

## Media Release

For release: 19 May 2016

### Issue of US\$1,500,000,000 Fixed Rate Subordinated Notes

#### Notice under section 708A(12H)(e) of the Corporations Act 2001 (Cth)

Today Australia and New Zealand Banking Group Limited ("**Issuer**") will issue US\$1,500,000,000 fixed rate subordinated notes May 2026 pursuant to its US\$25,000,000,000 144A debt programme (the "**Subordinated Notes**").

The Subordinated Notes convert into fully paid ordinary shares of the Issuer ("**Ordinary Shares**") or an Approved NOHC ("**Approved NOHC Ordinary Shares**") or are written off where the Australian Prudential Regulation Authority ("**APRA**") determines this to be necessary on the grounds that the Issuer would otherwise become non-viable.

This notice is a cleansing notice prepared for the purposes of section 708A(12H)(e) of the Corporations Act 2001 (Cth) ("**Corporations Act**") (as inserted by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71) to enable Ordinary Shares or Approved NOHC Ordinary Shares issued on conversion of the Subordinated Notes to be freely tradeable without further disclosure and includes:

- in schedule 1 a description of the rights and liabilities attaching to the Subordinated Notes that is based on the description in the Offering Memorandum of 6 May 2016 (as applicable to the Subordinated Notes and as supplemented by the Pricing Supplement for the Subordinated Notes (the "**Pricing Supplement**") dated 12 May 2016) ("**Offering Memorandum**");
- in schedule 2 commercial particulars of the Subordinated Notes extracted from the Pricing Supplement; and
- in schedule 3 a description of the rights and liabilities attaching to the Ordinary Shares and the Approved NOHC Ordinary Shares.

Words and expressions defined in the Offering Memorandum have the same meanings in this cleansing notice unless the contrary intention appears.

The issue of Subordinated Notes by the Issuer will not have a material impact on the Issuer's financial position. If a Non-Viability Trigger Event occurs and the Issuer issues Ordinary Shares, the impact of Conversion on the Issuer would be to increase the Issuer's shareholders' equity. The number of Ordinary Shares issued on Conversion is limited to the Maximum Conversion Number. The Maximum Conversion Number is 54,644.8087 Ordinary Shares per Subordinated Note (with a nominal value of US\$200,000), based on the Issue Date VWAP of US\$18.30.

As a disclosing entity, the Issuer is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Broadly, these obligations require the Issuer to prepare and lodge with ASIC 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 documents lodged with ASIC may be obtained from or inspected at an ASIC office.

The Issuer must ensure that the ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market. In this regard, the Issuer has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the 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.

The Issuer will provide a copy of any of the following documents free of charge to any person who requests a copy before the Subordinated Notes are issued:

- any continuous disclosure notices given by the Issuer in the period after the lodgement of the annual financial report of the Issuer for the year ended 30 September 2015 and before the date of this notice;
- the consolidated financial report and dividend announcement for the half year ended 31 March 2016;
- the Issuer's annual financial report for the year ended 30 September 2015; and
- the Issuer's constitution.

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

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

*This Notice is not a prospectus or other disclosure document in relation to the Subordinated Notes, and does not constitute an offer or invitation for the Subordinated Notes or any Ordinary Shares for issue or sale in Australia. Subordinated Notes are only available for sale to persons in Australia in circumstances where disclosure is not required in accordance with Part 6D.2 or Chapter 7 of the Corporations Act. The securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States or any jurisdiction, and the securities may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons unless an exemption from the registration requirements of the US Securities Act is available and the offer and sale is in accordance with all applicable state securities laws of any state of the United States. This notice is not an offer or invitation to any U.S. persons.*

## ***Schedule 1 – Description of rights and liabilities attaching to Subordinated Notes***

This description is based on material in the Offering Memorandum for Australia and New Zealand Banking Group Limited's ("ANZ", "us" or "we") US\$25,000,000,000 Medium Term Note Offering Programme dated 6 May 2016 for Senior Medium Term Notes (Series A) ("**Senior Notes**") and Subordinated Medium Term Notes (Series A) ("**Subordinated Notes**") as applicable to the Subordinated Notes and as supplemented by the Pricing Supplement dated 12 May 2016 in respect of the US\$1,500,000,000 Subordinated Notes due May 2026 (the "**Pricing Supplement**"). When we refer to Notes we mean Senior Notes and Subordinated Notes. When we refer to the Subordinated Notes we refer to the US\$1,500,000,000 Subordinated Notes due May 2026 issued under the Pricing Supplement.

### **The Subordinated Notes will be issued under the Fiscal Agency Agreement**

The Subordinated Notes are governed by a document called a Fiscal Agency Agreement. The Fiscal Agency Agreement is a contract between ANZ and The Bank of New York Mellon, which will initially act as fiscal agent and paying agent (the "**Fiscal Agent**"). The Fiscal Agent performs administrative duties for us such as sending you interest payments and notices.

See "—Our relationship with the Fiscal Agent" below for more information about the Fiscal Agent.

Under the Fiscal Agency Agreement, ANZ has the option to appoint additional fiscal agents. References in this Offering Memorandum to the "Fiscal Agent" includes any other fiscal agent appointed for a particular issuance of Subordinated Notes (each, a "**Tranche**").

### **We may issue other series of debt securities**

The Fiscal Agency Agreement permits us to issue different series of debt securities from time to time. We may, however, issue Notes in such amounts, at such times and on such terms as we wish. The Notes will differ from one another, and from other series, in their terms.

