAR SECURITIES

The terms of ANZ's other outstanding and future securities could limit ANZ's ability to make payments on CPS3. If ANZ does not make payments on other securities (such as CPS1 and CPS2), payments may not be permitted to be made in respect of CPS3.

The payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the Payment Tests applying to CPS3. Accordingly, ANZ may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on CPS3. In these circumstances, the distribution restrictions on the other securities may then apply, preventing ANZ from making a payment on CPS3. Similarly, ANZ may not be permitted to make a payment on CPS3 in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on CPS3, ANZ may not be able to pay Dividends when scheduled to do so under the CPS3 Terms and may not be able to Redeem CPS3. ANZ is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or distribution restrictions – see also Section 4.1.20.

The distribution restriction on ANZ's outstanding securities (including CPS1 and CPS2) differ from, and are more restrictive than, the Distribution Restriction in CPS3. The CPS3 Dividend Restriction only restricts distributions in respect of Ordinary Shares and not distributions in respect of securities ranking equally with or junior to CPS3 (other than Ordinary Shares). The restriction only applies until the next Dividend Payment Date. The dates for distribution with respect to Ordinary Shares are determined by ANZ and do not bear a fixed relation to the Dividend Payment Dates for CPS3. Accordingly as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Dividend is paid in full) ANZ will not be restricted from making a distribution on its Ordinary Shares.

#### 4.1.9 CPS3 ARE PERPETUAL AND MANDATORY CONVERSION MAY NOT OCCUR ON THE SCHEDULED MANDATORY CONVERSION DATE OR AT ALL

CPS3 are expected to Convert into Ordinary Shares on 1 September 2019 (subject to certain conditions being satisfied). However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if Ordinary Shares cease to be quoted on ASX, or have been suspended from trading for at least five consecutive Business Days prior to, and remain suspended on, the Mandatory Conversion Date. The Ordinary Share price may be affected by transactions affecting the share capital of ANZ, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of the reconstruction, consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues of Ordinary Shares as described in clause 7 of the CPS3 Terms and not for other transactions, including rights issues, placements returns of capital, buybacks or special dividends. The CPS3 Terms do not limit the transactions which ANZ may undertake with respect to its share capital and any such action may affect whether Conversion will occur and may adversely affect the position of CPS3 Holders.

If Mandatory Conversion does not occur on the scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless CPS3 are otherwise Exchanged before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and CPS3 are not otherwise Exchanged, Dividends may continue to be paid on CPS3, subject to the Payment Tests.

However, CPS3 are a perpetual instrument. If the Ordinary Share price deteriorates significantly and never recovers, it is possible that the Mandatory Conversion Conditions will never be satisfied and, if this occurs, CPS3 will never Convert.

#### 4.1.10 CONVERSION ON ACCOUNT OF COMMON EQUITY CAPITAL TRIGGER EVENT

ANZ must Convert CPS3 into Ordinary Shares if at any time a Common Equity Capital Trigger Event occurs. This could be before the Mandatory Conversion Date.

The Common Equity Capital Trigger Event is based on APRA's definition of the Common Equity Capital Ratio which, due to upcoming regulatory changes commonly referred to as Basel III, is expected to change (see Sections 3.3.3 and 3.3.5).

The Common Equity Capital Ratio may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of ANZ. Accordingly, there is a risk that ANZ's Common Equity Capital Ratio falls to 5.125% or below and that as a result, CPS3 converts into Ordinary Shares before the Mandatory Conversion Date. Upon APRA adopting Basel III, ANZ's Common Equity Capital Ratio may be higher or lower compared to APRA's current prescribed definition, which may either increase or decrease the likelihood of ANZ's Common Equity Capital Ratio falling to 5.125% or below.

Conversion resulting from the occurrence of a Common Equity Capital Trigger Event is not subject to the Mandatory Conversion Conditions or other conditions. This may mean that CPS3 Holders receive significantly less than \$101.01 worth of Ordinary Shares per CPS3 (and suffer loss as a consequence) because:

- the number of Ordinary Shares issued per CPS3 is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101.01.
- if the number of shares to be issued calculated based on VWAP is less than the Maximum Conversion Number, the VWAP may differ from the Ordinary Share price on or after the Common Equity Capital Conversion Date. In particular, if Ordinary Shares are suspended from trading at the Common Equity Capital Conversion Date VWAP prices may be based wholly or partly on trading days which occurred before the Common Equity Capital Trigger Event Date.
- the Ordinary Shares received on Conversion as well as ANZ's Ordinary Shares generally may not be listed and so may not be able to be sold at prices reflecting their values (calculated based on VWAP) or at all.
- As noted in Section 1.3.9, the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of ANZ Ordinary Shares and pro rata bonus issues as set out in the CPS3 Terms. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The CPS3 Terms do not limit the transactions that ANZ may undertake with respect to its share capital and any such action may increase the risk that CPS3 Holders receive only the Maximum Conversion Number and so may adversely affect the position of CPS3 Holders.

#### 4.1.11 EXCHANGE AND EXCHANGE METHOD ARE AT ANZ'S OPTION

ANZ may (subject to APRA's prior written approval if required) elect to Exchange some or all CPS3 on an Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event and may elect to Exchange all (but not some) CPS3 on the occurrence of an Acquisition Event, in accordance with the CPS3 Terms. In addition, ANZ must (subject to certain conditions) Exchange all CPS3 on the occurrence of a Change of Control Event. CPS3 Holders have no right to request or require an Exchange.

Any such Exchange at ANZ's option may occur on dates not previously contemplated by CPS3 Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing. This also means that the period for which CPS3 Holders will be entitled to the benefit of the rights attaching to CPS3 (such as Dividends) is unknown.

Subject to certain conditions, ANZ also has in many cases a discretion to elect which Exchange Method will apply to an Exchange. The method chosen by ANZ may be disadvantageous to CPS3 Holders and may not coincide with their individual preference in terms of whether they receive Ordinary Shares or cash on the relevant date.

For example, if APRA approves an election by ANZ to Redeem the CPS3, CPS3 Holders will receive cash equal to \$100 per CPS3 rather than Ordinary Shares and, accordingly, they will not benefit from any subsequent increases in the Ordinary Share price after the Exchange occurs. In addition, where CPS3 Holders receive cash on Redemption, the rate of return at which they could reinvest their funds may be lower than the Dividend Rate at the time. Where CPS3 Holders receive Ordinary Shares on Conversion, they will have the same rights as other Shareholders, which are different to the rights attaching to CPS3.

#### 4.1.12 EXCHANGE ON CHANGE OF CONTROL EVENT

If a Change of Control Event occurs, ANZ is required to Exchange all CPS3 in accordance with the CPS3 Terms (see clause 6 of the CPS3 Terms). ANZ must, subject to Clause 6 of the CPS3 Terms, give a Change of Control Exchange Notice in which it elects whether to Exchange by way of Redemption or the Conversion of CPS3. However, ANZ is not permitted to elect Redemption as the method for Exchange unless the Change of Control Event has occurred on or after the fifth anniversary of the Issue Date and APRA's prior written approval has been obtained. APRA is not obliged to give this approval and, depending on the facts and circumstances existing at the time of any Change of Control Event, may not do so.

Further, ANZ is not permitted to elect Conversion as the Exchange Method if the restrictions on Conversion described in Section 1.4.3 and 1.4.4 apply. If ANZ has elected to Convert CPS3, ANZ may not proceed to Convert if on the Change of Control Exchange Date certain further restrictions apply as described in Section 1.6.5. If ANZ is not required to give a Change of Control Exchange Notice or the restrictions prevent Conversion, ANZ will, unless APRA does not approve Redemption (or ANZ is not allowed to elect Redemption) and the restrictions to electing Conversion apply, as noted in Section 1.6.6, give a new Change of Control Exchange Notice which will specify either Redemption or Conversion (as elected by ANZ) as the Exchange Method for Exchange on the next Dividend Payment Date. Where Conversion is elected, Conversion will not occur if the restrictions described in Section 1.6.5 apply on that date. This process will be repeated for each Dividend Payment Date until an Exchange occurs.

#### 4.1.13 EXCHANGE BY ANZ IS SUBJECT TO CERTAIN EVENTS OCCURRING

If ANZ elects to Exchange by way of Conversion (other than where it is obliged to Convert) or Redemption, APRA's prior written approval is required. CPS3 Holders should not expect that APRA will give its approval to any Exchange.

The choice of Conversion as the Exchange Method is subject to the level of the Ordinary Share price on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ. If the VWAP on that date is less than 56.00% of the Issue Date VWAP, ANZ is not permitted to choose Conversion as the Exchange Method. Also if a Delisting Event has occurred before that date and is continuing, ANZ is not permitted to choose Conversion as the Exchange Method.

The conditions to Conversion on the Exchange Date are that the Second Mandatory Conversion Condition and the Third Mandatory Conversion Condition must both be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date.

If the conditions to Conversion on the Exchange Date are not satisfied, ANZ will notify CPS3 Holders and the Conversion will be deferred until the next Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method is subject to the condition that CPS3 the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality, or that APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to Redeem CPS3. ANZ is not permitted to elect to Redeem CPS3 on account of an Acquisition Event unless the Acquisition Event has occurred on or after the fifth anniversary of the Issue Date.

Where ANZ has chosen to Exchange all CPS3 following an Acquisition Event, the Exchange of CPS3 is subject to obtaining APRA's prior written approval. APRA is not obliged to give this approval and, depending on the facts and circumstances existing at the time of any Acquisition Event, may not do so. If the Directors consider that APRA will not approve the Exchange where required to do so, or the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied, the Directors are required to use all reasonable endeavours to procure that equivalent takeover offers are made to CPS3 Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction (see clause 11 of the CPS3 Terms). However, any acquirer of ANZ may not agree to do so.

#### 4.1.14 CONVERSION CONDITIONS

The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of an Exchange at ANZ's option or following a Change of Control Event the conditions expressly applicable to such Conversion under clause 5 or clause 6 of the CPS3 Terms (as the case may be). No other conditions will affect the Conversion except as expressly provided by the CPS3 Terms – see clause 9.10(e) of the CPS3 Terms.

Although one condition to Conversion is that a Delisting Event has not occurred, other events and conditions may affect the ability of CPS3 Holders to trade or dispose of the Ordinary Shares issued on Conversion, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for listing or any practical issues which affect that listing, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

Furthermore, as set out in Section 4.1.10, Conversion following a Common Equity Capital Trigger Event is not subject to any conditions.

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

CPS3 are not deposit liabilities of ANZ and the payment of Dividends and payment on Redemption is not guaranteed by ANZ. CPS3 are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. CPS3 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS3 are issued by ANZ under the CPS3 Terms. A CPS3 Holder has no claim on ANZ in respect of CPS3 except as provided in the CPS3 Terms. CPS3 are unsecured.

In the event of a winding-up of ANZ, and assuming CPS3 have not been Exchanged, CPS3 Holders will be entitled to claim

for the Liquidation Sum for each CPS3. This is an amount for each CPS3 up to \$100 in respect of its Issue Price and any Dividend resolved by the Directors to be paid but unpaid at the commencement of the winding-up of ANZ. The claim for the Liquidation Sum ranks ahead of Ordinary Shares, equally with the CPS1 and the CPS2, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities and instruments and all depositors and other creditors. Claims in respect of CPS3 are subordinated, in and notwithstanding a winding-up of ANZ, so as to rank as preference shares as set out in the CPS3 Terms.

If there is a shortfall of funds on a winding-up of ANZ to pay all amounts ranking senior to and equally with CPS3, there is a significant risk that CPS3 Holders will not receive a full (or any part of the) Liquidation Sum in a winding-up of ANZ. Although the CPS3 may pay a higher rate of dividend than comparable instruments which are not subordinated, there is a significant risk that a CPS3 Holder will lose all or some of their investment should ANZ become insolvent.

#### 4.1.16 CHANGES TO CREDIT RATINGS

ANZ's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected if it fails to maintain credit ratings (including any long term credit ratings or the ratings assigned to any class of its securities). Credit rating agencies may withdraw, revise or suspend credit ratings or change the methodology by which securities are rated. Even though CPS3 will not be rated, such changes could adversely affect the market price, liquidity and performance of CPS3 or Ordinary Shares received on Conversion of CPS3.

#### 4.1.17 REGULATORY CLASSIFICATION

APRA has provided confirmation that CPS3 will, once issued, constitute Residual Tier 1 Capital under the Prudential Standards current at the date of this Prospectus and, pursuant to APRA's Interim Arrangements, will be eligible for transitional treatment as Additional Tier 1 Capital when those prudential standards are updated as a result of APRA's implementation of the Basel III reforms. However, if APRA subsequently determines that all of the CPS3 are not or will not qualify as Additional Tier 1 Capital to the extent anticipated by ANZ in light of the transitional treatment under Basel III which ANZ believes at the date of this Prospectus will apply, ANZ may decide that a Regulatory Event has occurred. This will allow Exchange of all or some CPS3 on issue at the option of ANZ (subject to APRA's prior written approval of any Exchange by way of Conversion or Redemption). For the risks attaching to ANZ's discretion to Exchange in certain specified circumstances – see Sections 4.1.11 and 4.1.12.

#### 4.1.18 AUSTRALIAN TAX CONSEQUENCES

A general outline of the tax consequences of investing in CPS3 for certain potential investors who are Australian residents for tax purposes is set out in the Taxation Summary in Section 5. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

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

- a significant increase in ANZ's costs in relation to CPS3 being on issue;
- a dividend on CPS3 not being frankable;
- franking credits not being available to Australian tax resident CPS3 Holders generally; or
- the CPS3 not being disregarded in accordance with Section 703-37 of the Tax Act,

ANZ is entitled to Exchange all or some CPS3 (subject to APRA's prior written approval where required) – see Section 4.1.11.

If the corporate tax rate were to change, the relative components of CPS3 Holder Dividends, which are in the form of cash and franking credits, will change.

ANZ has applied for a class ruling from the Australian Taxation Office for confirmation of certain Australian tax consequences for CPS3 Holders as discussed in the Taxation Summary in Section 5. The issue of any class ruling is expected in September 2011.

#### 4.1.19 ACCOUNTING STANDARDS

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

#### 4.1.20 FUTURE ISSUES OR REDEMPTIONS OF SECURITIES BY ANZ

CPS3 do not in any way restrict ANZ from issuing further securities or from incurring further indebtedness. ANZ's obligations under CPS3 rank subordinate and junior in right of payment and in a winding-up to ANZ's obligations to holders of senior ranking securities and instruments, and its depositors and other creditors, including subordinated creditors. Accordingly, ANZ's obligations under CPS3 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to CPS3.

ANZ may in the future issue securities that:

- rank for dividends or payments of capital (including on the winding-up of ANZ) equal with, behind or ahead of CPS3;
- have the same or different dividend, interest or distribution rates as CPS3;
- have payment tests and distribution restrictions or other covenants which affect CPS3 (including by restricting circumstances in which Dividends can be paid on CPS3 or CPS3 can be Redeemed); or
- have the same or different terms and conditions as CPS3.

ANZ may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of CPS3. For example, as part of its ongoing capital management program, ANZ continually considers the issuance of Tier 1 Capital securities in domestic and offshore markets.

An investment in CPS3 carries no right to participate in any future issue of securities (whether equity, Residual Tier 1 Capital, subordinated or senior debt or otherwise) by ANZ.

No prediction can be made as to the effect, if any, which the future issue of securities by ANZ may have on the market price or liquidity of CPS3 or of the likelihood of ANZ making payments on CPS3.

Similarly, CPS3 do not restrict ANZ from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with or junior to CPS3 (other than to the extent the Distribution Restrictions apply or insofar as CPS3 Holders have a right to vote in respect of a buy-back or reduction of capital on a security in the form of a share).

ANZ may redeem or otherwise repay existing securities including existing equal or junior ranking Tier 1 Capital securities before, during or after the issue of CPS3. An investment in CPS3 carries no right to be redeemed or otherwise repaid at the same time as ANZ redeems or otherwise repays other securities (whether equity, Residual Tier 1 Capital, subordinated or senior debt or otherwise).

No prediction can be made as to the effect, if any, which the future redemption or repayment by ANZ of existing securities may have on the market price or liquidity of CPS3 or on ANZ's financial position or performance.

#### 4.1.21 APPROVED NOHC EVENT

Certain events which would otherwise constitute Acquisition Events are categorised under the CPS3 Terms as Approved NOHC Events. Where an Approved NOHC Event occurs and certain other conditions are satisfied, the Approved NOHC Event will not trigger an Exchange of CPS3 but will instead allow ANZ to make amendments to substitute the Approved NOHC as the issuer of the ordinary shares issued on Conversion and will permit ANZ to make certain other amendments to the CPS3 Terms. Accordingly, potential investors should be aware that, if an Approved NOHC Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the CPS3 Terms, CPS3 Holders will be obliged to accept the Approved NOHC ordinary shares and will not receive Ordinary Shares on Conversion.