### **Amounts that we may issue**

The Fiscal Agency Agreement does not limit the aggregate amount of debt securities that we may issue, nor does it limit the number of series or the aggregate amount of any particular series that we may issue. Also, if we issue Notes having the same terms in a particular offering, we may "reopen" that offering at any later time and offer additional Notes having those terms, subject to us obtaining the prior written consent of APRA in the case of any Subordinated Notes. There can be no assurance that APRA will give its consent.

We may issue Notes in amounts that exceed the programme limit without your consent and without notifying you.

The Fiscal Agency Agreement and the Notes do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Notes or the Fiscal Agency Agreement.

### **How the Notes rank against other debt**

The Notes will not be secured by any property or assets of ANZ or the ANZ Group. Thus, by owning a Note, you are one of our unsecured creditors. To the extent ANZ incurs indebtedness that is secured by liens over its property, the Notes will effectively rank behind such indebtedness to the extent of the value of the property securing such indebtedness. The Subordinated Notes are subordinated to some of our existing and future debt and other liabilities (including the Senior Notes). See the sections entitled "—Status and Subordination of Subordinated Notes" and "—Default, remedies and waiver of default—Events of Default—What is an Event of Default under the Subordinated Notes?" for additional information on how subordination limits the ability of Holders of Subordinated Notes to receive payment or pursue other rights if we default or have certain other financial difficulties. The Subordinated

Notes rank, in a Winding Up of ANZ, behind the claims of all Other Creditors, equally with Equal Ranking Securities and ahead of Junior Ranking Securities (as further described below in "Status and Subordination of Subordinated Notes").

Further, the Subordinated Notes will be mandatorily Converted into Ordinary Shares or Written-Off (as specified in the relevant Pricing Supplement) where this is determined by APRA to be necessary on the grounds that APRA considers that without such Conversion or Write-Off or a public sector injection of capital or equivalent support, ANZ would become non-viable, as further described under "Description of the Notes—Conversion or Write-Off of Subordinated Notes on Non-Viability of ANZ".

ANZ is an ADI for the purposes of the Banking Act in Australia. Accordingly, but without limitation to the other mandatory priority provisions of the Banking Act or the Reserve Bank Act or to other applicable laws, section 13A of Division 2 of Part II of the Banking Act provides that, in the event that ANZ becomes unable to meet its obligations or suspends payment, its assets in Australia are to be available to meet ANZ's liabilities in the following order: (i) liabilities to APRA in respect of any payments by APRA to holders of protected accounts under the Banking Act, (ii) debts in respect of costs of APRA in certain circumstances, (iii) ANZ's liabilities in Australia in relation to protected accounts (as defined in the Banking Act) kept with ANZ, (iv) debts due to the Reserve Bank of Australia, (v) liabilities under certain certified industry support contracts and (vi) all other liabilities of ANZ in their order of priority apart from section 13A(3). Changes to applicable law may extend the debts required to be preferred by law. Further, certain assets, such as the assets of ANZ in a cover pool for covered bonds issued by ANZ, are excluded from constituting assets in Australia for the purposes of section 13A of the Banking Act, and these assets are subject to the prior claims of the covered bond holders and certain other secured creditors in respect of the covered bonds.

A "protected account" is broadly: an account (i) kept with an ADI where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or (ii) that is prescribed by regulation. Protected accounts include current accounts, savings accounts and term deposit accounts. Protected accounts must be recorded in Australian currency and must not be kept at a foreign branch of an ADI.

Additionally, section 16 of the Banking Act provides that APRA's costs (including costs in the nature of remuneration and expenses) of being in control of an ADI's business, or of having an administrator in control of an ADI's business, are payable from the ADI's funds and are a debt due to APRA. Subject to subsection 13A(3) of the Banking Act, such debts due to APRA by an ADI have priority in a Winding Up of the ADI over all other unsecured debts. Further, under section 86 of the Reserve Bank Act, debts due by an ADI to the Reserve Bank of Australia shall in a Winding Up of that ADI have, subject to section 13A(3) of the Banking Act, priority over all other debts.

The above references to Australian legislation are to such legislation in place as at the date of this Offering Memorandum. The above description of the liabilities which are mandatorily preferred by law is not exhaustive. Changes to applicable laws may extend the debt required to be preferred by law ahead of the Notes.

The Notes are not deposit liabilities or protected accounts of ANZ for the purposes of the Banking Act and are not insured by the FDIC or any government, government agency or compensation scheme of Australia, the United States or any other jurisdiction or by any party. The Notes are not guaranteed by any person, except as otherwise expressly stated in the Pricing Supplement.

### **Principal amount, stated maturity and maturity**

The principal amount of a Subordinated Note means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a Subordinated Note is its face amount. The term "stated maturity" with respect to any Subordinated Note means the day on which the principal amount of your Subordinated Note

is scheduled to become due, as specified in the relevant Pricing Supplement. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the Subordinated Note. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the maturity of the principal.

We also use the terms “stated maturity” and “maturity date” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “stated maturity” of that installment.

When we refer to the “stated maturity” or the “maturity date” of a Subordinated Note without specifying a particular payment, we mean the stated maturity or maturity date, as the case may be, of the principal.