Potential investors should also be aware that CPS3 Holders may not have a right to vote on any proposal to approve, implement or give effect to a NOHC Event.

ANZ has made no formal decision to implement a NOHC.

Following an Approved NOHC Event, ANZ would continue to be regulated by APRA. However, depending on the structure of the acquirer following an Approved NOHC Event and the capital framework which APRA determines to apply to it, the composition of ANZ's three capital measurement levels may be affected, which in turn may affect the likelihood of ANZ having Distributable Profits in an amount sufficient to enable Dividends to be paid on CPS3.

After an Approved NOHC Event CPS3 Holders will remain preference shareholders in ANZ with the same rights to dividends and to payment in a winding-up of ANZ as before the Approved NOHC Event, but on Conversion CPS3 Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in ANZ. CPS3 will remain quoted on ASX, but ANZ's Ordinary Shares will cease to be quoted.

Where an Approved NOHC Event is accompanied by a transfer of assets from ANZ or a subsidiary to the Approved NOHC or another subsidiary of the Approved NOHC, ANZ may as a result have reduced assets which may affect its credit rating and the likelihood CPS3 Holders will receive their claims in full if ANZ is wound up. CPS3 Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

#### 4.1.22 SHAREHOLDING LIMITS

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

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

CPS3 Holders should take care to ensure that by acquiring any CPS3 (taking into account any Ordinary Shares into which they may Convert), CPS3 Holders do not breach any applicable restrictions on ownership.

#### 4.1.23 POWERS OF AN ADI STATUTORY MANAGER

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

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

The powers of an ADI statutory manager include the power to alter an ADI's constitution, to issue, cancel or sell shares (or rights to acquire shares) in the ADI and to vary or cancel rights or restrictions attached to shares in a class of shares in the ADI. The ADI statutory manager is authorised to do so despite the Corporations Act, the ADI's constitution, any contract or arrangement to which the ADI is party or the ASX Listing Rules. In the event that a statutory manager is appointed to ANZ in the future, these broad powers of an ADI statutory manager may be exercised in a way which adversely affects the rights attaching to the CPS3 and the position of CPS3 Holders.

#### 4.1.24 AMENDMENT OF CPS3 TERMS

ANZ may with APRA's prior written approval in certain circumstances amend the CPS3 Terms without the consent of CPS3 Holders. ANZ may also with APRA's prior written approval amend the CPS3 Terms if the amendment has been approved by a Special Resolution of CPS3 Holders. Amendments under these powers are binding on all CPS3 Holders despite the fact that a CPS3 Holder may not agree with the amendment.

## 4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ

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

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

The economic and business conditions that prevail in the Group's major operating and trading markets are affected by domestic and international economic events, political events, 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. The impact of the GFC continues to affect global economic activity and capital markets.

The economic effects of the GFC have been widespread and far-reaching, with unfavourable 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, ongoing and lasting impacts from the GFC and subsequent volatility in financial markets suggest ongoing vulnerability and adjustment in these and other areas of consumer and business behaviour.

The New Zealand economy is similarly 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 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 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.

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.

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing 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.

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.

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

An appreciation in the Australian or New Zealand dollar relative to other currencies could adversely affect the Australian or New Zealand economies, including agricultural exports, international tourism, manufacturers, and import-competing producers whereas a depreciation would increase debt service obligations in Australia or New Zealand dollar terms of unhedged exposures. The depreciation in the value of the New Zealand dollar against the Australian dollar has had a negative translation effect (and future depreciation could have a greater negative translation effect) on the financial results of the Group's New Zealand businesses, which includes ANZ National Bank Limited ("ANZ National") though there has been some reversal of this trend in recent months. Similarly, significant appreciation of the Australian dollar against the 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 growing Asian businesses which are largely based on non-Australian currencies.

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

The markets in which the Group operates are highly competitive and could become even more so, particularly in those 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. 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.

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.

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.

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

The Reserve Bank of Australia ("RBA") and the Reserve Bank of New Zealand ("RBNZ") set official interest rates so as to affect the demand for money and credit in Australia and New Zealand, respectively. Their policies significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. Both these factors impact the Group's net interest margin and can affect the value of financial instruments it holds, such as debt securities and hedging instruments. The policies of the RBA, the RBNZ and any other relevant central monetary authority can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in the RBA's and RBNZ's policies are difficult to predict accurately.

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

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

#### **4.2.6 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**

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. There is no certainty that financial conditions will improve or remain stable, nor that government-sponsored financial stabilisation packages would be re-introduced if conditions deteriorated.

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.

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

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

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

The Group raises funding from a variety of sources including customer deposits and wholesale funding in Australia and offshore markets to ensure that it continues to meet its funding obligations and to maintain or grow its business generally. In times of systemic liquidity stress, in the event of damage to market confidence in the Group or in the event that funding outside of Australia is not available or constrained, the Group's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk.

Since the second half of 2007, 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 & 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.

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

ANZ's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by ANZ. Credit ratings may be withdrawn, subject to qualifiers, revised, or suspended by the relevant credit rating agency at any time and the methodologies by which they are determined may be revised. A downgrade or potential downgrade to ANZ's credit rating may reduce access to capital and wholesale debt markets, potentially leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it. In addition, the ratings of individual securities (including, but not limited to, 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.

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

The Group's capital base is critical to the management of its businesses and access to funding. The Group is required by regulators including, but not limited to, APRA, RBNZ, the UK Financial Services Authority, US regulators and various Asia Pacific jurisdictions where the Group has operations, to maintain adequate regulatory capital.

Under current regulatory requirements, risk-weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from 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.

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".

Further details about the capital management regime affecting the Group are contained in Section 3.3 "Capital Adequacy".

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

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, or natural disasters, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. 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. If the information upon which the assessment is made proves to be inaccurate or if the Group fails to analyse the information correctly, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on the Group's business, operations and financial condition.

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

#### **4.2.11 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**

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.

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.

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

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group. Overall, the property market has been variable and in some locations there have been substantially reduced asset values.

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

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

The Group is subject to market risk, which is the risk to the Group's earnings arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and indices, prices of commodities, debt securities and other financial contracts, including derivatives. Losses arising from these risks may have a material adverse effect on the Group. As the Group conducts business in several different currencies, its businesses may be affected by a change in currency exchange rates. Additionally, 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.

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.

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

The Group entered into a series of structured credit intermediation trades from 2004 to 2007. The Group sold protection using credit default swaps over these structures and then, to mitigate risk, purchased protection via credit default swaps over the same structures from eight 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").

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.

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. Since mid 2009, credit markets have tightened substantially, reducing the CVA charge. Volatility in the market value and hence CVA will continue to persist given the volatility in credit spreads and USD/AUD rates.

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

Operational risk is the risk of loss resulting from inadequate or failed internal processes including but not limited to restructures, 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.

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

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

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.

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. 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.

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

Information security means protecting information and information systems from unauthorised access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations.

The Group employs a team of information security subject matter experts who are responsible for the development and implementation of the Group's Information Security Policy. The Group is conscious that threats to information security are continuously evolving and as such the Group conducts regular internal and external reviews to ensure new threats are identified, evolving risks are mitigated, policies and procedures are updated, and good practice is maintained. However, there is a risk that information may be inadvertently or inappropriately accessed or distributed or illegally accessed or stolen. Any unauthorised use of confidential information could potentially result in breaches of privacy laws, regulatory sanctions, legal action, and claims of compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial position and reputation.

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

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 earnings, capital adequacy or value. 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.

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

The Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. At the Group, there are certain individuals and key executives whose skills and reputation 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.

#### 4.2.20 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

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. 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.

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.

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.

#### 4.2.21 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, 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 the Australian Securities and Investments Commission ("ASIC"), have supervisory oversight of the Group. The New Zealand Government and its agencies, including the RBNZ, 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.

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 (the “Basel Committee”) and regulators in other jurisdictions where the Group has a presence have released discussion papers and proposals in regards 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 has recently passed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act which significantly affects financial institutions and financial activities in the US. Moreover, between October 2010 and May 2011 the Australian Senate Economics Committee held an inquiry into competition within the Australian banking sector, releasing its final findings and recommendations publicly on 6 May 2011. The Australian Federal Government will decide whether or not to adopt some or any of the Senate’s recommendations. Further, in early December 2010, the Australian Federal Government announced a Competition and Sustainable Banking System Package (discussed above under the risk factor entitled “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”).

While 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, any such changes may 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.

#### **4.2.22 UNEXPECTED CHANGES TO THE GROUP’S LICENSE TO OPERATE IN ANY JURISDICTION MAY ADVERSELY AFFECT ITS BUSINESS, OPERATIONS AND FINANCIAL CONDITION**

The Group is licensed to operate in the various countries, states and territories 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.

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

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

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

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

- financial instruments classified as “held-for-trading” or “designated as at fair value through profit or loss”;
- financial assets classified as “available-for-sale”;
- derivatives; and
- financial assets backing insurance and investment liabilities.

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

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

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

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

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

#### **4.2.26 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.**

In certain circumstances the Group may be exposed to a reduction in the value of intangible assets. As at 31 March 2011, the Group carried goodwill principally related to its investments in New Zealand and Australia, intangible assets principally relating to assets recognised on acquisition of subsidiaries, and capitalised software balances.

The Group is required to assess the recoverability of the goodwill balance 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 balance.

The recoverability of capitalised software and other intangible assets is assessed 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.

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

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results. Details regarding the Group's material contingent liabilities are contained in Note 15 to the Group's unaudited interim consolidated financial statements for the half year ended 31 March 2011 and Note 44 to the audited annual consolidated financial statements for the year ended 30 September 2010.

There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

#### 4.2.28 THE GROUP REGULARLY CONSIDERS ACQUISITIONS AND DIVESTMENTS, 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

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

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

There can be no assurance that any acquisition would have the anticipated 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. 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.

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. 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.

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## SECTION 5 TAXATION SUMMARY

THIS SECTION CONTAINS A SUMMARY OF THE AUSTRALIAN TAX CONSEQUENCES FOR POTENTIAL CPS3 HOLDERS AND IS BASED ON AUSTRALIAN TAX LAW AND ADMINISTRATIVE PRACTICE AS AT THE DATE OF THIS PROSPECTUS. THIS SUMMARY IS NECESSARILY GENERAL IN NATURE AND IS NOT INTENDED TO BE DEFINITIVE TAX ADVICE TO CPS3 HOLDERS. ACCORDINGLY, EACH PROSPECTIVE CPS3 HOLDER SHOULD SEEK THEIR OWN TAX ADVICE, WHICH IS SPECIFIC TO THEIR PARTICULAR CIRCUMSTANCES, AS TO THE TAX CONSEQUENCES OF INVESTING IN, HOLDING AND DISPOSING OF CPS3.

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

23 August 2011

Dear Directors

### **Australian tax consequences of investing in CPS3**

We have been instructed by Australia and New Zealand Banking Group Limited (**ANZ**) to prepare a tax summary for inclusion in the Prospectus dated 23 August 2011 in relation to the issue of CPS3.

## **1 Scope**

This letter provides a summary of the Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) consequences for Australian tax resident CPS3 Holders (**Resident CPS3 Holders**) and CPS3 Holders who are not tax residents of Australia (**Non Resident CPS3 Holders**) who subscribe for CPS3 and hold them on capital account for tax purposes.

Tax considerations which may arise for Resident CPS3 Holders who are in the business of share trading, are dealing in securities or otherwise hold CPS3 on revenue account, or Non Resident CPS3 Holders who carry on a business at or through a permanent establishment in Australia, have not been considered in this summary.

This summary is based on the Australian tax law and administrative practice currently in force as at the date of the Prospectus. It is necessarily general in nature and is not intended to be definitive tax advice to Resident CPS3 Holders or Non Resident CPS3 Holders. Accordingly, each Resident CPS3 Holder and each Non Resident CPS3 Holder should seek their own tax advice that is specific to their particular circumstances.

The representatives of Greenwoods & Freehills involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwoods & Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of CPS3. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services licence holder before making any investment decision. Potential investors should also note that taxation is only one of the matters that may need to be considered.

Unless defined in this letter or the context indicates otherwise, all capitalised terms in this letter bear the same meaning as those contained in the Prospectus and the CPS3 Terms.

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

## **2 Anticipated Class Ruling – applicable to certain Resident CPS3 Holders**

ANZ has applied to the Australian Taxation Office (**ATO**) for a public class ruling (**Class Ruling**) confirming certain tax consequences for Resident CPS3 Holders. The Class Ruling does not become operative until it is published in the Government Gazette.

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

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

- only be binding on the Commissioner of Taxation (**Commissioner**) if the Offer is carried out in the specific manner described in the Class Ruling;

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- only apply to Resident CPS3 Holders that are within the class of entities specified in the Class Ruling (**Applicable Resident CPS3 Holders**), being Resident CPS3 Holders who acquire their CPS3 by initial subscription and hold them on capital account for tax purposes. Accordingly, the Class Ruling will not apply to Resident CPS3 Holders who hold their CPS3 as trading stock or revenue assets;
- only rule on the taxation laws as at the date the Class Ruling is issued;
- not consider the tax implications of the Exchange of CPS3 by Conversion or Redemption;
- not consider the taxation treatment of Dividends received by partnerships or trustee investors; and
- not consider the tax implications for Resident CPS3 Holders for whom gains and losses from CPS3 are subject to the taxation of financial arrangement rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (refer section 5 of this letter). It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

You should also be aware that the Class Ruling will not mean the ATO guarantees or endorses the commercial viability of investing in CPS3.

Subject to the above qualifications or where otherwise indicated, it is expected that the Class Ruling will confirm the taxation consequences as outlined in sections 3.1 to 3.5 below.

### **3 Tax consequences for Resident CPS3 Holders expected to be addressed in the Class Ruling**

#### **3.1 Dividends on CPS3**

Dividends paid on CPS3 (together with the attached franking credits) must be included in the assessable income of an Applicable Resident CPS3 Holder.

Provided an Applicable Resident CPS3 Holder is a “**qualified person**” (see discussion below in section 4.1 for further details) in relation to their CPS3 holding, the Applicable Resident CPS3 Holder will be entitled to a tax offset equal to the amount of the franking credits attached to the Dividends. To the extent that the tax offset attributable to the franking credits on a Dividend exceeds the income tax liability for an income year of an Applicable Resident CPS3 Holder who is an individual or complying superannuation entity, the excess tax offset may be refunded to the Applicable Resident CPS3 Holder.

If a Dividend (or a part of it) is either exempt income or non-assessable non-exempt income in the hands of an Applicable Resident CPS3 Holder, then the amount of any franking credit on the Dividend is not included in the assessable income of the CPS3 Holder and the CPS3 Holder is not entitled to a tax offset. However, certain tax-exempt entities may qualify for a refund of any tax offset to which they are entitled as a result of a franked Dividend.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to deny the whole or any part of the imputation benefits received by Applicable Resident CPS3 Holders in relation to the Dividends payable in respect of CPS3.

#### **3.2 CGT cost base and acquisition date for CPS3**

The cost base (or reduced cost base) of each CPS3 acquired by an Applicable Resident CPS3 Holder may include \$100 (being the issue price of CPS3). Although it is not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) of each CPS3 should also include any incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of CPS3. This will be relevant in determining the capital gain or capital loss resulting on a disposal of CPS3 (see discussion below for further details).

Each CPS3 will be taken to have been acquired by an Applicable Resident CPS3 Holder on the date CPS3 are issued (which is expected to be 28 September 2011).

### 3.3 Conversion of CPS3<sup>1</sup>

The Conversion of each CPS3 into an Ordinary Share and the allotment of additional Ordinary Shares will not result in a CGT event for CGT purposes.

The value of any additional Ordinary Shares that are issued on a Conversion of CPS3 will not be assessable as dividend income or ordinary income in the hands of the Applicable Resident CPS3 Holders.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to treat the additional Ordinary Shares acquired on Conversion of CPS3 as an unfranked dividend in the hands of Applicable Resident CPS3 Holders.

### 3.4 CGT cost base and acquisition date for Ordinary Shares

Upon Conversion, the cost base (or reduced cost base) of the Ordinary Shares issued to an Applicable Resident CPS3 Holder will be determined by spreading the cost base (or reduced cost base) of the original CPS3 of an Applicable Resident CPS3 Holder across all of the Ordinary Shares issued to that holder, being the additional Ordinary Shares and each CPS3 that has been converted into an Ordinary Share.

The additional Ordinary Shares will be taken to have been acquired by an Applicable Resident CPS3 Holder at the time the relevant CPS3 were acquired by the Applicable Resident CPS3 Holder.

### 3.5 Conversion after an Approved NOHC Event

If an Approved NOHC Event occurs, the CPS3 Terms may be amended to effect the issue of ordinary shares in the Approved NOHC (**Approved NOHC Ordinary Shares**) to Resident CPS3 Holders in substitution for Ordinary Shares on Conversion of CPS3. The amendment of the CPS3 Terms will not in itself result in a capital gain or loss arising for Resident CPS3 Holders, provided they do not receive any proceeds for the amendment of the CPS3 Terms and do not incur any incidental costs and there will be no Conversion or other Exchange at that time.

If a Conversion of CPS3 occurs subsequent to an Approved NOHC Event, then Resident CPS3 Holders may receive Approved NOHC Ordinary Shares in substitution for Ordinary Shares.

Receipt of Approved NOHC Ordinary Shares by a Resident CPS3 Holder following a Conversion of CPS3 (**NOHC Conversion**) will not give rise to a capital gain or loss for Resident CPS3 Holders, due to special rules in the CGT provisions that deal with convertible interests.

## 4 Other tax consequences for Resident CPS3 Holders not expected to be addressed in the Class Ruling

The following tax consequences for Resident CPS3 Holders are not expected to be addressed in the Class Ruling.

### 4.1 Qualification for franking credits on Dividends – “qualified person”

A Resident CPS3 Holder is not required to include the amount of the franking credits in their assessable income and is not entitled to the tax offset unless the Resident CPS3 Holder is a “qualified person” in relation to a Dividend.

A Resident CPS3 Holder is a “qualified person” if the “holding period” and “related payments” rules are satisfied in respect of the Dividend.

In relation to the holding period rule, a Resident CPS3 Holder must have held CPS3 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident CPS3 Holder acquired CPS3 and ending on the 90th day after the date on which CPS3 became ex Dividend.

If the related payments rule applies, a Resident CPS3 Holder is required to hold CPS3 “at risk” for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which CPS3 became ex Dividend. Broadly speaking,

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<sup>1</sup> The Class Ruling is expected to only address the tax implications of Conversion other than in the context of an Exchange. Although it is not expected to be addressed in the Class Ruling, the tax implications of a Conversion as part of an Exchange should be the same.

the related payments rule would apply where a Resident CPS3 Holder makes a payment which passes the benefit of a Dividend to another person.

Alternatively, a Resident CPS3 Holder is automatically taken to be a qualified person in relation to Dividends if the total amount of the tax offsets in respect of all franked distributions to which the Resident CPS3 Holder would be entitled in an income year is \$5,000 or less. This is referred to as the "small shareholder rule". However, a Resident CPS3 Holder will not be a "qualified person" by virtue of the small shareholder rule if related payments have been made, or will be made, in respect of a Dividend.

#### **4.2 Sale of CPS3**

A sale of CPS3 by a Resident CPS3 Holder on ASX will give rise to a capital gain if the sale proceeds exceed the cost base of CPS3. Conversely, a capital loss will result if the reduced cost base of CPS3 exceeds the sale proceeds.

If CPS3 have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident CPS3 Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of CPS3, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33 $\frac{1}{3}$ % for Resident CPS3 Holders who are individuals, trusts and complying superannuation entities respectively.

Resident CPS3 Holders who dispose of CPS3 within 12 months of acquiring them, or who dispose of CPS3 under an agreement entered into within 12 months of acquiring them, will not receive CGT discount treatment. Companies are not entitled to obtain CGT discount treatment in respect of any gain arising on disposal of CPS3.

#### **4.3 Redemption of CPS3**

ANZ may elect to Redeem CPS3 in certain circumstances. For each CPS3 that is being Redeemed, an amount equal to the Redemption Price will be paid by ANZ in cash. The Redemption proceeds should not be treated as a dividend to the extent to which they are debited against an amount standing to the credit of ANZ's share capital account, provided that ANZ gives the Resident CPS3 Holder a notice specifying the amount paid up on each CPS3 to be Redeemed.

Redemption of CPS3 will constitute a disposal of CPS3 for CGT purposes. Accordingly, a Resident CPS3 Holder may derive a capital gain or a capital loss on such disposal to the extent to which the Redemption proceeds paid to the Resident CPS3 Holders are greater than the cost base or are less than the reduced cost base of CPS3 respectively. A Resident CPS3 Holder (other than a company) may be entitled to CGT discount treatment in respect of any remaining capital gain, in the same manner as discussed above.

#### **4.4 Cost base and acquisition date of Approved NOHC Ordinary Shares**

If an Approved NOHC Event occurs, Approved NOHC Ordinary Shares may be issued to Resident CPS3 Holders in substitution for Ordinary Shares on Conversion of CPS3.

The cost base (or reduced cost base) of the Approved NOHC Ordinary Shares issued to a Resident CPS3 Holder following a NOHC Conversion will be determined by spreading the cost base (or reduced cost base) of the original CPS3 across the Approved NOHC Ordinary Shares issued to that CPS3 Holder.

For CGT purposes, Approved NOHC Ordinary Shares will be taken to have been acquired on the Conversion date. This means that the 12 month holding period for the purposes of the CGT discount mentioned in section 4.2 above will run from the acquisition date of the Approved NOHC Ordinary Shares, and not from the time of acquisition of CPS3.

#### **4.5 Pay-as-you-go withholding tax**

Resident CPS3 Holders may, if they choose, notify ANZ of their tax file number (TFN), Australian Business Number (ABN), or a relevant exemption from withholding tax with respect to Dividends.

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

ANZ is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident CPS3 Holders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the Dividends in their income tax returns.

#### 4.6 Goods and services tax (GST)

CPS3 Holders should not be liable for GST in respect of their investment in CPS3 or the disposal or Conversion of CPS3.

CPS3 Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of CPS3 (e.g. adviser fees).

#### 5 Taxation of Financial Arrangements

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

The TOFA regime should generally not apply to individual CPS3 Holders in respect of their investment in CPS3. In addition, the TOFA regime should have no application to other CPS3 Holders in respect of their investment in CPS3, even if they exceed the relevant asset/turnover thresholds, unless certain elections under the TOFA regime are made by the relevant CPS3 Holder.

It is recommended that CPS3 Holders obtain specific tax advice pertaining to their particular circumstances regarding the application of the TOFA regime to their investment in CPS3.

#### 6 Non Resident CPS3 Holders

Below is a summary of the Australian income tax consequences for Non Resident CPS3 Holders with respect to Dividends received on CPS3:

- Non Resident CPS3 Holders should not be subject to dividend withholding tax in respect of fully franked Dividends that may be paid by ANZ. A separate credit or refund for the attached franking credits is not available to Non Resident CPS3 Holders; and
- in the event that part of a Dividend is unfranked, the payment will be made to the Non Resident CPS3 Holders net of dividend withholding tax. If applicable, dividend withholding tax would be payable at the rate of 30% but reduced to 15%, 10% or nil depending on any applicable Double Tax Agreement that Australia may have with the Non Resident CPS3 Holder’s home jurisdiction. Such withholding tax may be available as a credit against local tax payable by the Non Resident CPS3 Holder, depending upon applicable laws in the relevant jurisdiction.

ANZ may source the unfranked portion of the Dividend from its “conduit foreign income” (**CFI**). Unfranked Dividends paid out of CFI to Non Resident CPS3 Holders will be exempt from Australian dividend withholding tax.

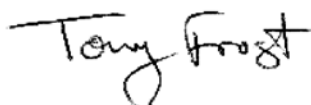
For Non Resident CPS3 Holders, any capital gain or capital loss resulting from a disposal of CPS3 should be disregarded for CGT purposes provided that:

- the Non Resident CPS3 Holder (together with their associates) holds less than 10% of the shares in ANZ at any time throughout a 12 month period that began no earlier than 24 months before the disposal of CPS3 and ending no later than that time; and
- the Non Resident CPS3 Holder does not hold CPS3 at any time in carrying on a business at or through a permanent establishment in Australia.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



**Tony Frost**  
Director  
Greenwoods & Freehills

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## SECTION 6 ADDITIONAL INFORMATION

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

## 6.1 REPORTING AND DISCLOSURE OBLIGATIONS

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

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

ANZ must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market.

ANZ has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

## 6.2 AVAILABILITY OF DOCUMENTS

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

- the annual financial report for the year ended 30 September 2010 lodged with ASIC by ANZ;
- the consolidated financial report and dividend announcement for the half year ended 31 March 2011;
- any continuous disclosure notices given by ANZ in the period after the lodgement of the annual financial report of ANZ for the year ended 30 September 2010 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The financial reports for the year ended 30 September 2010 and the half year ended 31 March 2011, together with copies of continuous disclosure notices lodged with ASX, are available at [www.asx.com.au](http://www.asx.com.au) or at <http://www.anz.com/about-us/our-company/corporate-governance/continuous-disclosure/>

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

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

Investor Relations Department  
Australia and New Zealand Banking Group Limited  
ANZ Centre Melbourne  
Level 9  
833 Collins Street  
Docklands VIC 3008

## 6.3 RIGHTS AND LIABILITIES ATTACHING TO CPS3

The rights and liabilities attaching to CPS3 are contained in the CPS3 Terms set out in Appendix A. Rights and liabilities attaching to CPS3 may also arise under the Corporations Act, the Listing Rules, the Constitution and other laws.

## 6.4 RIGHTS AND LIABILITIES ATTACHING TO ORDINARY SHARES

CPS3 Holders may receive Ordinary Shares on Conversion. The rights and liabilities attaching to the Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, Listing Rules and the general law.

This Section 6.4 summarises the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of Shareholders. Investors who wish to inspect the Constitution may do so at the registered office of ANZ during normal office hours or may obtain a copy as provided under Section 6.2.

### 6.4.1 VOTING RIGHTS

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

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

#### 6.4.2 GENERAL MEETINGS

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

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

#### 6.4.3 DIVIDEND ENTITLEMENT

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the Board may resolve to pay dividends on ordinary shares which are considered by the Board to be appropriate, in proportion to the capital paid up on the ordinary shares held by each Shareholder (subject to the rights of holders of shares carrying preferred rights including CPS3).

#### 6.4.4 DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

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

#### 6.4.5 RIGHTS OF SHAREHOLDERS ON A WINDING-UP OF ANZ

If ANZ is wound up and its property is more than sufficient to pay all debts, preference share capital of ANZ and expenses of the winding-up, the excess must be divided among shareholders in proportion to the capital paid up on the ordinary shares at the commencement of the winding-up (subject to the rights of holders of shares carrying preferred rights on winding-up including CPS3). A partly paid ordinary share is counted as a fraction of a fully paid share equal to the proportion which the amount paid on it bears to the total issue price of the ordinary share.

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

#### 6.4.6 TRANSFER OF ORDINARY SHARES

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

#### 6.4.7 ISSUES OF FURTHER SHARES

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

#### 6.4.8 VARIATION OF RIGHTS

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

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

#### 6.4.9 VARIATION OF THE CONSTITUTION

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

## 6.5 RIGHTS AND LIABILITIES ATTACHING TO APPROVED NOHC ORDINARY SHARES

If an Approved NOHC Event occurs and the CPS3 Terms are amended to enable substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including Mandatory Conversion), the rights and liabilities of the Approved NOHC Ordinary Shares will not be materially different to the rights and liabilities of Ordinary Shares. It is a condition to substitution that Approved NOHC Ordinary Shares be quoted – see clauses 18.1(q) and 18.2 (definition of “Approved NOHC Event”) of the CPS3 Terms. The Approved NOHC will be obliged to use all reasonable endeavours to obtain quotation of the Approved NOHC Ordinary Shares issued on Conversion – see clause 12.1(b)(iii).

## 6.6 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

ANZ has entered into an Offer Management Agreement with ANZ Securities, Commonwealth Bank, Goldman Sachs, Macquarie, RBS and UBS (together, the Joint Lead Managers). Under the OMA, the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and Allocation process in relation to the Offer.

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

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

### 6.6.1 FEES

The fees payable to the Joint Lead Managers are set out in Section 6.8.

### 6.6.2 ANZ'S OBLIGATIONS IN RELATION TO THE CONDUCT OF THE OFFER

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

### 6.6.3 ANZ'S REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

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

ANZ has undertaken that it will not (and will ensure that its related bodies corporate do not), without the Joint Lead Managers' prior written consent, allot or agree to allot, announce an issue of, indicate an intention to allot, or otherwise authorise the issue of, any ASX listed hybrid or preference securities in Australia, with Tier 1 Capital status, at any time before the date that is 90 days after the Issue Date. This undertaking does not apply to the issue by ANZ of CPS3 or securities pursuant to an employee share or option plan, a bonus share plan, a dividend reinvestment plan or an underwriting of a dividend reinvestment plan, a share purchase plan or an underwriting of a share purchase plan or in accordance with the terms of issue of securities or financial products on issue as at the date of the OMA.

### 6.6.4 TERMINATION EVENTS

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

- a credit rating of ANZ is downgraded;
- ASIC issues a stop order or similar proceeding in relation to the Prospectus;
- ASX does not grant its approval or indicates that the approval will not be granted (other than in respect of the customary pre-listing conditions), for official quotation of CPS3, or the approval is subsequently withdrawn, qualified or withheld;
- a supplementary prospectus is required under Section 719 of the Corporations Act (other than a supplementary prospectus to be issued with the inclusion of the Margin);

- any of the All Ordinaries Index of ASX, the S&P/ASX200 and the Dow Jones Industrial Average (**Relevant Index**):
  - closes on three consecutive business days at a level that is 10% or more below (1) before successful completion of the Bookbuild, the level of the Relevant Index as at the close of trading on the business day before the date of the OMA and (2) after successful completion of the Bookbuild, the higher of the level of the Relevant Index as at the close of trading on the business day before the date of the OMA and the close of trading on the business day before the date of successful completion of the Bookbuild (**Starting Level**); or
  - closes at a level that is 10% or more below the Starting Level at any time in the period of three Business Days prior to the Issue Date; or
  - closes at a level that is 15% or more below the Starting Level;
- an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of ANZ or its related bodies corporate;
- certain breaches of the OMA;
- any licence, permit, authorisation or consent which is material to anything referred to in this Prospectus, or necessary to conduct ANZ's business or a business of any of its related bodies corporate, is repealed, revoked, terminated or expires in a manner unacceptable to the Joint Lead Managers (acting reasonably);
- trading of ANZ's securities is suspended for a certain period of time;
- unauthorised alterations to ANZ or any of its Group members' share capital or constitution; and
- ANZ withdraws the Prospectus or the Offer other than in accordance with the OMA.

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

Under the OMA, if a Joint Lead Manager terminates, the Joint Lead Manager must give notice in writing to ANZ and each of the other Joint Lead Managers. If one or more of Commonwealth Bank, Goldman Sachs, Macquarie, RBS or UBS terminates, the remaining Joint Lead Managers from that group may elect to assume the rights and obligations of the terminating Joint Lead Manager in equal proportions by providing ANZ with written notice.

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

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

## 6.7 CONSENTS

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

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

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in Section 6.7.3;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this Prospectus, other than the reference to its name and/or any statement or report included in this Prospectus with the consent of that Consenting Party; and
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

6.7.3. Greenwood & Freehills Pty Ltd (**Greenwoods & Freehills**) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Australian taxation summary in the form and context in which it appears in Section 5.

Role	Consenting Parties
Joint Lead Managers	<ul style="list-style-type: none"> <li>• ANZ Securities<sup>31</sup></li> <li>• Goldman Sachs</li> <li>• RBS</li> <li>• Commonwealth Bank</li> <li>• Macquarie</li> <li>• UBS</li> </ul>
Online Manager	E*TRADE Australia
Auditor	KPMG
Australian legal advisers	Mallesons Stephen Jaques
Australian tax adviser	Greenwoods & Freehills
Registry	Computershare Investor Services Pty Limited

<sup>31</sup> A liability of ANZ Securities is neither a deposit with, nor a liability of, ANZ. ANZ Securities is a separate entity from ANZ and is not an ADI.

## 6.8 INTERESTS OF ADVISERS

ANZ Securities, Commonwealth Bank, Goldman Sachs, Macquarie, RBS and UBS have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from ANZ, the fees received will be as follows:

- each Joint Lead Manager (other than ANZ Securities) will receive a selling fee of 1.0% of valid Applications received in respect of their Broker Firm Amount (and in respect of which they have assumed obligations of another Joint Lead Manager (if any));
- ANZ Securities will receive a selling fee of 1.0% of valid Applications received in respect of its Broker Firm Amount other than in respect of certain institutional investors, plus a selling fee of 0.5% of valid Applications received in respect of allocations to certain institutional investors;
- each Joint Lead Manager will also receive a base fee of 0.50% of that Joint Lead Manager's Broker Firm Amount (and in respect of which they have assumed obligations of another Joint Lead Manager (if any)) and in respect of which valid Applications are received, provided that their Broker Firm Amount is equal to or exceeds \$50 million;
- ANZ may, in its sole discretion, pay to one or more of the Joint Lead Managers an incentive fee of up to \$2,500,000 (in aggregate).