### **Currency of Notes**

Amounts that become due and payable on your Note in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in the relevant Pricing Supplement. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “Specified Currency”. The Specified Currency for your Note will be U.S. dollars, unless the relevant Pricing Supplement states otherwise. Some Notes may have different Specified Currencies for principal, premium (for Senior Notes only) and interest. You will have to pay for your Notes by delivering the requisite amount of the Specified Currency for the principal to any of the Agents that we name in the relevant Pricing Supplement, unless other arrangements have been made between you and us or you and any such Agents. We will make payments on your Notes in the Specified Currency, except as described below in “—Payment mechanics for Notes”. See “Considerations relating to Notes denominated or payable in or linked to a non-U.S. dollar currency” below for more information about risks of investing in Notes of this kind.

### **Form of Notes**

We will issue each Subordinated Note in global (i.e., book-entry) form only, unless we specify otherwise in the relevant Pricing Supplement. Subordinated Notes in book-entry form will be represented by a global security registered in the name of a Depositary, which will be the Holder of all the Notes represented by the global security. Those who own beneficial interests in a Global Note (as defined under “Legal Ownership and Book-Entry Issuance—What Is a Global Note?”) will do so through participants in the Depositary’s securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the Depositary and its participants.

In addition, we will generally issue each Note in registered form, without coupons, unless we specify otherwise in the relevant Pricing Supplement.

### **What is a Global Note?**

We will issue each Subordinated Note in book-entry form only. Each Note issued in book-entry form will be represented by a Global Note that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any Note for this purpose is called the “Depositary” for that Note. A Note will usually have only one Depositary but it may have more.

A Global Note may represent one or any other number of individual Notes. Generally, all Notes represented by the same Global Note will have the same terms. A Global Note may not be transferred to or registered in the name of anyone other than the Depositary or its nominee or a successor to the Depositary or its nominee, unless special termination situations arise. We describe those situations below under “—Holder’s option to obtain a non-Global Note; special situations when a Global Note will be terminated”. As a result of

these arrangements, the Depositary, or its nominee, will be the sole registered owner and Holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that, in turn, has an account with the Depositary or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a Holder, but only an indirect owner of an interest in the Global Note.

If the relevant Pricing Supplement indicates that the Subordinated Note will be issued in global form only, then the Note will be represented by a Global Note at all times unless and until the Global Note is terminated. We describe the situations in which this can occur below under “—Holder’s option to obtain a non-Global Note; special situations when a Global Note will be terminated”. If termination occurs, we may issue the Notes through another book-entry clearing system or decide that the Notes may no longer be held through any book-entry clearing system.

## **Interest**

Different kinds of interest rates may apply to Subordinated Notes. Subordinated Notes that bear interest at a fixed rate are “Fixed Rate Notes”.

### ***Subordinated Notes due May 2026 are Fixed Rate Notes***

The Subordinated Notes due May 2026 will bear interest at a fixed rate described in the Pricing Supplement. Each Subordinated Note due May 2026 will bear interest from its issue date or from the most recent date to which interest on the Subordinated Note has been paid or made available for payment. Interest will accrue on the principal of the Subordinated Note due May 2026 at the fixed yearly rate stated in the Pricing Supplement, until the principal is paid or made available for payment or the Note is converted or exchanged. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the maturity date. We will compute interest on the Subordinated Note due May 2026 on the basis of a 360-day year of twelve 30-day months.

Interest on Subordinated Notes due May 2026 will be payable semi annually on the date or dates specified in the relevant Pricing Supplement and at maturity. Any payment of principal, premium and interest for any Subordinated Notes due May 2026 required to be made on an interest payment date that is not a business day (as defined herein) will be postponed to the next succeeding business day as if made on the date that payment was due, and no interest will accrue on that payment for the period from and after the interest payment date to the date of that payment on the next succeeding business day. For each Fixed Rate Note that bears interest, interest will accrue, and we will compute and pay accrued interest, as described under “—Payment mechanics for Subordinated Notes” below.

## **Payment of additional amounts**

We will make all payments in respect of the Subordinated Notes to all Holders of such Notes without withholding or deduction for, or on account of, any taxes, assessments or other governmental charges (“relevant tax”) imposed or levied by or on behalf of Australia or any political subdivision or taxing authority in or of Australia and/or, where we are acting through a branch, the jurisdiction in which the branch is located or any political subdivision or taxing authority in or of that jurisdiction (each a “relevant jurisdiction”) unless the withholding or deduction is required by law. In that event, we will pay such additional amounts as may be necessary so that the net amount received by the Holder of the Notes, after such withholding or deduction, will equal the amount that the Holder would have received in respect of the Notes without such withholding or deduction. However, we will pay no additional amounts:

- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having some connection (whether present, past or future) with a relevant jurisdiction, other than mere receipt of such payment or being a Holder, or the beneficial owner, of the Notes;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes not complying with any statutory requirements or not having made a declaration of non-residence in, or lack of connection with, a relevant jurisdiction or any similar claim for exemption (including supplying an appropriate tax file number or Australian Business Number), if we or our agent has provided the Holder, or the beneficial owner, of the Notes with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented for payment more than 30 days after the date on which the payment in respect of the Notes first became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes being an Offshore Associate of us (acting other than in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act). "Offshore Associate" means an associate (as defined in section 128F of the Income Tax Assessment Act 1936 of Australia and successor legislation) of us that is either a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that acquires the Notes in carrying on business at or through a permanent establishment outside Australia;
- to the extent that the relevant tax is imposed or levied as a result of the Holder being party to or participating in a scheme to avoid tax, being a scheme which we were neither a party to nor participated in;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented the Notes for payment in a relevant jurisdiction, unless the Notes could not have been presented for payment elsewhere; or
- any combination of the above.