For the purposes of the fees described above "Broker Firm Amount" means, in relation to a Joint Lead Manager or a Syndicate Broker, the number of CPS3 allocated on a firm basis to that Syndicate Broker or, in the case of a Joint Lead Manager, to that Joint Lead Manager and its affiliates, under the Bookbuild (and, in the case of ANZ Securities, includes any additional Broker Firm Amount allocated to it under the terms of the OMA).

KPMG has performed specific agreed-upon procedures relating to certain financial matters disclosed in this Prospectus. In respect of this work, ANZ estimates that it will pay approximately \$130,000 (excluding disbursements and GST) to KPMG for work up to the date of this Prospectus. Further amounts may be paid to KPMG under its normal time based charges.

Mallesons Stephen Jaques has acted as Australian legal adviser to ANZ in relation to the Offer, assisting with the due diligence and verification program and performing due diligence on required legal matters. In respect of this work, ANZ estimates that it will pay approximately \$405,000 (excluding disbursements and GST) to Mallesons Stephen Jaques for work up to the date of this Prospectus. Further amounts may be paid to Mallesons Stephen Jaques under its normal time based charges.

Greenwoods & Freehills has acted as Australian taxation adviser to ANZ in relation to the the terms and conditions of CPS3 in connection with the Offer and has provided advice on the Australian aspects of the Taxation Summary contained in Section 5. In respect of this work, ANZ estimates that it will pay approximately \$65,000 (excluding disbursements and GST) to Greenwood & Freehills for work up to the date of this Prospectus. Further amounts may be paid to Greenwood & Freehills under its normal time based charges.

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

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

## 6.9 INTERESTS OF DIRECTORS

The Directors' interests in ANZ as at 23 August 2011 are detailed in the following table:

Director	Number of Ordinary Shares	Number of options/rights over Ordinary Shares
J Morschel	18,902	X
M Smith OBE	830,298	1,473,546
G Clark	15,479	X
P Hay	43,441	X
Lee Hsien Yang	9,759	X
I Macfarlane AC	16,616	500 CPS2
D Meiklejohn AM	16,198	X
A Watkins	19,461	X

The Directors (and their related parties) may acquire CPS3 offered under this Prospectus subject to the Listing Rules (including any waivers as described in Section 6.10).

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

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

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

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

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount has been set at \$3,500,000 (excluding retirement benefit payments). Each Director may also be paid additional remuneration for performance of additional services and is entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director and CEO may be fixed by the Board. The remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

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

## 6.10 ASX RELIEF

ASX has classified CPS3 as "equity securities" for the purposes of the Listing Rules and has confirmed that:

- the CPS3 Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
- Listing Rule 6.3 has been waived to the extent necessary to permit CPS3 to carry the voting rights as set out in the CPS3 Terms;
- the terms of the CPS3 meet the requirements of Listing Rule 6.5;
- the terms of the APRA constraints on the payment of Dividends do not amount to a removal of a right to a dividend for the purposes of Listing Rule 6.10;
- Conversion or Redemption by ANZ as provided in the CPS3 Terms is appropriate and equitable for the purposes of Listing Rule 6.12;
- for the purposes of Listing Rule 7.1, it is acceptable that the maximum number of Ordinary Shares into which CPS3 can be Converted in accordance with Listing Rules 7.1 and 7.1.4 will be calculated by notionally converting CPS3 at the Issue Date VWAP;
- Listing Rule 10.11 has been waived to permit directors (and their associates) to participate in the Offer, without shareholder approval, on the following conditions:
  - the directors (and their associates) are collectively restricted to applying for no more than 0.20% of the total number of CPS3 issued under the Offer;
  - ANZ releases the terms of the waiver to the market; and
  - when CPS3 are issued, ANZ announces to the market the total number of CPS3 issued to the directors of ANZ (and their associates) in aggregate.

ASX has also agreed to allow CPS3 to trade on a deferred settlement basis for a short time following the issue of CPS3.

## 6.11 ASIC RELIEF

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

## 6.12 FOREIGN SELLING RESTRICTIONS

As at the date of this Prospectus, no action has been taken to register or qualify CPS3 or the Offer or to otherwise permit a public offering of CPS3 outside Australia.

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

In particular, CPS3 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 CPS3 in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

CPS3 may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 6.12 and to have represented and warranted that it is able to apply for and acquire CPS3 in compliance with those restrictions.

### 6.13 PRIVACY STATEMENT

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If you apply for CPS3, 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 CPS3 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. However, all of these parties are bound by the same privacy policy as ANZ.

ANZ may also use your personal information to keep you informed about ANZ's business activities, progress and development and bring to your attention a range of products and services offered by ANZ. You can contact ANZ or the Registry on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEST) if you do not consent to ANZ using or disclosing your personal information in this way. It is important that you contact ANZ or the Registry if you do not consent to this use because, by investing in CPS3, you will be taken to have otherwise consented.

Some uses and disclosures may occur outside of Australia.

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

Under the Privacy Act, you may request access to your personal information held by or on behalf of ANZ. You can request access to your personal information or obtain further information about ANZ's management of your personal information by contacting the Registry or ANZ. You can also obtain a copy of ANZ's privacy policy at [www.anz.com.au/australia/aboutanz/PrivacyPolicy/PrivacyPolicy.pdf](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 Registry's record of your personal information is incorrect or out of date, it is important that you contact ANZ or the Registry so that your records can be corrected. To assist ANZ with this, please contact ANZ or the Registry if any of the details you have provided have changed. If you have any concerns about the completeness or accuracy of the information ANZ has about you, ANZ will take steps to correct it.

## APPENDIX A CPS3 TERMS

THIS APPENDIX A CONTAINS THE FULL CPS3 TERMS.

## 1 CPS3

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### 1.1 CPS3

CPS3 are fully paid mandatorily convertible preference shares in the capital of ANZ (**CPS3**). They are issued, and may be Redeemed or Converted, according to these CPS3 Terms. The CPS3 are designated the “September 2011 CPS3” for identification purposes.

CPS3 are not deposit liabilities of ANZ, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

### 1.2 ISSUE PRICE

The issue price of each CPS3 (**Issue Price**) is \$100.

## 2 TITLE AND TRANSFER

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### 2.1 TITLE

Title to a CPS3 passes when details of the transfer are entered in the Register.

### 2.2 REGISTER CONCLUSIVE AS TO OWNERSHIP

Entries in the Register in relation to a CPS3 constitute conclusive evidence that the person so entered is the absolute owner of the CPS3 subject to correction for fraud or error.

### 2.3 NON-RECOGNITION OF INTERESTS

Except as required by law and as provided in this clause 2.3, ANZ must treat the person whose name is entered in the Register as the CPS3 Holder in respect of a CPS3 as the absolute owner of that CPS3.

No notice of any trust, Encumbrance or other interest in, or claim to, any CPS3 will be entered in the Register. Neither ANZ nor the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any CPS3, except as ordered by a court of competent jurisdiction or required by law, and no trust, Encumbrance or other interest in, or claim to, any CPS3 will in any way affect any provision of these CPS3 Terms.

This clause 2.3 applies whether or not a payment has been made when scheduled on a CPS3 and despite any notice of ownership, trust or interest in the CPS3.

### 2.4 DEALINGS IN WHOLE

At all times, the CPS3 may be held or transferred only in whole CPS3.

### 2.5 TRANSFER IN ACCORDANCE WITH CONSTITUTION

The Constitution contains provisions relating to the transfer of shares and the relevant provisions apply with all necessary modifications to a transfer of CPS3.

### 2.6 REFUSAL TO REGISTER

The Constitution contains provisions allowing the Directors to refuse to register transfers and the relevant provisions apply with all necessary modifications to refusals to register transfers of CPS3 in those circumstances.

### 2.7 TRANSFEROR TO REMAIN HOLDER UNTIL REGISTRATION

The Constitution contains provisions relating to the effect of registration on a transfer and the relevant provisions apply with all necessary modifications to a transfer of CPS3.

### 2.8 TRANSMISSION OF CPS3

The Constitution contains provisions relating to the transmission of shares in certain circumstances (including without limitation on the death of a holder) and the relevant provisions apply with all necessary modifications to the transmission of CPS3 in those circumstances.

### 3 DIVIDENDS

#### 3.1 DIVIDENDS

Subject to these CPS3 Terms, each CPS3 entitles the CPS3 Holder on a Record Date to receive on the relevant Dividend Payment Date a dividend (**Dividend**) calculated according to the following formula:

$$\text{Dividend} = \frac{(\text{Issue Price} \times \text{Dividend Rate} \times \text{N})}{365}$$

where:

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

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

where:

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

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

**Margin** (expressed as a percentage per annum) means the margin determined under the Bookbuild; and

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

**N** means in respect of:

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

#### 3.2 FRANKING ADJUSTMENTS

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

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

where:

**D** means the Dividend calculated under clause 3.1;

**Tax Rate** has the meaning given in clause 3.1; and

**F** means the applicable Franking Rate.

#### 3.3 PAYMENT OF A DIVIDEND

Each Dividend is subject to:

- (a) the Directors, at their absolute discretion, resolving to pay that Dividend on the relevant Dividend Payment Date; and
- (b) no APRA Condition existing in respect of the relevant Dividend Payment Date.

### 3.4 DIVIDENDS ARE NON-CUMULATIVE

Dividends are non-cumulative. If all or any part of a Dividend is not paid because of clause 3.3 or because of any applicable law, ANZ has no liability to pay the unpaid amount of the Dividend and CPS3 Holders have no claim or entitlement in respect of such non-payment and such non-payment does not constitute an event of default. No interest accrues on any unpaid Dividends and the CPS3 Holders have no claim or entitlement in respect of interest on any unpaid Dividends.

### 3.5 DIVIDEND PAYMENT DATES

Subject to this clause 3, Dividends in respect of a CPS3 will be payable in arrears on the following dates (each a **Dividend Payment Date**):

- (a) each 1 March and 1 September commencing on 1 March 2012 until (but not including) the date on which a Redemption or Conversion of that CPS3 occurs in accordance with these CPS3 Terms; and
- (b) each date on which:
  - (i) a Conversion of that CPS3 occurs; and
  - (ii) subject to clause 8.3(a)(iii), a Redemption of that CPS3 occurs,
 in each case in accordance with these CPS3 Terms.

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

### 3.6 RECORD DATES

A Dividend is only payable on a Dividend Payment Date to those persons registered as CPS3 Holders on the Record Date for that Dividend.

### 3.7 DEDUCTIONS

- (a) ANZ may deduct from any Dividend payable the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by ANZ to the relevant revenue authority and the balance of the Dividend payable has been paid to the relevant CPS3 Holder, then the full amount payable to such CPS3 Holder shall be deemed to have been duly paid and satisfied by ANZ.
- (b) ANZ shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any CPS3 Holder, deliver to that CPS3 Holder a copy of any relevant receipt issued by the revenue authority (to the extent issued) without delay after it is received by ANZ.

### 3.8 RESTRICTIONS IN THE CASE OF NON-PAYMENT

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

- (a) declare or pay a dividend or make any distribution on any Ordinary Shares; or
- (b) buy back or reduce capital on any Ordinary Shares;

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

### 3.9 EXCLUSIONS FROM RESTRICTIONS IN CASE OF NON-PAYMENT

The restrictions in clause 3.8 do not apply to:

- (a) repurchases (including buy-backs), or other acquisitions of Ordinary Shares in connection with:
  - (i) any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any Controlled Entity;
  - (ii) a dividend reinvestment or bonus option plan or shareholder share purchase plan; or
  - (iii) the issuance of Ordinary Shares, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to non-payment of the Dividend;

- (b) an exchange, buy-back or conversion of any Ordinary Shares, or any securities of a Subsidiary or of any other entity whose financial results are required to be consolidated with ANZ's financial statements, for any class or series of ANZ Shares;
- (c) the purchase of fractional interests in Ordinary Shares under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (d) any payment, distribution or declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan;
- (e) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares; or
- (f) a capital raising by way of a rights or entitlement issue made to holders of one or more capital instruments of ANZ.

Nothing in these CPS3 Terms prohibits ANZ or a Controlled Entity from purchasing ANZ Shares (or an interest therein) in connection with transactions for the account of customers of ANZ or customers of entities that ANZ Controls or in connection with the distribution or trading of ANZ Shares in the ordinary course of business. This includes (for the avoidance of doubt and without affecting the foregoing) any acquisition resulting from:

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

## 4 MANDATORY CONVERSION

### 4.1 MANDATORY CONVERSION

Subject to clause 4.5, on the Mandatory Conversion Date ANZ must Convert all (but not some) CPS3 on issue at that date into Ordinary Shares in accordance with clause 7 and this clause 4.

### 4.2 MANDATORY CONVERSION DATE

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

- (a) 1 September 2019 (the **Scheduled Mandatory Conversion Date**); and
- (b) the first Dividend Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**),

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

### 4.3 MANDATORY CONVERSION CONDITIONS

The Mandatory Conversion Conditions for each Relevant Date are:

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

#### 4.4 NON-CONVERSION NOTICES

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ will notify CPS3 Holders between the 25th and the 21st Business Day before the Relevant Date; or
- (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ will notify CPS3 Holders on or as soon as practicable after the Relevant Date, in either case that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date (a **Non-Conversion Notice**).

#### 4.5 COMMON EQUITY CAPITAL TRIGGER EVENT

A **Common Equity Capital Trigger Event** means:

- (a) ANZ's Common Equity Capital Ratio as reported in its most recent Relevant Disclosure is equal to or less than 5.125%; or
- (b) ANZ determines, or APRA has notified ANZ in writing that it believes that ANZ's Common Equity Capital Ratio is equal to or less than 5.125%.

#### 4.6 COMMON EQUITY CAPITAL TRIGGER EVENT NOTICE

If a Common Equity Capital Trigger Event occurs:

- (a) ANZ must give notice of that event (a **Common Equity Capital Trigger Event Notice**) to CPS3 Holders within 1 Business Day of that event occurring;
- (b) ANZ must state in that notice a date on which the CPS3 will Convert (the **Common Equity Capital Conversion Date**) being, no later than the Business Day after the earliest date allowable for Conversion under the ASX Listing Rules following the date the Common Equity Capital Event Notice is given; and
- (c) on the Common Equity Capital Conversion Date the CPS3 will Convert.

#### 4.7 PRIORITY OF CONVERSION OBLIGATIONS

- (a) Conversion on account of the occurrence of a Common Equity Capital Trigger Event is not subject to the matters described in clause 4.3 as Mandatory Conversion Conditions.
- (b) A Conversion required on account of a Common Equity Capital Trigger Event takes place on the date, and in the manner, required by clause 4.6, notwithstanding anything in clauses 4.1, 5 or 6.

### 5 OPTIONAL EXCHANGE BY ANZ

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#### 5.1 OPTIONAL EXCHANGE BY ANZ

ANZ may by notice to CPS3 Holders (an **Exchange Notice**) elect to Exchange:

- (a) all or some CPS3 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event;
- (b) all (but not some only) CPS3 on an Exchange Date following the occurrence of an Acquisition Event; or
- (c) all or some CPS3 on an Optional Exchange Date.

An Exchange Notice once given is irrevocable.

#### 5.2 CONTENTS OF EXCHANGE NOTICE

An Exchange Notice must specify:

- (a) the details of the Acquisition Event, Tax Event or Regulatory Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
  - (i) in the case of an Acquisition Event:
    - (A) if the Exchange Notice provides that CPS3 are to be Converted, is the Business Day prior to the date reasonably determined by ANZ to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as ANZ may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
    - (B) otherwise, must be no later than 35 Business Days after the date on which the Acquisition Event occurred,

- or in either case such later date as APRA may require; or
- (ii) in the case of a Tax Event or a Regulatory Event, will be the last Business Day of the month following the month in which the Exchange Notice was given by ANZ unless ANZ determines an earlier Exchange Date having regard to the best interests of CPS3 Holders as a whole and the relevant event;
- (iii) in the case of an Optional Exchange Date, the next Optional Exchange Date falling no earlier than 25 Business Days after the date on which the Exchange Notice is given;
- (c) the Exchange Method, which may not be Redemption unless:
  - (i) in the case of an Acquisition Event, the Acquisition Event has occurred on or after the fifth anniversary of the Issue Date; and
  - (ii) in any case, either:
    - (A) CPS3 the subject of the Exchange are replaced concurrently or beforehand with Tier 1 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 CPS3;
- (d) if less than all outstanding CPS3 are subject to Exchange, which CPS3 are subject to Exchange;
- (e) if the Exchange Notice provides that CPS3 are to be Redeemed, whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods); and
- (f) whether any Dividend or any amount under clause 8.3(a)(iii) will be paid on the Exchange Date.

### 5.3 EXCHANGE METHOD

If ANZ elects to Exchange CPS3 in accordance with this clause 5, it must, subject to clause 5.2(c) and clause 5.4, elect which of the following (or which combination of the following) it intends to do in respect of CPS3 (the **Exchange Method**):

- (a) subject to APRA's prior written approval, Convert CPS3 into Ordinary Shares in accordance with clause 7; or
- (b) subject to APRA's prior written approval, Redeem CPS3 in accordance with clause 8.

If ANZ issues an Exchange Notice to Exchange only some CPS3, ANZ must endeavour to treat CPS3 Holders on an approximately proportionate basis, but may discriminate to take account of the effect on holdings which would be Non-marketable Parcels and other considerations.

### 5.4 RESTRICTIONS ON ELECTION BY ANZ OF CONVERSION AS EXCHANGE METHOD

ANZ may not elect Conversion as the Exchange Method in respect of an Exchange under this clause 5 or clause 6 if:

- (a) on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**) the VWAP on that date is less than or equal to 56.00% of the Issue Date VWAP (the **First Optional Conversion Restriction**); or
- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and, together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

### 5.5 CONDITIONS TO CONVERSION OCCURRING ONCE ELECTED BY ANZ

If ANZ has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these CPS3 Terms:

- (a) the Exchange Date will be deferred until the first Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- (b) ANZ must Convert the CPS3 on the Deferred Conversion Date (unless the CPS3 are earlier Exchanged in accordance with these CPS3 Terms); and

(c) until the Deferred Conversion Date, all rights attaching to the CPS3 will continue as if the Exchange Notice had not been given.

ANZ will notify CPS3 Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.5 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

## 6 EARLY EXCHANGE ON CHANGE OF CONTROL EVENT

### 6.1 NOTICE OF CHANGE OF CONTROL EVENT

ANZ must notify CPS3 Holders of the occurrence of a Change of Control Event as soon as practicable after becoming aware of that event (a **Change of Control Event Notice**).

### 6.2 EXCHANGE ON OCCURRENCE OF CHANGE OF CONTROL EVENT

If a Change of Control Event occurs, ANZ must, subject to obtaining the prior written approval of APRA for any Redemption, Exchange all (but not some only) CPS3 on the Change of Control Exchange Date by notice to CPS3 Holders (a **Change of Control Exchange Notice**) in accordance with this clause 6 and clause 7 or clause 8 (as the case may be).

### 6.3 CONTENTS OF CHANGE OF CONTROL EXCHANGE NOTICE

A Change of Control Exchange Notice must specify:

- (a) the details of the Change of Control Event to which the Change of Control Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Change of Control Exchange Date**), which must be:
  - (i) if the Exchange Notice provides that CPS3 are to be Converted, the Business Day prior to the date reasonably determined by ANZ to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as ANZ may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
  - (ii) otherwise, no later than 35 Business Days after the date on which the Change of Control Event occurred, or in either case such later date as APRA may require;
- (c) the Exchange Method, subject in the case of Redemption to the Change of Control Event having occurred on or after the fifth anniversary of the Issue Date and the condition in clause 5.2 (c)(ii) being met and subject in the case of Conversion to clause 5.4;
- (d) if the Change of Control Exchange Notice provides that CPS3 are to be Redeemed, whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods); and
- (e) whether any Dividend or any amount under clause 8.3(a)(iii) will be paid on the Change of Control Exchange Date.

### 6.4 WHERE CHANGE OF CONTROL EXCHANGE NOTICE NOT REQUIRED

Notwithstanding any other provision of clause 6.2 or clause 6.3, if APRA does not approve Redemption as the Exchange Method (or ANZ is not permitted to elect Redemption in accordance with clause 6.3(c)) and ANZ is prevented from electing Conversion as the Exchange Method by clause 5.4, ANZ is not required to give a Change of Control Exchange Notice and the provisions of clause 6.5 will apply.

### 6.5 DEFERRED EXCHANGE ON CHANGE OF CONTROL EVENT

If clause 6.4 applies or ANZ has given a Change of Control Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Change of Control Exchange Date were a Relevant Date for the purposes of clause 4, the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these CPS3 Terms (but without limitation to the operation of clause 4.7):

- (a) the Change of Control Exchange Notice, if given, is taken to be revoked and Exchange will not occur on the Change of Control Exchange Date specified in the Change of Control Event Notice;
- (b) ANZ will notify CPS3 Holders as soon as practicable that Exchange will not (or, as the case may be, did not) occur (a **Deferred Change of Control Exchange Notice**); and
- (c) ANZ must, unless clause 6.4 then applies, give a Change of Control Exchange Notice (or, as the case may be, a new Change of Control Exchange Notice) on or before the 25th Business Day prior to the immediately succeeding Dividend Payment Date which is at least 25 Business Days after the date on which the Deferred Change of Control Exchange Notice was given.

The Change of Control Exchange Notice given in accordance with paragraph (c) above must:

- (d) specify the Exchange Method, subject, in the case of Conversion, to clause 5.4; and
- (e) otherwise comply with clause 6.3.

If this clause 6.5 applies but:

- (i) clause 6.4 applies in respect of the Dividend Payment Date such that no Change of Control Exchange Notice (or, as the case may be, no new Change of Control Exchange Notice) is given under this clause 6.5; or
- (ii) a Change of Control Exchange Notice (or, as the case may be, a new Change of Control Exchange Notice) is given under this clause 6.5 but, if the Change of Control Exchange Date specified in the Change of Control Exchange Notice were a Relevant Date for the purpose of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date,

then this clause 6.5 will be reapplied in respect of each subsequent Dividend Payment Date until an Exchange occurs.

## 7 CONVERSION MECHANICS

### 7.1 CONVERSION

If ANZ elects to Convert CPS3 or must Convert CPS3 in accordance with these CPS3 Terms, then, subject to this clause 7 and clause 12, the following provisions apply:

- (a) each CPS3 that is being Converted will Convert into one Ordinary Share on the Mandatory Conversion Date, the Common Equity Capital Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be);
- (b) each CPS3 Holder will be allotted, for no consideration, an additional number of Ordinary Shares for each CPS3 that is being Converted on the Mandatory Conversion Date, the Common Equity Capital Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be) equal to **one less than** the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Issue Price}}{(99\% \times \text{VWAP})}$$

where:

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

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

$$\text{Maximum Conversion Number} = \frac{\text{Issue Price}}{\text{Issue Date VWAP} \times 0.5}$$

- (c) if the total number of additional Ordinary Shares to be allotted to a CPS3 Holder in respect of their aggregate holding of CPS3 upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) a CPS3, upon Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm (Melbourne time) on the Mandatory Conversion Date, the Common Equity Capital Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be). At that time:
  - (i) all other rights conferred or restrictions imposed on that CPS3 under these CPS3 Terms will no longer have effect (except for rights relating to a Dividend which has been determined to be payable but has not been paid on or before the Mandatory Conversion Date, the Common Equity Capital Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be) which will continue); and
  - (ii) the Ordinary Share resulting from a Conversion will rank equally with all other Ordinary Shares.

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS3 or an issue, allotment or creation of a new Ordinary Share (other than the additional Ordinary Shares allotted under clause 7.1(b)).

## 7.2 ADJUSTMENTS TO VWAP

For the purposes of calculating VWAP in these CPS3 Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and CPS3 will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (**Cum Value**) equal to:
- (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
  - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
  - (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and CPS3 will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

## 7.3 ADJUSTMENTS TO VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

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

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

where:

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

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

- (b) Any adjustment made by ANZ in accordance with clause 7.3(a) will be effective and binding on CPS3 Holders under these CPS3 Terms and these CPS3 Terms will be construed accordingly. Any such adjustment must be promptly notified to all CPS3 Holders.

## 7.4 ADJUSTMENTS TO ISSUE DATE VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clause 7.2 and clause 7.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with clauses 7.5 to 7.7 (inclusive); and
- (b) if so made, will correspondingly affect the application of the Mandatory Conversion Conditions, the Optional Conversion Restrictions, and cause an adjustment to the Maximum Conversion Number.

## 7.5 ADJUSTMENTS TO ISSUE DATE VWAP FOR BONUS ISSUES

- (a) Subject to clause 7.5(b) below, if ANZ makes a *pro rata* bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_0 \times \frac{RD}{RD + RN}$$

where:

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

$V_0$  means the Issue Date VWAP applying immediately prior to the application of this formula;

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

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

- (b) Clause 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of clause 7.5(a), an issue will be regarded as a *pro rata* issue notwithstanding that ANZ does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing ANZ is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 7.5 for any offer of Ordinary Shares not covered by clause 7.5(a), including a rights issue or other essentially *pro rata* issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 7.5(a) shall not in any way restrict ANZ from issuing Ordinary Shares at any time on such terms as it sees fit nor be taken to constitute a modification or variation of rights or privileges of CPS3 Holders or otherwise requiring any consent or concurrence.

#### 7.6 ADJUSTMENT TO ISSUE DATE VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

- (a) If at any time after the Issue Date there is a change in the number of Ordinary Shares on issue as a result of a division, consolidation or reclassification of ANZ's share capital (not involving any cash payment or other distribution to Ordinary Shareholders) (a **Reorganisation**), ANZ shall adjust the Issue Date VWAP by multiplying the Issue Date VWAP applicable on the Business Day immediately before the date of any such Reorganisation by the following formula:

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

where:

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

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

- (b) Any adjustment made by ANZ in accordance with clause 7.6(a) will be effective and binding on CPS3 Holders under these CPS3 Terms and these CPS3 Terms will be construed accordingly.
- (c) Any such adjustment must be promptly notified to all CPS3 Holders.
- (d) Each CPS3 Holder acknowledges that ANZ may, consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action constituting a modification or variation of rights or privileges of CPS3 Holders or otherwise requiring any consent or concurrence.

#### 7.7 NO ADJUSTMENT TO ISSUE DATE VWAP IN CERTAIN CIRCUMSTANCES

Despite the provisions of clauses 7.5 and 7.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

#### 7.8 ANNOUNCEMENT OF ADJUSTMENT TO ISSUE DATE VWAP

ANZ will notify CPS3 Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 7 within 10 Business Days of ANZ determining the adjustment and the adjustment set out in the announcement will be final and binding.

#### 7.9 ORDINARY SHARES

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

### 7.10 FOREIGN CPS3 HOLDERS

Where CPS3 held by a Foreign CPS3 Holder are to be Converted, unless ANZ is satisfied that the laws of the Foreign CPS3 Holder's country of residence permit the issue of Ordinary Shares to the Foreign CPS3 Holder (but as to which ANZ is not bound to enquire), either unconditionally or after compliance with conditions which ANZ in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign CPS3 Holder is obliged to accept will be issued to a nominee who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign CPS3 Holder accordingly.

### 7.11 LISTING ORDINARY SHARES ISSUED ON CONVERSION

ANZ shall use all reasonable endeavours to list the Ordinary Shares issued upon conversion of the CPS3 on ASX.

## 8 REDEMPTION MECHANICS

### 8.1 REDEMPTION MECHANICS TO APPLY TO REDEMPTION

If, subject to APRA's prior written approval and compliance with the conditions in clause 5.2(c) and clause 6.3(c), ANZ elects to Redeem CPS3 in accordance with these CPS3 Terms, the provisions of this clause 8 apply to that Redemption.

*CPS3 Holders should not expect that APRA's approval will be given for any Exchange of CPS3 under the CPS3 Terms.*

### 8.2 REDEMPTION

CPS3 will be Redeemed by payment on the Exchange Date or the Change of Control Exchange Date (as the case may be) of the Issue Price plus any amount payable under clause 8.3(a)(iii) (together, the **Redemption Price**) by way of redemption, buy-back, reduction of capital or any combination thereof to the CPS3 Holder.

### 8.3 EFFECT OF REDEMPTION ON CPS3 HOLDERS

On the Exchange Date or the Change of Control Exchange Date (as the case may be) the only right CPS3 Holders will have in respect of CPS3 will be to obtain the Redemption Price payable in accordance with these CPS3 Terms and upon payment of the Redemption Price, all other rights conferred, or restrictions imposed, by CPS3 will no longer have effect.

For the purposes of this clause 8:

- (a) where the Redemption involves a buy-back of CPS3:
  - (i) the Exchange Notice or the Change of Control Exchange Notice (as the case may be) constitutes a buy-back offer for the Redemption Price payable on the relevant Exchange Date or Change of Control Exchange Date (as the case may be);
  - (ii) the CPS3 Holder must accept the buy-back offer for their CPS3 and will be deemed to have accepted that buy-back offer for CPS3 held by that CPS3 Holder to which the Exchange Notice or the Change of Control Exchange Notice (as the case may be) relates on the date the Exchange Notice or the Change of Control Exchange Notice (as the case may be) is given and will be deemed to have sold those CPS3 to ANZ free of all Encumbrances on the Exchange Date or the Change of Control Exchange Date (as the case may be);
  - (iii) no Dividend is payable on CPS3 on the Exchange Date or the Change of Control Exchange Date (as the case may be), but the Directors may, in their absolute discretion, determine that the consideration payable for each CPS3 that is bought back will include an amount (in addition to the Issue Price) equal to a Dividend calculated in accordance with clause 3 for the Dividend Period ending on (but not including) the Exchange Date or the Change of Control Exchange Date (as the case may be);
  - (iv) the buy-back agreement will be taken to include ANZ's undertaking in clause 3.8 (as qualified by clause 3.9); and
  - (v) for the purposes of calculating the Redemption Price, any suspension of the right to receive a Dividend arising from the buy-back agreement under applicable law shall be disregarded; and
- (b) if the Redemption involves either or both a reduction of capital with respect to CPS3 and a cancellation of CPS3 and under applicable law CPS3 Holders are entitled to vote on a resolution to approve that reduction of capital or that cancellation, each CPS3 Holder agrees to vote in favour of that or those resolutions.

## 9 CPS3 GENERAL RIGHTS

### 9.1 RANKING WITH RESPECT TO DIVIDENDS

The CPS3 rank in respect of payment of dividends:

- (a) senior to Ordinary Shares and other instruments or securities of ANZ that rank or are expressed to rank junior to the CPS3;
- (b) equally among themselves and with all Equal Ranking Instruments; and
- (c) junior to any securities or instruments that rank senior to the CPS3 and to all ANZ's debts and liabilities to its depositors and all other creditors, both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with or junior to the CPS3,

in each case of (a), (b) and (c), in respect of payment of dividends.

### 9.2 RANKING IN A WINDING-UP

(a) In a winding-up of ANZ, a CPS3 confers upon the CPS3 Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of ANZ on a return of capital in the winding-up.

(b) CPS3 Holders will rank for payment of the Liquidation Sum in a winding-up of ANZ:

- (i) in priority to Ordinary Shares and other securities that ANZ has issued or may issue that by their terms rank junior to the CPS3;
- (ii) equally among themselves and with all Equal Ranking Instruments; and
- (iii) junior to any securities or instruments that rank senior to the CPS3 and to all ANZ's debts and liabilities to its depositors and all other creditors, both unsubordinated and subordinated, other than indebtedness that by its terms ranks equally with or junior to the CPS3 in a winding-up,

in each case of (i), (ii) and (iii), with respect to priority of payment in a winding-up.

(c) The **Liquidation Sum** is an amount out of surplus assets equal to \$100 plus the amount of any Dividend determined to be paid but unpaid.

### 9.3 FURTHER ISSUES NOT TO VARY CLASS RIGHTS

The allotment or issue of preference shares (including further CPS3), or the conversion of existing shares into preference shares, ranking junior to, equally with or, (to the maximum extent permitted by the Constitution) senior to the CPS3 then on issue for participation in profits or assets of ANZ, and whether entitled to cumulative or non-cumulative dividends, or a redemption, buy-back or return or distribution of capital in respect of any share capital other than a CPS3, whether ranking junior to, equally with, or senior to, the CPS3, is expressly permitted and authorised by these CPS3 Terms and does not constitute a modification or variation of the rights or privileges to the CPS3 then on issue.

### 9.4 CALCULATIONS AND ROUNDING OF PAYMENTS

Unless otherwise specified in these CPS3 Terms:

- (a) all calculations of amounts payable in respect of a CPS3 will be rounded to four decimal places; and
- (b) for the purposes of making payment to a CPS3 Holder in respect of the CPS3 Holder's aggregate holding of CPS3, any fraction of a cent will be disregarded.

### 9.5 NO SET-OFF OR OFFSETTING RIGHTS

A CPS3 Holder:

- (a) may not exercise any right of set-off against ANZ in respect of any claim by ANZ against that CPS3 Holder; and
- (b) will have no offsetting rights or claims on ANZ if ANZ does not pay a Dividend when scheduled under CPS3.

ANZ may not exercise any right of set-off against a CPS3 Holder in respect of any claim by that CPS3 Holder against ANZ.

### 9.6 NO SECURITY

CPS3 are unsecured.

### 9.7 SHORTFALL ON WINDING-UP

If, upon a return of capital on a winding-up of ANZ, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other instruments in ANZ ranking equally with CPS3 on a winding-up of ANZ, CPS3 Holders and the holders of any such other instruments will share in any distribution of assets of ANZ in proportion to the amounts to which they are entitled respectively.