In addition, any amounts to be paid on the Notes will be paid and any Ordinary Shares to be issued to a Holder on Conversion of a Note will be issued to the Holder, net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "FATCA Withholding"), and no additional amounts will be required to be paid and no additional Ordinary Shares will be required to be issued on account of any such deduction or withholding.

Whenever we refer in this Offering Memorandum or any Pricing Supplement, in any context, to the payment of the principal of, or any premium (for Senior Notes only) or interest on, any Note or the net proceeds received on the sale or exchange of any Note, we mean to include the payment of additional amounts to the extent that, in that context, additional amounts are, were or would be payable.

Any additional amounts due in respect of the Subordinated Notes will be subordinated in right of payment as described under "—Status and Subordination of Subordinated Notes" below.

## **Status and Subordination of Subordinated Notes**

The Subordinated Notes will be our direct, unsecured and subordinated obligations. Subordinated Notes rank in a Winding Up of ANZ behind all claims of Other Creditors, equally with Equal Ranking Securities and ahead of Junior Ranking Securities.

The Subordinated Notes will be mandatorily Converted into Ordinary Shares or Written-Off (as specified in the relevant Pricing Supplement) where this is determined by APRA to be necessary on the grounds that APRA considers that without such Conversion or Write-Off or a public sector injection of capital or equivalent support, ANZ would become non-viable, as further described under "Description of the Notes—Conversion or Write-Off of Subordinated Notes on Non-Viability of ANZ".

**"Other Creditors"** means all present and future creditors of ANZ (including but not limited to depositors of ANZ and holders of any other instruments issued before January 1, 2013 as a Tier 2 Capital Security) whose claims (i) would be entitled to be admitted in the Winding Up of ANZ and (ii) are not in respect of Equal Ranking Securities or Junior Ranking Securities. The U.S. dollar equivalent of outstanding instruments issued before January 1, 2013 as Tier 2 Capital Securities (excluding any Tier 2 Capital Securities which constitute Equal Ranking Securities) as at March 31, 2016 is US\$3,720 million.

**"Equal Ranking Securities"** means any instrument that ranks in a Winding Up of ANZ as the most junior claim in the Winding Up of ANZ ranking senior to Junior Ranking Securities. This includes the US\$300 million Perpetual Capital Floating Rate Notes issued by ANZ in 1986. All or some of the Perpetual Capital Floating Rate Notes may be redeemed at the option of ANZ with the prior consent of APRA. The outstanding principal amount of Perpetual Capital Floating Rate Notes is US\$300 million. It also includes any other instruments issued after January 1, 2013 as Relevant Tier 2 Securities. At the date of this Offering Memorandum, the only Equal Ranking Securities are the Perpetual Capital Floating Rate Notes and each Relevant Tier 2 Security issued after January 1, 2013.

**"Junior Ranking Securities"** means any instrument that (i) qualifies as Tier 1 Capital or, in the case of any instruments issued prior to January 1, 2013, was treated as constituting Tier 1 Capital in accordance with the prudential standards that applied to ANZ prior to January 1, 2013 irrespective of whether or not such instrument is treated as constituting Tier 1 Capital in accordance with any transitional arrangements approved by APRA and (ii) by its terms is, or is expressed to be, subordinated in a Winding Up of ANZ to the claims of the holders of the Subordinated Notes and other Equal Ranking Securities.

The consequence of this is that instruments issued as Lower Tier 2 Capital prior to January 1, 2013 are not Equal Ranking Securities but rank in a Winding Up of ANZ senior to the Subordinated Notes.

The reason for this ranking is that, under APRA's prudential standards which came into force on January 1, 2013, in order to qualify for Tier 2 Capital (as defined by APRA), Subordinated Notes must rank in a Winding Up of ANZ equal with the most junior ranking claims which rank ahead of Common Equity Capital and Additional Tier 1 Capital. Since ANZ has on issue Perpetual Capital Floating Rate Notes and these would rank in a Winding Up ahead of share capital but behind the instruments issued as Tier 2 Capital Securities prior to January 1, 2013, the Subordinated Notes are required to rank equally with the Perpetual Capital Floating Rate Notes.

### **Subordinated Notes in a Winding Up**

Claims of Holders of Subordinated Notes are also subject to the priority of certain debts required to be preferred by applicable law (in respect of which please see "How the Notes rank against other debt").

Neither ANZ nor a Holder of a Subordinated Note has any contractual right to set off any sum at any time due and payable to the Holder or ANZ (as applicable) under or in relation to



the Subordinated Notes against amounts owing by the Holder to ANZ or by ANZ to the Holder (as applicable).

The Subordinated Notes do not limit the amount of liabilities ranking senior to the Subordinated Notes which may be hereafter incurred or assumed by ANZ.

In the event of the Winding Up of ANZ constituting an Event of Default with respect to the Subordinated Notes, there shall be payable with respect to the Subordinated Notes an amount equal to the principal amount of the Subordinated Notes then outstanding (for the avoidance of doubt, where a Subordinated Note has been Written-Off or Converted only in part, then the principal amount is reduced by the amount Written-Off or Converted), together with all accrued and unpaid interest thereon to the repayment date.

As a result of the subordination provisions, no amount will be payable in the Winding Up of ANZ in Australia in respect of the Subordinated Notes until all claims of Other Creditors admitted in the Winding Up proceeding have been satisfied in full. By subscription for, or transfer of, Subordinated Notes to a Holder, that Holder will be taken to have agreed that no amount in respect of the Subordinated Notes will be repaid until all the claims of the Other Creditors admitted in the Winding Up proceeding have been satisfied. Accordingly, if proceedings with respect to the Winding Up of ANZ in Australia were to occur, the Holders of Subordinated Notes could recover less relative to the holders of deposit liabilities or protected accounts, the Holders of Senior Notes and the holders of prior ranking subordinated liabilities of ANZ. For the avoidance of doubt, the Subordinated Notes do not constitute deposit liabilities or protected accounts of ANZ.