### 9.8 NO PARTICIPATION IN SURPLUS ASSETS

CPS3 do not confer on the CPS3 Holders any further right to participate in the surplus assets of ANZ on a winding-up beyond payment of the Liquidation Sum.

### 9.9 POWER OF ATTORNEY

- (a) Each CPS3 Holder appoints each of ANZ, its officers and any External Administrator of ANZ (each an **Attorney**) severally to be the attorney of the CPS3 Holder with power in the name and on behalf of the CPS3 Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the CPS3 Holder to observe or perform the CPS3 Holder's obligations under these CPS3 Terms including, but not limited to, accepting any buy-back offer, effecting any transfers of CPS3, making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion or Redemption or in respect of an Approved NOHC Event or the transfer of CPS3 to an Approved NOHC (or other member of ANZ Group) as contemplated by clause 15.2.
- (b) The power of attorney given in this clause 9.9 is given for valuable consideration and to secure the performance by the CPS3 Holder of the CPS3 Holder's obligations under these CPS3 Terms and is irrevocable.

### 9.10 CPS3 HOLDER ACKNOWLEDGMENTS

Each CPS3 Holder irrevocably:

- (a) upon Conversion of a CPS3 in accordance with clause 7, consents to becoming a member of ANZ and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion (or, where an Approved NOHC Substitution Notice has been given, consents to becoming a member of that Approved NOHC and agrees to be bound by its constitution);
- (b) acknowledges and agrees that an Approved NOHC may be substituted for ANZ as provider of ordinary shares on Conversion and that if such a substitution is effected on the terms provided by the amendment in accordance with clause 15.2, the CPS3 Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares;
- (c) acknowledges and agrees that any amendment made in accordance with clause 15.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion will not constitute a variation of any class rights attaching to CPS3;
- (d) acknowledges and agrees that it is obliged to accept ordinary shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of CPS3 including:
- (i) any change in the financial position of ANZ or any Approved NOHC since the Issue Date;
  - (ii) any disruption to the market or potential market for the ordinary shares or to capital markets generally; or
  - (iii) any breach by ANZ or any Approved NOHC of any obligation in connection with CPS3;
- (e) acknowledges and agrees that:
- (i) where clause 4.6 applies, there are no other conditions to a Common Equity Capital Conversion occurring as and when provided in clauses 4.5 to 4.7 (inclusive);
  - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions; and
  - (iii) the only conditions to a Conversion on account of an Exchange under clause 5 or clause 6 are the conditions expressly applicable to such Conversion as provided in clauses 5 and 6 of these CPS3 Terms and no other conditions or events will affect Conversion;
- (f) agrees to provide to ANZ any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the CPS3 on the occurrence of the Conversion; and
- (g) acknowledges and agrees that a CPS3 Holder has no right to request an Exchange.

### 9.11 ON-MARKET BUY-BACKS

Subject to APRA's prior written approval, ANZ may buy back CPS3 at any time and at any price by an on-market buy-back.

### 9.12 NO OTHER RIGHTS

- (a) CPS3 do not confer on CPS3 Holders any right to participate in profits or property of ANZ except as set out in these CPS3 Terms.
- (b) CPS3 do not confer on CPS3 Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of securities of ANZ.

## 10 VOTING AND OTHER RIGHTS

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### 10.1 MEETINGS

In accordance with the Constitution, a CPS3 Holder will have the same rights as the holders of Ordinary Shares with respect to receiving notices of general meetings and financial reports and attending ANZ's general meetings.

### 10.2 VOTING RIGHTS

- (a) A CPS3 Holder shall have the right to speak and vote at a meeting of members of ANZ in the following circumstances and in no others:
- (i) on any proposal to reduce ANZ's share capital, other than a resolution to approve a Redemption of the CPS3;
  - (ii) on a proposal that affects the rights attached to the CPS3;
  - (iii) on any resolution to approve the terms of a buy-back agreement, other than a resolution to approve a Redemption of CPS3;
  - (iv) on a proposal to wind up ANZ;
  - (v) on a proposal for the disposal of the whole of ANZ's property, business and undertaking;
  - (vi) on any matter during a winding-up of ANZ; and
  - (vii) on any matter during a period in which a Dividend remains unpaid.
- (b) On a resolution or proposal on which a CPS3 Holder is entitled to vote under this clause, the CPS3 Holder has:
- (i) on a show of hands, one vote; and
  - (ii) on a poll, one vote for each CPS3 held.

### 10.3 NOT A "VOTING SHARE"

Each CPS3 Holder acknowledges and agrees that a CPS3 will not constitute a "voting share" for the purposes of the Corporations Act.

### 10.4 NO RIGHT TO APPLY FOR THE WINDING-UP OF ANZ

Each CPS3 Holder acknowledges and agrees that a CPS3 Holder has no right to apply for ANZ to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of ANZ merely on the grounds that ANZ does not pay a Dividend when scheduled in respect of CPS3.

### 10.5 NO EVENTS OF DEFAULT

Each CPS3 Holder acknowledges and agrees that these CPS3 Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Dividend on the scheduled Dividend Payment Date will not constitute an event of default.

## 11 TAKEOVERS AND SCHEMES OF ARRANGEMENT

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If:

- (a) a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors; or
- (b) the Directors recommend a scheme of arrangement in respect of the Ordinary Shares of ANZ which will result in a person other than ANZ having a relevant interest in more than 50% of the Ordinary Shares,

in each case which would result in an Acquisition Event then, if the Directors consider that ANZ will not be permitted to elect to Exchange the CPS3 in accordance with clause 5 or clause 6 or the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied in respect of the Change of Control Exchange Date in accordance with clause 6, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to CPS3 Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

## 12 APPROVED NOHC EVENTS

### 12.1 ANZ MAY GIVE APPROVED NOHC SUBSTITUTION NOTICE

If:

- (a) an Approved NOHC Event is proposed to occur; and
- (b) the Approved NOHC agrees for the benefit of CPS3 Holders:
  - (i) to deliver Approved NOHC Ordinary Shares under all circumstances when ANZ would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions as set out in these CPS3 Terms as amended by this clause 12;
  - (ii) to comply with the restrictions in clause 3.8 (with all appropriate modifications) of these CPS3 Terms; and
  - (iii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all Approved NOHC Ordinary Shares issued under these CPS3 Terms (with all necessary modifications) on the securities exchanges on which the other Approved NOHC Ordinary Shares are quoted at the time of a Conversion,

ANZ may give a notice (an **Approved NOHC Substitution Notice**) to CPS3 Holders (which, if given, must be given as soon as practicable before the Approved NOHC Event and in any event no later than 10 Business Days before the Approved NOHC Event occurs) specifying the amendments to these CPS3 Terms which will be made in accordance with clause 15.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the **Approved NOHC Substitution Terms**).

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

### 12.2 CONSEQUENCES OF APPROVED NOHC SUBSTITUTION NOTICE

If ANZ gives an Approved NOHC Substitution Notice to CPS3 Holders in accordance with clause 12.1, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice.

## 13 NOTICES

### 13.1 NOTICES TO CPS3 HOLDERS

Except where otherwise provided in these CPS3 Terms, a notice may be given by ANZ to a CPS3 Holder in any manner prescribed by the Constitution for giving notices to members of ANZ and the relevant provisions apply with all necessary modifications to notices to CPS3 Holders.

### 13.2 DELIVERY OF CERTAIN NOTICES

A Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Change of Control Exchange Notice, an Exchange Notice, a Change of Control Event Notice, a Change of Control Exchange Notice, a Common Equity Capital Trigger Event Notice, an Adjustment Notice, an Approved NOHC Substitution Notice and an ANZ Details Notice may each be given to CPS3 Holders by ANZ publishing the notice on its website and announcing the publication of the notice to ASX.

### 13.3 NON-RECEIPT OF NOTICES BY CPS3 HOLDERS

The non-receipt of a notice by a CPS3 Holder or an accidental omission to give notice to a CPS3 Holder will not invalidate the giving of that notice either in respect of that CPS3 Holder or generally.

### 13.4 NOTICES TO ANZ

All notices or other communications to ANZ in respect of these CPS3 Terms must be:

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

Attention: Company Secretary  
Australia and New Zealand Banking Group Limited

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

Fax No: +61 3 8542 5252,

or to such other address or fax number as ANZ notifies to CPS3 Holders as its address or fax number (as the case may be) for notices or other communications in respect of these CPS3 Terms from time to time (an **ANZ Details Notice**);

- (c) signed by the person making the communication or by a person duly authorised by that person; and
- (d) delivered or posted by prepaid post to the address, or sent by fax to the fax number, of ANZ in accordance with clause 13.4(b).

A notice to ANZ will be taken to be received:

- (i) if sent by fax, when actually received in its entirety in legible form, unless that day is not a Business Day, or is after 5.00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9.00am (Melbourne time) on the next Business Day; and
- (ii) in any other case, on delivery at the address of ANZ as provided in clause 13.4, unless that delivery is not made on a Business Day, or is after 5.00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9.00am (Melbourne time) on the next Business Day.

### 13.5 NOTICES AND REPORTS

Each CPS3 Holder is entitled to receive notice of any general meeting of ANZ and a copy of every circular and like document sent out by ANZ to Ordinary Shareholders and to attend general meetings of ANZ.

## 14 PAYMENTS

### 14.1 MANNER OF PAYMENT TO CPS3 HOLDERS

The Constitution contains provisions relating to payments in respect of shares and the relevant provisions apply (with all necessary modifications) in respect of each payment on the CPS3.

### 14.2 PAYMENT TO JOINT CPS3 HOLDERS

A payment to any one of joint CPS3 Holders will discharge ANZ's liability in respect of the payment.

## 15 AMENDMENT OF THESE CPS3 TERMS

### 15.1 AMENDMENT WITHOUT CONSENT

Subject to complying with all applicable laws and with APRA's prior written approval, ANZ may amend these CPS3 Terms without the authority, assent or approval of CPS3 Holders where the amendment in the reasonable opinion of ANZ:

- (a) is made to correct a manifest error;
- (b) is of a formal, minor or technical nature;
- (c) is necessary to comply with any law, the provisions of any statute or the requirements of any statutory authority;
- (d) is made in accordance with ANZ's adjustment rights in clause 7 or as required by APRA in accordance with that clause;
- (e) is expedient for the purpose of enabling CPS3 to be listed or to remain listed on a securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed) or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
- (f) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion or Exchange in a manner necessary to facilitate the Mandatory Conversion or Exchange; or
- (g) in any other case, will not materially adversely affect the rights of CPS3 Holders as a whole.

### 15.2 AMENDMENT WITHOUT CONSENT FOR SUBSTITUTION OF AN APPROVED NOHC

Subject to complying with all applicable laws and with APRA's prior written approval, if the circumstances described in clause 12.1(a) and 12.1(b) apply, without the authority, assent or approval of CPS3 Holders, ANZ may give an Approved NOHC Substitution Notice which:

- (a) amends the definition of "Conversion" in clause 7 such that, unless APRA otherwise agrees, on the date CPS3 are to be Converted:
  - (i) each CPS3 that is being Converted will be automatically transferred by each CPS3 Holder free from Encumbrance to the Approved NOHC (or another member of ANZ Group) (the **Transferee**) on the date the Conversion is to occur;

- (ii) each CPS3 Holder will be issued a number of Approved NOHC Ordinary Shares equal to the Conversion Number; and
- (iii) as between ANZ and the Transferee:
  - (A) each CPS3 held by the Transferee as a result of the transfer will be automatically Converted into an Ordinary Share; and
  - (B) an additional number of Ordinary Shares will be issued to the Transferee,
 such that the total number of Ordinary Shares held by the Transferee by reason of sub-paragraphs (A) and (B) increases by the number which equals the number of Approved NOHC Ordinary Shares issued by the Approved NOHC to CPS3 Holders on Conversion; and
- (b) makes such other amendments as in ANZ's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these CPS3 Terms, including without limitation:
  - (i) amendments and additions to the definition of "Acquisition Event", "ANZ Group", "Franking Rate", "Early Exchange Event", "Ordinary Shares", "Regulatory Event" and "Tax Event";
  - (ii) amendments to the mechanics for adjusting the Conversion Number; and
  - (iii) any term defining the rights of CPS3 Holders if the Conversion is not effected which is appropriate for the CPS3 to remain as Tier 1 Capital.

### 15.3 AMENDMENT WITH CONSENT

Without limiting clause 15.1 or clause 15.2, ANZ may, with APRA's prior written approval, amend these CPS3 Terms if the amendment has been approved by a Special Resolution.

### 15.4 MEANINGS

In this clause 15, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

## 16 QUOTATION ON ASX

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ANZ must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure, at its own expense, quotation of CPS3 on ASX.

## 17 GOVERNING LAW

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The CPS3 and these CPS3 Terms are governed by and shall be construed in accordance with the laws of the State of Victoria, Australia.

## 18 INTERPRETATION AND DEFINITIONS

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### 18.1 INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these CPS3 Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these CPS3 Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of ANZ under these CPS3 Terms as are not, by the Corporations Act or by the Constitution, required to be exercised by ANZ in general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these CPS3 Terms.
- (d) If a calculation is required under these CPS3 Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (e) Subject to clause 18.1(a), definitions and interpretation under the Constitution will also apply to these CPS3 Terms unless the contrary intention is expressed.
- (f) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to ANZ only if ANZ is an entity, or the holding company of an entity, or is a direct or indirect Subsidiary of a NOHC, subject to regulation and supervision by APRA at the relevant time.
- (g) Any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time.
- (h) Any provisions in these CPS3 Terms requiring the prior approval of APRA for a particular course of action to be taken by ANZ do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.

- (i) A reference to any term defined by APRA (including, without limitation, "Fundamental Tier 1 Capital", "Level 1, Level 2 and Level 3", "Prudential Capital Ratio", "Residual Tier 1 Capital", "Tier 1 Capital", "Tier 1 Capital Ratio" and "Upper Tier 2 Capital") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (j) The terms takeover bid, relevant interest, scheme of arrangement, buy-back and on-market buy-back when used in these CPS3 Terms have the meaning given in the Corporations Act.
- (k) Headings and boldings are for convenience only and do not affect the interpretation of these CPS3 Terms.
- (l) The singular includes the plural and vice versa.
- (m) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (n) If an event under these CPS3 Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (o) A reference to dollars, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (p) A reference to a term defined by the ASX Listing Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (q) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).
- (r) Calculations, elections and determinations made by ANZ under these CPS3 Terms are binding on CPS3 Holders in the absence of manifest error.

## 18.2 DEFINITIONS

**2003 Trust Securities** means the US\$750,000,000 of trust securities issued by ANZ Capital Trust II in 2003, representing beneficial interests in stapled securities, each stapled security representing a fully paid note issued by Sampson Funding Limited and guaranteed on a subordinated basis by ANZ stapled to a fully paid preference share issued by ANZ.

**2004 Trust Securities** means the €500,000,000 of trust securities issued by ANZ Capital Trust III in 2004, representing beneficial interests in stapled securities, each stapled security representing a fully paid note issued by ANZ Jackson Funding PLC and guaranteed on a subordinated basis by ANZ stapled to a fully paid preference share issued by ANZ.

**2007 Stapled Securities** means 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.

**Acquisition Event** means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional and either:
  - (i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
  - (ii) the directors of ANZ, acting as a board, issue a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer); or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and:
  - (i) all classes of members of ANZ pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
  - (ii) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares.

Notwithstanding the foregoing, none of the events described above will constitute an Acquisition Event if the event would be a NOHC Event and:

- (i) the acquirer (or its ultimate holding company) assumes all of ANZ's obligations to convert the CPS3 into Ordinary Shares by undertaking to convert such CPS3 into ordinary shares of the acquirer (or its ultimate holding company) on any Mandatory Conversion Date, or earlier upon the occurrence of a Change of Control Event or Common Equity Capital Trigger Event in respect of the acquirer (or its ultimate holding company) (for which purposes all references in this clause to ANZ will be read as a reference to the acquirer (or its ultimate holding company));
- (ii) the acquirer (or its ultimate holding company) agrees to comply with the restrictions in clause 3.8 (with all appropriate modifications) of these CPS3 Terms; and
- (iii) the ordinary shares of the acquirer (or its ultimate holding company) are listed on ASX.

**Adjustment Notice** has the meaning given in clause 7.8.

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

**ANZ Details Notice** has the meaning given in clause 13.4.

**ANZ Group** means ANZ and its controlled entities.

**ANZ Level 1 Group** means ANZ and those of its controlled entities included by APRA from time to time in the calculation of ANZ's Prudential Capital Ratio and Tier 1 Capital Ratio on a Level 1 basis.

**ANZ Level 2 Group** means ANZ together with each related entity included by APRA from time to time in the calculation of ANZ's Prudential Capital Ratio and Tier 1 Capital Ratio on a Level 2 basis.

**ANZ Shares** means Ordinary Shares or any other shares in the capital of ANZ.

**Approved NOHC** means a NOHC arising as a result of an Approved NOHC Event.

**Approved NOHC Event** means a NOHC Event in respect of which the proviso to the definition of "Acquisition Event" is satisfied.

**Approved NOHC Ordinary Share** means a fully paid ordinary share in the capital of the Approved NOHC.

**Approved NOHC Substitution Notice** has the meaning given in clause 12.1.

**Approved NOHC Substitution Terms** has the meaning given in clause 12.1.

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

**APRA Condition** means, with respect to a Dividend payment on the CPS3 on a Dividend Payment Date:

- (a) unless APRA otherwise approves in writing:
  - (i) making the Dividend payment on the CPS3 on the payment date would result in the Prudential Capital Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the ANZ Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or the ANZ Group (as the case may be) at the time; or
  - (ii) the Dividend payment on the CPS3 on the payment date would exceed Distributable Profits as at the Record Date for the Dividend payment or;
- (b) making the Dividend payment would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the Dividend payment on the CPS3 on the payment date.

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

**ASX Listing Rules** means the listing rules of ASX as amended, varied or waived (whether in respect of ANZ or generally) from time to time.

**ASX Operating Rules** means the market operating rules of ASX as amended, varied or waived (whether in respect of ANZ or generally) from time to time.

**Attorney** has the meaning given in clause 9.9.

**Bank Bill Rate** has the meaning given in clause 3.1.

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

**Basel III Consultation Paper** means the consultative document titled “Strengthening the resilience of the banking sector” which was released by the Basel Committee on Banking Supervision on 17 December 2009 and any related releases, papers, proposals (including, without limitation, the release of 13 January 2011) and any related prudential standards or guidelines of the Basel Committee on Banking Supervision or APRA.

**Bookbuild** means the process conducted prior to the opening of the Offer whereby certain investors lodge bids for CPS3 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.

**Change of Control Event** means where both an Acquisition Event and one of the following has occurred:

- (a) in the case of an Acquisition Event occurring because of a takeover bid, all regulatory approvals necessary for the acquisition to occur have been obtained; and
- (b) in the case of an Acquisition Event occurring because of a scheme of arrangement, all conditions to the implementation of the scheme, including any necessary regulatory or shareholder approvals (but not including approval of the scheme by the court) have been satisfied or waived.

For the avoidance of doubt, a Change of Control Event will not occur where the proviso to the definition of Acquisition Event applies.

**Change of Control Event Notice** has the meaning given in clause 6.1.

**Change of Control Exchange Date** has the meaning given in clause 6.3.

**Change of Control Exchange Notice** has the meaning given in clause 6.2.

**CHES** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Common Equity Capital:**

- (a) prior to 1 January 2013, means the Fundamental Tier 1 Capital net of Tier 1 deductions (as defined by APRA) of the ANZ Level 2 Group; and
- (b) on or after 1 January 2013, has the meaning determined by APRA from time to time.

**Common Equity Capital Conversion** means the mandatory conversion of CPS3 to Ordinary Shares on the Common Equity Capital Conversion Date in accordance with clause 4.6.

**Common Equity Capital Conversion Date** has the meaning given in clause 4.6.

**Common Equity Capital Ratio** means the ratio of Common Equity Capital to risk weighted assets of the ANZ Level 2 Group as prescribed by APRA from time to time.

**Common Equity Capital Trigger Event** has the meaning given in clause 4.5.

**Common Equity Capital Trigger Event Notice** has the meaning given in clause 4.6.

**Constitution** means the constitution of ANZ as amended from time to time.

**Control** has the meaning given in the Corporations Act.

**Controlled Entity** means, in respect of ANZ, an entity ANZ Controls.

**Conversion** means, in relation to a CPS3, subject to amendment in accordance with clause 15.1(d), the taking effect of the rights specified in clause 7 in relation to that CPS3 and **Convert** and **Converted** have corresponding meanings.

**Conversion Number** has the meaning given in clause 7.1.

**Corporations Act** means the Corporations Act 2001 (Cth).

**CPS3** has the meaning given in clause 1.1.

**CPS3 Holder** means a person whose name is registered in the Register as the holder of a CPS3.

**CPS3 Terms** means these terms of issue of CPS3.

**Cum Value** has the meaning given in clause 7.2.

**Deferred Change of Control Exchange Notice** has the meaning given in clause 6.5.

**Deferred Conversion Date** has the meaning given in clause 5.5.

**Deferred Conversion Notice** has the meaning given in clause 5.5.

**Delisting Event** means, in respect of a date, that:

- (a) Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, Ordinary Shares continue not to be listed or admitted to trading on that date); or
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
  - (i) at least five consecutive Business Days prior to that date; and
  - (ii) that date.

**Directors** means some or all of the directors of ANZ acting as a board.

**Distributable Profits** means, unless otherwise specified by APRA, the lesser of:

- (a) A - B; and
- (b) C - D,

where:

**"A"** is the aggregate of the consolidated net profits after income tax of the ANZ Level 2 Group (determined before any interest, dividends or distributions paid or payable by a member of the ANZ Level 2 Group on its Upper Tier 2 Capital and Tier 1 Capital) for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or any other amount as determined by APRA in its discretion to be appropriate in ANZ's circumstances on a Level 2 basis for the purposes of paying interest, dividends or distributions on the Tier 1 Capital and Upper Tier 2 Capital of the ANZ Level 2 Group);

**"B"** is the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid by a member of the ANZ Level 2 Group in the 12 months to and including the applicable Dividend Payment Date on:

- (a) the CPS3; and
- (b) any other Tier 1 Capital or Upper Tier 2 Capital security of the ANZ Level 2 Group to the extent interest, dividends or distributions on those securities are funded by a member of the ANZ Level 2 Group or by instruments of the ANZ Level 2 Group,

but excluding:

- (i) any dividends payable in relation to the CPS3 on the applicable Dividend Payment Date; and
- (ii) any such interest, dividend, distribution or other amount to which a member of the ANZ Level 2 Group was or is beneficially entitled;

**"C"** is the net profit after income tax of the ANZ Level 1 Group (determined before any interest, dividends or distributions paid or payable by the ANZ Level 1 Group on its Upper Tier 2 Capital and Tier 1 Capital) for the period referred to in "A" above (or any other amount as determined by APRA in its discretion to be appropriate in the ANZ's circumstances on a Level 1 basis for the purposes of paying interest, dividends or distributions on the ANZ Level 1 Group's Tier 1 Capital or Upper Tier 2 Capital); and

**"D"** is the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid:

- (a) by a member of the ANZ Level 1 Group in the twelve months to and including the applicable Dividend Payment Date on:
  - (i) the CPS3; and
  - (ii) any other Tier 1 Capital or Upper Tier 2 Capital security of the ANZ Level 1 Group to the extent interest, dividends, distributions and other amounts on those securities are funded by a member of the ANZ Level 1 Group; and
- (b) on any other securities determined by APRA in its discretion to be appropriate for inclusion as Tier 1 Capital or Upper Tier 2 Capital on a Level 1 basis,

but excluding:

- (i) interest or dividends payable in relation to the CPS3 on the applicable Dividend Payment Date; and
- (ii) any such interest, dividend, distribution or other amount to which a member of the ANZ Level 1 Group was or is beneficially entitled.

**Dividend** has the meaning given in clause 3.1.

**Dividend Payment Date** has the meaning given in clause 3.5 whether or not a Dividend is, or is able to be, paid on that date.

**Dividend Period** means in respect of:

- (a) the first Dividend Period, the period from (and including) the Issue Date until (but not including) the first Dividend Payment Date following the Issue Date; and
- (b) each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date.

**Dividend Rate** has the meaning given in clause 3.1.

**Encumbrance** means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

**Equal Ranking Instruments** means, in respect of the payment of dividends or the return of capital in a winding-up:

- (a) the preference shares comprised in the 2003 Trust Securities;
- (b) the preference shares comprised in the 2004 Trust Securities;
- (c) the preference shares comprised in the 2007 Stapled Securities;
- (d) the convertible preference shares issued by ANZ in 2008 under a prospectus dated 4 September 2008 (which replaced a prospectus dated 27 August 2008);
- (e) the convertible preference shares issued by ANZ in 2009 under a prospectus dated 18 November 2009 (which replaced a prospectus dated 10 November 2009);
- (f) each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing and the CPS3 in respect of dividend or for the return of capital in a winding-up of ANZ (as the case may be); and
- (g) any securities or other instruments that rank or are expressed to rank in respect of dividend or for the return of capital in a winding-up (as the case may be) equally with those preference shares and the CPS3.

**Exchange** means Conversion in accordance with and subject to clause 7 or Redemption in accordance with and subject to clause 8 and **Exchanged** has a corresponding meaning.

**Exchange Date** has the meaning given in clause 5.2(b).

**Exchange Method** has the meaning given in clause 5.3.

**Exchange Notice** has the meaning given in clause 5.1.

**External Administrator** means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertaking of that person,

or in either case any similar official.

**First Mandatory Conversion Condition** has the meaning given in clause 4.3.

**First Optional Conversion Restriction** has the meaning given in clause 5.4.

**First Test Date** has the meaning given in clause 4.3.

**Foreign CPS3 Holder** means a CPS3 Holder whose address in the Register is a place outside Australia or who ANZ otherwise believes may not be a resident of Australia.

**Franking Rate** (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of ANZ as at the relevant Dividend Payment Date.

**Fundamental Tier 1 Capital** means the fundamental tier 1 capital of ANZ on a Level 1 basis or the ANZ Group on a Level 2, or if applicable, Level 3 basis as defined by APRA from time to time.

**Issue Date** means the date on which CPS3 are issued.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which any CPS3 were issued, as adjusted in accordance with clauses 7.5 to 7.7 (inclusive).

**Issue Price** has the meaning given in clause 1.2.

**Level 1, Level 2 and Level 3** means those terms as defined by APRA from time to time.

**Liquidation Sum** has the meaning given in clause 9.2(c).

**Mandatory Conversion** means the mandatory conversion under clause 4 of CPS3 to Ordinary Shares on the Mandatory Conversion Date.

**Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Mandatory Conversion Date** has the meaning given in clause 4.2.

**Margin** has the meaning given in clause 3.1.

**Maximum Conversion Number** has the meaning given in clause 7.1(b).

**NOHC** means the ultimate holding company of ANZ after a NOHC Event which must be a "non-operating holding company" within the meaning of the Banking Act.

**NOHC Event** means an event which:

- (a) is initiated by the Directors, acting as a board; and
- (b) would otherwise be an Acquisition Event,

but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC.

**Non-Conversion Notice** has the meaning given in clause 4.4.

**Non-Conversion Test Date** has the meaning given in clause 5.4.

**Non-marketable Parcel** has the meaning given in the Constitution.

**Offer** means the invitation under the Prospectus made by ANZ for persons to subscribe for CPS3.

**Optional Conversion Restrictions** has the meaning given in clause 5.4.

**Optional Exchange Date** means the Dividend Payment Date falling on 1 September 2017 and each Dividend Payment Date after that date.

**Ordinary Share** means a fully paid ordinary share in the capital of ANZ.

**Ordinary Shareholder** means a person whose name is registered as the holder of an Ordinary Share.

**Prospectus** means the prospectus for the Offer including these CPS3 Terms.

**Prudential Capital Ratio** means that ratio as defined by APRA from time to time.

**Record Date** means for payment of a Dividend:

- (a) the date which is 11 Business Days before the Dividend Payment Date for that Dividend; or
  - (b) such other date as is determined by the Directors in their absolute discretion and communicated to ASX not less than seven Business Days before the specified Record Date,
- or in either case such other date as may be required by ASX.

**Redeem** means, in relation to a CPS3, redeem, buy back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS3 in accordance with clause 8, and **Redeemed**, **Redeemable** and **Redemption** have corresponding meanings.

**Redemption Price** has the meaning given in clause 8.2.

**Register** means the register of CPS3 maintained by or on behalf of ANZ and including any subregister established and maintained in CHES.

**Registrar** means ANZ or any other registrar that maintains the Register.

**Regulatory Event** means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in, any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations (including, without limitation, any such action arising as a result of the Basel III Consultation Paper which applies to ANZ or any other member of the ANZ Group) which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date, additional requirements would be imposed on ANZ in relation to or in connection with CPS3 which the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) determine at their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) that ANZ is not or will not be entitled to treat all CPS3 as Residual Tier 1 Capital (including, without limitation, as a result of the Basel III Consultation Paper which applies to ANZ or any other member of the ANZ Group), except where the reason ANZ is not entitled to treat all CPS3 as Residual Tier 1 Capital is because ANZ has exceeded a limit on the recognition of Residual Tier 1 Capital which was in effect on the Issue Date (including, without limitation, a limit arising on or from a given date under the Basel III Consultation Paper which is known as at the Issue Date).

**Relevant Date** has the meaning given in clause 4.2.

**Relevant Disclosure** means, in relation to a Common Equity Capital Trigger Event, the most recent public statement of its Common Equity Capital Ratio, as required by APRA's applicable prudential standards.

**Relevant Dividend Payment Date** has the meaning given in clause 3.8.

**Reorganisation** has the meaning given in clauses 7.3(a) and 7.6(a).

**Residual Tier 1 Capital** means the residual tier 1 capital of ANZ (on a Level 1 basis) or the ANZ Group (on a Level 2 basis or, if applicable, a Level 3 basis) as defined by APRA from time to time.

**Scheduled Mandatory Conversion Date** has the meaning given in clause 4.2.

**Second Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Second Optional Conversion Restriction** has the meaning given in clause 5.4.

**Second Test Date** has the meaning given in clause 4.3

**Special Resolution** means a resolution passed at a meeting of CPS3 Holders by a majority of at least 75% of the votes validly cast by CPS3 Holders in person or by proxy and entitled to vote on the resolution.

**Subsequent Mandatory Conversion Date** has the meaning given in clause 4.2.

**Subsidiary** has the meaning given in the Corporations Act.

**Tax Act** means:

- (a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any Section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that Section as rewritten in the Income Tax Assessment Act 1997 (Cth); and
- (b) any other Act setting the rate of income tax payable and any regulation promulgated under it.

**Tax Event** means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) ANZ would be exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to CPS3;
- (ii) any Dividend would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or Australian tax resident CPS3 Holders generally would not be entitled to franking credits in respect of the Dividends; or
- (iii) the CPS3 would cease to be disregarded in accordance with Section 703-37 of the Tax Act.

**Tax Rate** has the meaning given in clause 3.1.

**Third Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Tier 1 Capital** means the tier 1 capital of ANZ (on a Level 1 basis) or the ANZ Group (on a Level 2 basis or, if applicable, a Level 3 basis) as defined by APRA from time to time.

**Tier 1 Capital Ratio** means that ratio as defined by APRA from time to time.

**Transferee** has the meaning given in clause 15.2.

**Upper Tier 2 Capital** means the upper tier 2 capital of ANZ (on a Level 1 basis) or the ANZ Group (on a Level 2 basis or, if applicable, a Level 3 basis) as defined by APRA from time to time.

**VWAP** means, subject to any adjustments under clause 7, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

**VWAP Period** means:

- (a) in the case of a Conversion resulting from an Acquisition Event or a Change of Control Event the lesser of 20 Business Days and the number of Business Days that the Ordinary Shares are quoted for trading on ASX after the occurrence of the Acquisition Event or the Change of Control Event (as the case may be);
- (b) in the case of a Conversion resulting from a Common Equity Capital Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Common Equity Capital Conversion Date;
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these CPS3 Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these CPS3 Terms.

## APPENDIX B

# GLOSSARY

THIS APPENDIX B IS A GLOSSARY OF TERMS USED THROUGHOUT THIS PROSPECTUS AND THE APPLICATION FORMS. THERE IS ALSO A LIST OF DEFINED TERMS IN CLAUSE 18.2 OF THE CPS3 TERMS.