If, in any such Winding Up, the amount payable with respect to the Subordinated Notes and any claims ranking equally with those Subordinated Notes cannot be paid in full, those Subordinated Notes and other claims ranking equally with those Subordinated Notes will share relatively in any distribution of ANZ's assets in a Winding Up in proportion to the respective amounts to which they are entitled. To the extent that Holders of Subordinated Notes are entitled to any recovery with respect to the Subordinated Notes in any Winding Up, such Holders might not be entitled in such proceedings to a recovery in U.S. dollars in respect of such Subordinated Notes and might be entitled only to a recovery in Australian dollars.

If there is a Winding Up in respect of ANZ, and the Fiscal Agent, the Paying Agent or the Holder of any Subordinated Notes receives any payment or distribution of ANZ's assets in respect of the Subordinated Notes before all claims of ANZ's Other Creditors have been fully paid, and the Fiscal Agent, the Paying Agent or that Holder becomes aware of that payment or distribution, then it must pay or deliver such payment or distribution immediately to the trustee in bankruptcy, receiver, liquidating trustee, custodian, assignee, agent or other person making payment or distribution of ANZ's assets. This requirement applies whether the payment or distribution is in cash, property or securities, including any payment or distribution which may be payable or deliverable by reason of the payment of any other of ANZ's indebtedness that is subordinated to the payment of the Subordinated Notes. Once those payments or distributions have been so paid or delivered, they will be applied to the payment of all unpaid claims of ANZ's Other Creditors until all of their claims have been fully paid, after giving effect to any concurrent payment or distribution to ANZ's Other Creditors.

Prior to the commencement of a Winding Up in respect of ANZ:

- the obligations of ANZ to make payments of principal of, or interest on, and any other payments, including additional amounts, in respect of the Subordinated Notes will be conditional on ANZ being Solvent at the time of such payment; and
- no payment of principal of, or interest on, and any other payments, including additional amounts, in respect of the Subordinated Notes shall be made unless ANZ is Solvent immediately after making such payment; and

- if, in these circumstances, ANZ fails to make any payment of principal of, or interest on, or any other payment, including additional amounts in respect of the Subordinated Notes when due, such failure will not constitute an Event of Default.

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

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

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

Because ANZ is a holding company as well as an operating company, ANZ’s rights, the rights of its creditors and the rights of the Holders of the Subordinated Notes to participate in the assets of any of our subsidiaries upon the Winding Up of that subsidiary will be subject to the prior claims of the subsidiary’s creditors, except to the extent that ANZ is also a creditor with recognized claims against that subsidiary. This is known as “structural subordination”.

At March 31, 2016, ANZ was subject to outstanding claims of its Other Creditors in an aggregate principal amount of approximately US\$579,730 million.

We expect that from time to time we will incur additional indebtedness and other obligations that will constitute claims of our Other Creditors. The Subordinated Notes do not limit the amount of our liabilities that can rank ahead of the Subordinated Notes that we may incur or assume in the future.

### **Redemption and repayment**

We will not be entitled to redeem a Subordinated Note before its stated maturity unless the relevant Pricing Supplement specifies a redemption commencement date. You will not be entitled to require us to buy any Subordinated Note from you before its stated maturity. If the relevant Pricing Supplement specifies a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your Note. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of Subordinated Notes during those periods will apply.

If the relevant Pricing Supplement specifies a redemption commencement date, your Note will be redeemable at our option at any time on or after that date or at a specified time or times as specified in the relevant Pricing Supplement and in the case of Subordinated Notes only, subject to APRA’s prior written approval. If we redeem your Subordinated Note, we will do so at the specified redemption price, together with interest accrued to the redemption date. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your Note is redeemed.

If we exercise an option to redeem any Note, we will give to the Holder written notice of the principal amount of the Note to be redeemed, not less than 30 days nor more than 60 days before the applicable redemption date, unless otherwise specified in the relevant Pricing Supplement. If we choose to redeem a Tranche in part, the Fiscal Agent will select the Notes that will be redeemed by such usual method as it deems fair and appropriate. We will give the notice in the manner described below in “—Notices”.

### ***Redemption or repurchase of Subordinated Notes***

Notwithstanding anything to the contrary in this Offering Memorandum, we may not redeem or repurchase any Subordinated Notes prior to their stated maturity without the prior written approval of APRA.

However, subject to obtaining APRA's prior written approval, we (or any of our Related Entities) may, to the extent permitted by applicable laws and regulations, purchase your Note at any time in the open market or otherwise.

**"Related Entity"** has the meaning given by APRA from time to time. As of May 6, 2016, a related entity is one over which an ADI or parent entity exercises control or significant influence and can include a parent company, a sister company, a subsidiary or any other affiliate.

Investors in Subordinated Notes should not expect that APRA's approval will be given for any redemption or purchase of a Subordinated Note.

Additionally, ANZ will not be permitted to redeem any Subordinated Notes unless:

- (a) the Subordinated Notes are replaced concurrently or beforehand with Regulatory Capital of the same or better quality and the replacement of the Subordinated Notes is done under conditions that are suitable for ANZ's income capacity; or
- (b) APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to redeem the Subordinated Notes.