Term	Meaning
2003 Trust Securities	has the meaning given in clause 18.2 of the CPS3 Terms
2004 Trust Securities	has the meaning given in clause 18.2 of the CPS3 Terms
2007 Stapled Securities	has the meaning given in clause 18.2 of the CPS3 Terms
ABN	Australian Business Number
Acquisition Event	broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to ANZ For the full definition – see clause 18.2 of the CPS3 Terms
Additional Tier 1 Capital	additional tier 1 capital of ADI's (including ANZ) under Basel III as described by APRA from time to time. For the avoidance of doubt, Additional Tier 1 Capital is broadly equivalent to "Residual Tier 1 Capital" under existing APRA prudential standards.
ADI	authorised deposit-taking institution, as defined in the Banking Act
AEST	Australian Eastern Standard Time
AFSL	Australian Financial Services Licence
Allocation	the number of CPS3 allocated under this Prospectus to: <ul style="list-style-type: none"> <li>■ ANZ Securityholder Applicants and General Applicants at the end of the Offer Period; and</li> <li>■ Syndicate Brokers and Institutional Investors under the Bookbuild</li> </ul>
ANZ or Group	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, AFSL 234527), ANZ and its banking business entities (on a Level 2 basis), or ANZ and its controlled entities, as the case may be
ANZ Level 2 Group	has the meaning given in clause 18.2 of the CPS3 Terms
ANZ National	ANZ National Bank Limited, a company incorporated with limited in New Zealand
ANZ Securities	ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531)
ANZ Securityholder	a holder of an Ordinary Share, CPS1 or CPS2 on the Register at 7:00pm AEST on 3 August 2011
ANZ Securityholder Applicant	an ANZ Securityholder shown on the Register as having an address in Australia who applies under the ANZ Securityholder Offer
ANZ Securityholder Application Form	the blue personalised paper application form made available to ANZ Securityholder Applicants upon request
ANZ Securityholder Offer	the invitation to ANZ Securityholders to apply for CPS3 under this Prospectus
Applicant	a person who submits an Application
Application	a valid application for a specified number of CPS3 made pursuant to either: <ul style="list-style-type: none"> <li>■ the applicable Application Form; or</li> <li>■ in respect of the Institutional Offer, a duly completed confirmation letter</li> </ul>
Application Form	each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> <li>■ the blue paper personalised ANZ Securityholder Application Form;</li> <li>■ the electronic Application Form provided for online Applications under the ANZ Securityholder Offer and General Offer; and</li> <li>■ the white paper Application Form in the back of this Prospectus 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 CPS3 applied for multiplied by the Issue Price
Approved NOHC	has the meaning given in clause 18.2 of the CPS3 Terms
Approved NOHC Event	has the meaning given in clause 18.2 of the CPS3 Terms
Approved NOHC Ordinary Shares	has the meaning given in clause 18.2 of the CPS3 Terms

Term	Meaning
APRA	Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ or any NOHC
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532)
ASX Settlement Operating Rules	the settlement operating rules of ASX Settlement from time to time
Australian Accounting Standards	the accounting standards as developed and issued by the Australian Accounting Standards Board
Bank Bill Rate	(expressed as a percentage per annum), for a Dividend Period, the average mid-rate for bills of a term of 180 days which average mid-rate is displayed on Reuters page BBSW (or any page that replaces that page) on the first Business Day of the Dividend Period, subject to fallbacks if there is a manifest error in the calculation of the rate or if the rate is not displayed For the full definition – see clause 3.1 of the CPS3 Terms
Banking Act	Banking Act 1959 (Cth)
Basel II	the revised framework issued in 2004 by the Basel Committee for the calculation of capital adequacy for banks
Basel III	the proposed revised framework being developed by the Basel Committee for the calculation of capital adequacy for banks
Basel Committee	the Bank of International Settlements' Basel Committee on Banking Supervision
Board, Directors or Board of Directors	some or all of the directors of ANZ, acting as a board
Bookbuild	the process described in Section 2.5.2 to determine the Margin
Broker Firm Applicant	a retail client of a Syndicate Broker who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Offer
Broker Firm Offer	the invitation made to clients of Syndicate Brokers to apply for an allocation of CPS3 from Syndicate Brokers under this Prospectus
Business Day	a business day as defined in the Listing Rules
CGT	capital gains tax
Change of Control Event	broadly, occurs when an Acquisition Event occurs and certain further approvals or conditions needed for the acquisition to occur or be implemented have been obtained or satisfied or waived For the full definition – see clause 18.2 of the CPS3 Terms
Change of Control Exchange Date	the date on which Exchange as a result of a Change of Control Event is to occur, as discussed in Section 1.6 For the full definition – see clause 6.3 of the CPS3 Terms
Change of Control Exchange Notice	has the meaning given in clause 18.2 of the CPS3 Terms
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement
Closing Date	the last day on which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> <li>■ 5:00pm AEST on 21 September 2011 for the ANZ Securityholder Offer and the General Offer by cheque and BPAY®; or</li> <li>■ 10:00am AEST on 27 September 2011 for the Broker Firm Offer</li> </ul>
Common Equity Capital Ratio	has the meaning given in clause 18.2 of the CPS3 Terms. For the avoidance of doubt, the Common Equity Capital Ratio is broadly equivalent to the "Core Tier 1 Capital Ratio" under existing APRA prudential standards

Term	Meaning
Common Equity Capital Trigger Event	has the meaning given in clause 18.2 of the CPS3 Terms
Commonwealth Bank	Commonwealth Bank of Australia (ABN 48 123 123 124, AFSL 234945)
Consenting Party	each of the consenting parties named in Section 6.7
Constitution	the constitution of ANZ, as amended from time to time
Conversion	in relation to a CPS3, the conversion of that CPS3 into a variable number of Ordinary Shares, or ordinary shares of an Approved NOHC following an Approved NOHC Event, under the CPS3 Terms Convert and Converted have corresponding meanings For the full definition of the Conversion mechanics – see clause 7 of the CPS3 Terms
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	convertible preference shares, being fully paid preference shares issued by ANZ which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied), and which are to be issued under this Prospectus
CPS3 Holder	a person registered in the Register as a holder of CPS3
CPS3 Terms	the full terms of issue of CPS3, as set out in Appendix A
Delisting Event	in respect of a date, that: <ul style="list-style-type: none"> <li>■ Ordinary Shares have ceased to be listed or admitted to trading on ASX on or before that date; or</li> <li>■ trading of Ordinary Shares has been suspended for at least five consecutive Business Days before that date, and the suspension is continuing on that date</li> </ul> For the full definition – see clause 18.2 of the CPS3 Terms
Distributable Profits	has the meaning given in clause 18.2 of the CPS3 Terms
Distribution Restriction	the restriction discussed in Section 1.2.8 For more information – see clauses 3.8 and 3.9 of the CPS3 Terms
Dividend	a dividend on CPS3 For the full definition – see clause 3.1 of the CPS3 Terms
Dividend Payment Date	in respect of a CPS3, 1 March 2012, and after that each 1 September and 1 March until the date that CPS3 is Redeemed or Converted For the full definition – see clause 3.5 of the CPS3 Terms
Dividend Period	a period from (and including) either the Issue Date or a subsequent Dividend Payment Date until (but not including) the following Dividend Payment Date For the full definition – see clause 18.2 of the CPS3 Terms
Dividend Rate	the dividend rate on CPS3 calculated using the formula described in Section 1.2.2 For the full definition – see clause 3.1 of the CPS3 Terms
E*TRADE Australia	ETRADE Australia Securities Limited (ABN 93 078 174 973, AFSL 238277)
Exchange	either of the following: <ul style="list-style-type: none"> <li>■ Conversion in accordance with and subject to clause 7 of the CPS3 Terms; or</li> <li>■ Redemption in accordance with and subject to clause 8 of the CPS3 Terms.</li> </ul> Exchanged has a corresponding meaning For the full definition – see clause 18.2 of the CPS3 Terms
Exchange Date	the date on which Exchange is to occur For the full definition – see clause 5.2 of the CPS3 Terms

Term	Meaning
Exchange Method	the means by which Exchange is effected For the full definition – see clause 5.3 of the CPS3 Terms
Exchange Notice	a notice issued by ANZ to a CPS3 Holder under clause 5.1 of the CPS3 Terms
Expiry Date	the date which is 13 months after the date of this Prospectus
Exposure Period	the seven day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications
Financial Claims Scheme	the scheme established under Division 2AA of Part II of the Banking Act
First Mandatory Conversion Condition	has the meaning given in clause 4.3 of the CPS3 Terms
First Optional Conversion Restriction	has the meaning given in clause 5.4 of the CPS3 Terms
Fundamental Tier 1 Capital	fundamental tier 1 capital of ADIs (including ANZ) as described by APRA from time to time
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 CPS3 under this Prospectus
Goldman Sachs	Goldman Sachs & Partners Australia Pty Ltd (ABN 21 006 797 897, AFSL 243346)
GST	goods and services tax
HIN	Holder Identification Number for Ordinary Shares or CPS3 (when issued) held on the CHESSE subregister
Holding Statement	a statement issued to CPS3 Holders by the Registry which sets out details of CPS3 allotted to them under the Offer
Institutional Investor	a sophisticated or professional investor (whether an Australian resident or not) to whom CPS3 are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which ANZ is willing to comply with) including, in Australia, persons to whom offers of securities can be made without the need for a lodged prospectus, who have been invited by ANZ Securities to bid for CPS3 in the Bookbuild and who are not ANZ Securityholder Applicants, General Applicants or Broker Firm Applicants
Institutional Offer	the invitation by ANZ Securities to certain Institutional Investors to bid for CPS3 in the Bookbuild
Interim Arrangements	the transitional arrangements for the issuance of Residual Tier 1 Capital published by APRA – see Section 3.3.2
Issue Date	the date CPS3 are issued to CPS3 Holders under this Prospectus, expected to be 28 September 2011
Issue Date VWAP	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to certain adjustments For the full definition – see clause 18.2 of the CPS3 Terms
Issue Price	the issue price for CPS3, being \$100 per CPS3
Joint Lead Managers	ANZ Securities, Commonwealth Bank, Goldman Sachs, Macquarie, RBS and UBS
Level 1, Level 2 and Level 3	those terms as described by APRA from time to time

Term	Meaning
Liquidation Sum	<p>in respect of each CPS3 held, the sum of:</p> <ul style="list-style-type: none"> <li>■ the amount of any Dividend determined to be paid but unpaid; and</li> <li>■ the Issue Price</li> </ul> <p>For the full definition – see clause 9.2 of the CPS3 Terms</p>
Listing Rules	the listing rules of ASX, with any modification or waivers which ASX may grant to ANZ or generally from time to time
Macquarie	Macquarie Capital (Australia) Limited (ABN 79 123 199 548, AFSL 314416)
Mandatory Conversion	<p>has the meaning given in clause 18.2 of the CPS3 Terms</p> <p>Mandatorily Convert has a corresponding meaning</p>
Mandatory Conversion Conditions	<p>the following conditions:</p> <ul style="list-style-type: none"> <li>■ <b>First Mandatory Conversion Condition:</b> the VWAP on the 25th Business Day (or, if there is no trading in Ordinary Shares on that date, the Business Day before that 25th Business Day on which trading in Ordinary Shares took place) immediately preceding (but not including) the possible Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP;</li> <li>■ <b>Second Mandatory Conversion Condition:</b> the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the possible Mandatory Conversion Date (Second Test Period) is greater than 50.51% of the Issue Date VWAP; and</li> <li>■ <b>Third Mandatory Conversion Condition:</b> no Delisting Event applies in respect of the possible Mandatory Conversion Date</li> </ul> <p>For the full definition – see clause 4.3 of the CPS3 Terms</p>
Mandatory Conversion Date	<p>the earlier of 1 September 2019 and the next Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied</p> <p>For the full definition – see clause 4.2 of the CPS3 Terms</p>
Margin	the margin to be determined under the Bookbuild
Maximum Conversion Number	has the meaning given in clause 18.2 of the CPS3 Terms
NOHC	the ultimate holding company of ANZ after any NOHC Event which must be a “non-operating holding company” within the meaning of the Banking Act
NOHC Event	<p>an event which:</p> <ul style="list-style-type: none"> <li>■ is initiated by the Directors, acting as a Board; and</li> <li>■ would otherwise be a Change of Control Event,</li> </ul> <p>but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC</p> <p>For the full definition – see clause 18.2 of the CPS3 Terms</p>
Non-Conversion Test Date	has the meaning given in clause 18.2 of the CPS3 Terms
Non Resident CPS3 Holder	a CPS3 Holder who is not a tax resident of Australia
Offer	the offer by ANZ of CPS3 under this Prospectus to raise \$750 million with the ability to raise more or less
Offer Management Agreement or OMA	the offer management agreement entered into between ANZ and the Joint Lead Managers as summarised in Section 6.6
Offer Period	the period from the Opening Date to the Closing Date
Opening Date	the day the Offer opens, which is expected to be 31 August 2011
Optional Conversion Restrictions	has the meaning given in clause 18.2 of the CPS3 Terms
Optional Exchange Date	means 1 September 2017 and each subsequent Dividend Payment Date. For full definition – see clause 18.2 of the CPS3 Terms
Ordinary Share	a fully paid ordinary share in the capital of ANZ

Term	Meaning
Participating Broker	any participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild
Payment Tests	<p>the tests which need to be satisfied so that ANZ can pay a Dividend, summarised as follows:</p> <ul style="list-style-type: none"> <li>■ the Directors, at their absolute discretion, determining the Dividend to be payable;</li> <li>■ unless APRA otherwise approves in writing: <ul style="list-style-type: none"> <li>■ payment of the Dividend not resulting in the Prudential Capital Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or the Group (as the case may be) at the time;</li> <li>■ the amount of the Dividend not exceeding Distributable Profits;</li> </ul> </li> <li>■ payment of the Dividend not resulting in ANZ becoming, or being likely to become, insolvent; and</li> <li>■ APRA not otherwise objecting to the payment of the Dividend</li> </ul> <p>For the full description of the tests – see clause 3.3 of the CPS3 Terms</p>
Privacy Act	Privacy Act 1988 (Cth)
Prospectus	this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document
Prudential Capital Ratio	such ratio or ratios as defined by APRA from time to time
Prudential Standards	the ADI prudential standards issued by APRA, which define and document APRA's framework for assessing, among other things, the capital adequacy of an ADI
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
RBNZ Act	Reserve Bank of New Zealand Act 1989 (NZ)
RBS	RBS Equity Capital Markets (Australia) Limited (ABN 17 000 757 111, AFSL 221950)
Redeem	in relation to a CPS3, to redeem, buy back (other than by an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS3 in accordance with clause 8 of the CPS3 Terms Redeemed and Redemption have corresponding meanings
Redemption Price	has the meaning given in clause 18.2 of the CPS3 Terms
Register	the official register of Ordinary Shares, CPS1, CPS2 and/or CPS3 (if issued) as the context requires, each being maintained by the Registry on ANZ's behalf and including any subregister established and maintained in CHESS
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that ANZ appoints to maintain the Register
Regulatory Event	<p>broadly, occurs when ANZ receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on ANZ in relation to CPS3 which the Directors determine to be unacceptable, or the Directors determine that ANZ will not be entitled to treat all CPS3 as Residual Tier 1 Capital</p> <p>For the full definition – see clause 18.2 of the CPS3 Terms</p>
Relevant Disclosure	the most recent public statement of the Common Equity Capital Ratio, as required by APRA's applicable prudential standards
Resident CPS3 Holder	an Australian tax resident CPS3 Holder
Residual Tier 1 Capital	residual tier 1 capital of ADIs (including ANZ) as described by APRA from time to time

Term	Meaning
Scheduled Mandatory Conversion Date	has the meaning given in clause 4.2(a) of the CPS3 Terms
Second Mandatory Conversion Condition	has the meaning given in clause 4.3 of the CPS3 Terms
Second Optional Conversion Restriction	has the meaning given in clause 18.2 of the CPS3 Terms
Shareholder	a holder of Ordinary Shares from time to time
Special Resolution	a resolution passed at a meeting of CPS3 Holders by a majority of at least 75% of the votes validly cast by CPS3 Holders in person or by proxy and entitled to vote on the resolution
SRN	Securityholder Reference Number for Ordinary Shares or CPS3 (when issued) held on the issuer sponsored subregister
Syndicate Broker	any of the Joint Lead Managers or Participating Brokers
Tax Act	has the meaning given in clause 18.2 of the CPS3 Terms
Tax Event	broadly, occurs when ANZ receives professional advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Issue Date, there is a more than insubstantial risk that ANZ would be exposed to more than an insignificant increase in its costs in relation to CPS3 being on issue, any Dividend would not be a frankable dividend or distribution for tax purposes or franking credits may not be available to Australian tax resident CPS3 Holders generally, or the CPS3 would cease to be disregarded for certain purposes in relation to a NOHC For the full definition – see clause 18.2 of the CPS3 Terms
Tax Rate	the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Dividend Payment Date As at the date of this Prospectus, the relevant rate is 30%
TFN	Tax File Number
Third Mandatory Conversion Condition	has the meaning given in clause 4.3 of the CPS3 Terms
Tier 1 Capital	tier 1 capital of ADIs (including ANZ) as described by APRA from time to time
Tier 1 Capital Deductions	the deductions from Tier 1 Capital as described by APRA from time to time
Tier 1 Capital Ratio	that ratio as defined by APRA from time to time
Tier 2 Capital	tier 2 capital of ADIs (including ANZ) as described by APRA from time to time
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087)
Upper Tier 2 Capital	upper tier 2 capital of ADIs (including ANZ) as described by APRA from time to time
US Person	has the meaning given in Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
VWAP	the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period or on the relevant days (such average rounded to the nearest full cent), as defined in clause 18.2 of the CPS3 Terms and subject to any adjustments under clause 7 of the CPS3 Terms

## CORPORATE DIRECTORY

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