**"Regulatory Capital"** means a Tier 1 Capital Security (which means a share, note or other security or instrument constituting Tier 1 Capital) or a Tier 2 Capital Security (which means a note or other security or instrument constituting Tier 2 Capital).

### **Redemption of Subordinated Notes for Regulatory Event**

Unless otherwise specified in the relevant Pricing Supplement, subject to the prior written approval of APRA having been obtained, Subordinated Notes may be redeemed, as a whole, but not in part, at our option, at a redemption price equal to 100% of the principal amount of the Subordinated Notes to be redeemed (or, where prior to such redemption, a Subordinated Note has been Written-Off or Converted only in part, then the redemption price payable in respect of that Subordinated Note will be reduced and calculated on the principal amount of that Subordinated Note as reduced on the date of the Write-Off or Conversion), together with interest accrued to the date fixed for redemption, if a Regulatory Event occurs, provided, however, that (1) ANZ shall deliver to the holder of a Subordinated Note an opinion of counsel confirming that the conditions that must be satisfied for such redemption have occurred and (2) ANZ will not be permitted to redeem a Subordinated Note unless the Subordinated Note is replaced concurrently or beforehand with Regulatory Capital of the same or better quality and the replacement of the Subordinated Note is done under conditions that are sustainable for ANZ's income capacity or APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to redeem the Subordinated Note. Immediately prior to the giving of any notice of redemption of Subordinated Notes pursuant to this subsection (b), ANZ will deliver to the Fiscal Agent an Officer's Certificate stating that ANZ is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to the right of ANZ to so redeem the Subordinated Notes have occurred.

**"Regulatory Event"** means the receipt by the directors of ANZ of (x) an opinion from a reputable legal counsel that as a result of any amendment to, clarification of or change (including any announcement of a change that has been or will be introduced) in, any law or regulation in any Relevant Jurisdiction, or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date or (y) an official written statement from APRA that, in

each case, ANZ is not or will not be entitled to treat all Subordinated Notes of a series as Tier 2 Capital, provided that, in each case, on the Issue Date, ANZ did not expect that matters giving rise to the Regulatory Event would occur. ANZ does not intend to issue any Subordinated Note if, on the Issue Date thereof, it expects that matters giving rise to a Regulatory Event will occur.

### **Redemption for taxation reasons**

We will have the right to redeem the Notes of a series (provided that, where the relevant Notes are Subordinated Notes, this right is specified in the Pricing Supplement and the prior written approval of APRA has been obtained) in whole, but not in part, at any time following the occurrence of a tax event (as defined herein); provided, however, that (i) we are required to deliver to the relevant Noteholders an opinion of counsel confirming that the conditions that must be satisfied for such redemption have occurred, (ii) in the case of Subordinated Notes only, the Subordinated Notes are replaced concurrently or beforehand with certain regulatory capital instruments of the same or better quality and the replacement of the Subordinated Notes is done under conditions that are sustainable for ANZ's income capacity or APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to redeem the Subordinated Notes and (iii) in the case of Senior Notes only, at the time of giving a notice to redeem, our obligation to pay an additional amount remains in effect.

A "**tax event**" means that there has been, as a result of any amendment to, or change in, the laws or regulations of a relevant jurisdiction, or any amendment to or change in an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the Relevant Date (and, in the case of Subordinated Notes only, ANZ did not expect that amendment or change as of the issue date), following which ANZ will become obligated to pay additional amounts due to a withholding or deduction for or on account of certain taxes, assessments or other governmental charges, and such obligation cannot be avoided within 60 days of such tax event by ANZ by filing a form, making an election or taking some reasonable measure that in ANZ's sole judgment will not be adverse to ANZ and will involve no material cost to ANZ. "Relevant Date" means (a) in relation to Senior Notes, the later of (i) the issue date of the Note or (ii) if after such issue date, ANZ has merged, consolidated or disposed of substantially all of its assets, the most recent date on which any such merger, consolidation or asset sale takes effect and (b) in relation to Subordinated Notes, the issue date of the Note.

The effect of this provision means that, in relation to the Senior Notes only, if ANZ merges, consolidates or sells substantially all of its assets, the date on which the relevant tax event is determined moves forward to the date on which such merger, consolidation or asset sale has taken effect and so will be a later date than the Issue Date of the Senior Note. If we redeem Notes in these circumstances, the redemption price of each Note redeemed will be equal to 100% of the principal amount of such Note plus accrued and unpaid interest on such debt security to the date of redemption or any other amount as specified in the relevant Pricing Supplement.

### **Conversion or Write-off of Subordinated Notes on Non Viability of ANZ**

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

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

each such determination being a "Non-Viability Determination".

The applicable Pricing Supplement will specify whether the “Conversion Option” described below or the “Write-Off Option” described below applies to the Subordinated Notes to which it relates.

See “—Certain Defined Terms” below for the meanings of certain capitalized terms used in this sub-section.

“Ordinary Shares” refers to the ordinary shares of ANZ issuable upon Conversion of the Subordinated Notes. The Ordinary Shares have not been and will not be registered under the Securities Act and will be subject to the restrictions on transfer substantially similar to those described under “Notice to Purchasers,” except that the Ordinary Shares may not be subject to minimum denomination restrictions. Further information on Ordinary Shares can be found in the 2016 Half Year U.S. Disclosure Document.

Promptly following the receipt of the Trigger Event Notice by DTC (the “Trigger Event Notice Receipt Date”), DTC will suspend all clearance and settlement of the Subordinated Notes that are specified by the Trigger Event Notice to be Subordinated Notes that have been Converted or Written-Off (“Relevant Subordinated Notes”), with such suspension commencing no later than the close of the next day following the Trigger Event Notice Receipt Date that is a business day in New York City (the date of such suspension, the “Suspension Date”). Promptly following its receipt of the Trigger Event Notice, DTC will, pursuant to its procedures currently in effect, post the Trigger Event Notice to its Reorganization Inquiry for Participants System.

The Trigger Event Notice shall request that holders of Relevant Subordinated Notes provide to ANZ a notice (a “Conversion Shares Settlement Notice”), containing the information specified in subsection (b) of the Section “Description of the Notes—Conversion or Write-Off of Subordinated Notes on Non-Viability of ANZ—Conversion Option”. The Conversion Shares Settlement Notice must be given in accordance with the standard procedures of DTC (which may include the notice being given to ANZ by electronic means) and in a form acceptable to DTC and ANZ. In order to obtain delivery of Ordinary Shares in respect of Relevant Subordinated Notes, a holder of Relevant Subordinated Notes must deliver its Conversion Shares Settlement Notice on or before the date that is 30 days after the Trigger Event Date (the “Notice Cut-off Date”).

Holders of Relevant Subordinated Notes will not be able to settle the transfer of any Relevant Subordinated Notes from the Suspension Date, and any sale or transfer of the Relevant Subordinated Notes that a holder of Relevant Subordinated Notes may have initiated prior to the Suspension Date that is scheduled to settle after the Suspension Date will be rejected by DTC and will not be settled within DTC.

### **Conversion Option**

- (a) If a Non-Viability Trigger Event occurs:
  - (i) on the Trigger Event Date, subject only to Section (e) below, such principal amount of the Subordinated Notes will immediately Convert as is required by the Non-Viability Determination provided that:
    - a. where the Non-Viability Trigger Event occurs under limb (a) of the definition and such Non-Viability Determination does not require all Relevant Securities to be converted into Ordinary Shares or written off, such principal amount of the Subordinated Notes shall Convert as is sufficient (determined by ANZ in accordance with subsection (a)(ii) below) to satisfy APRA that ANZ is viable without further conversion or write-off; and
    - b. where the Non-Viability Trigger Event occurs under limb (b) of the definition, all the principal amount of the Subordinated

Notes will immediately Convert;

- (ii) ANZ will determine the principal amount of Subordinated Notes which must be Converted in accordance with this clause, on the following basis:
  - (A) first, convert into Ordinary Shares or write-off all Relevant Tier 1 Securities; and
  - (B) secondly, if conversion into Ordinary Shares or write-off of all Relevant Tier 1 Securities is not sufficient to satisfy the requirements of subsection (a)(i) above (and provided that as a result of the conversion or write-off of Relevant Tier 1 Capital Securities APRA has not withdrawn the Non-Viability Determination), Convert a principal amount of Subordinated Notes and Convert into Ordinary Shares or Write-Off a number or principal amount of other Relevant Tier 2 Securities on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable (subject to such adjustment as ANZ may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and the authorized denominations of the principal amount of any Subordinated Notes or the number or principal amount of other Relevant Tier 2 Securities remaining on issue, and the need to effect the conversion immediately) and, for the purposes of the foregoing, where the specified currency of the principal amount of Relevant Tier 2 Securities is not the same for all Relevant Tier 2 Securities, ANZ may treat them as if converted into a single currency of ANZ's choice at such rate of exchange as ANZ in good faith considers reasonable,

*provided* that such determination does not impede or delay the immediate Conversion of the relevant principal amount of Subordinated Notes;

- (iii) on the Trigger Event Date ANZ shall determine the Subordinated Notes or portions thereof as to which the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the holders of Subordinated Notes at that time as may be necessary or desirable to ensure Conversion occurs in an orderly manner, including disregarding any transfers of Subordinated Notes that have not been settled or registered at that time, provided that such determination does not impede or delay the immediate Conversion of the relevant principal amount of Securities;
- (iv) ANZ must give notice of its determination pursuant to subsection (a)(iii) above (a "Trigger Event Notice") as soon as practicable to the Fiscal Agent and holders of Subordinated Notes which must specify:
  - (A) the Trigger Event Date;
  - (B) the principal amount of the Subordinated Notes Converted; and
  - (C) the relevant number or principal amount of other Relevant Securities converted or written off;
- (v) none of the following events shall prevent, impede or delay the Conversion of Subordinated Notes as required by subsection (a)(i) above:

- (A) any failure or delay in the conversion or write-off of other Relevant Securities;
    - (B) any failure or delay in giving a Trigger Event Notice; and
    - (C) any failure or delay in quotation of Ordinary Shares to be issued on Conversion; and
  - (vi) from the Trigger Event Date, subject to Section (e) and Section (f)(iii)(C), ANZ shall treat the holder of any Subordinated Note or portion thereof which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion and the issuance of such Ordinary Shares.
- (b) Where a principal amount of Subordinated Notes is required to be Converted pursuant to the terms described in this Section "Conversion Option", a Holder of Subordinated Notes or portion thereof that are subject to Conversion wishing to receive Ordinary Shares must, no later than the Trigger Event Date (or, in the case where subsection (d)(vii) below applies, within 30 days of the date on which Ordinary Shares are issued upon such Conversion), have provided to ANZ:
- (i) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares;
  - (ii) the security account details of such Holder of Subordinated Notes in the Clearing House Electronic Subregister System of Australia, operated by the ASX or its affiliates or successors, ("CHESS") or such other account to which the Ordinary Shares may be credited; and
  - (iii) such other information as is reasonably requested by ANZ for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Holder of Subordinated Notes,
- and ANZ has no duty to seek or obtain such information.
- (c) Subject to the terms described in Sections (d) and (e) below, if, in respect of a Conversion of Subordinated Notes, ANZ fails to issue, on the Trigger Event Date, the Conversion Number of Ordinary Shares in respect of the relevant principal amount of such Subordinated Notes to, or in accordance with the instructions of, the relevant Holder of Subordinated Notes on the Trigger Event Date or any other nominee where Section (d) below applies, the principal amount of such Subordinated Notes which would otherwise be subject to Conversion shall remain on issue and outstanding until:
- (i) the Ordinary Shares are issued to, or in accordance with the instructions of, the Holder of such Subordinated Notes; or
  - (ii) such Subordinated Notes are Written-Off in accordance with the terms hereof;

*provided, however,* that the sole right of the Holder of Subordinated Notes in respect of Subordinated Notes or portion thereof that are subject to Conversion is its right to be issued Ordinary Shares upon Conversion (subject to its compliance with Section (b) above or to receive the proceeds from their sale pursuant to Section (d) below, as applicable) and the remedy of such Holder in respect of ANZ's failure to issue the Ordinary Shares is limited

(subject always to Section (e) below) to seeking an order for specific performance of ANZ's obligation to issue the Ordinary Shares to the Holder, or where Section (d) below applies, to the nominee and to receive such proceeds of sale, in each case, in accordance with the terms of the Subordinated Notes. This Section does not affect the obligation of ANZ to issue the Ordinary Shares when required in accordance with the terms hereof.

- (d) If, in respect of a Subordinated Note and a Holder of that Subordinated Note, the Subordinated Note or portion thereof is required to be Converted and:
- (i) the Holder of the Subordinated Note has notified ANZ that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Trigger Event Date;
  - (ii) the Subordinated Notes are held by a registered Holder of the Subordinated Note whose address in the register is a place outside Australia or who ANZ otherwise believes may not be a resident of Australia (a "Foreign Holder");
  - (iii) the holder of that Security is a Clearing System Holder;
  - (iv) for any reason (whether or not due to the fault of the Holder of the Subordinated Note) ANZ has not received the information required by Section (b) above prior to the Trigger Event Date and the lack of such information would prevent ANZ from issuing the Ordinary Shares to the Holder of the Subordinated Note on the Trigger Event Date; or
  - (v) a FATCA Withholding is required to be made in respect of the Ordinary Shares issued on the Conversion,

then, on the Trigger Event Date:

- (vi) where subsections (d)(i), (d)(ii) or (d)(v) above apply, ANZ shall issue the Ordinary Shares to the Holder of the Subordinated Note only to the extent (if at all) that:
  - (A) where subsection (d)(i) above applies, the Holder of the Subordinated Note has notified ANZ that it wishes to receive them;
  - (B) where subsection (d)(ii) above applies, ANZ is satisfied that the laws of both the Commonwealth of Australia and the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which ANZ is not bound to enquire), either unconditionally or after compliance with conditions which ANZ in its absolute discretion regards as acceptable and not unduly onerous; and
  - (C) where subsection (d)(v) above applies, the issue is net of the FATCA Withholding,

and to the extent ANZ is not obliged to issue Ordinary Shares to the Holder of the Subordinated Note, ANZ will issue the balance of the Ordinary Shares to the nominee in accordance with subsection (d)(vii) below;

- (vii) otherwise, subject to applicable law, ANZ will issue the balance of Ordinary Shares in respect of the Holder of the Subordinated Note to a competent nominee (which may not be ANZ or any of its Related Entities) and will promptly notify such holder of the name of and



contact information for the nominee and the number of Ordinary Shares issued to the nominee on its behalf and, subject to applicable law and:

- (A) subject to subsection (d)(vii)(B) below, the nominee will as soon as reasonably possible and no later than 35 days after issue of the Ordinary Shares 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 holder of the Subordinated Note;
  - (B) where subsection (d)(iii) or (d)(iv) above applies, the nominee will hold such Ordinary Shares and will transfer Ordinary Shares to such holder (or, where paragraph (d)(iii) applies, the person for whom the Clearing System Holder holds the Security) promptly after such person provides the nominee with the information required to be provided by such holder (as if a reference to ANZ is a reference to the nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares) but only where such information is provided to the nominee within 30 days of the date on which Ordinary Shares are issued to the nominee upon Conversion of such Subordinated Note and failing which the nominee will sell the Ordinary Shares and pay the proceeds to such person in accordance with subsection (d)(vii)(A) above; and
  - (C) where subsection (d)(v) above applies, the nominee shall deal with Ordinary Shares the subject of a FATCA Withholding and any proceeds of their disposal in accordance with FATCA;
- (viii) nothing in this Section (d) shall affect the Conversion of the Subordinated Notes of a holder who is not a person to which any of subsections (d)(i) to (d)(v) (inclusive) described in this Section "Conversion Option" applies; and
- (ix) for the purpose of this Section (d), neither of ANZ nor the nominee owes any obligations or duties to the holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a holder as a result of the sale of Ordinary Shares.
- (e) Notwithstanding any other provision of this Section "Conversion Option", where Subordinated Notes are required to be Converted on the Trigger Event Date and Conversion of the relevant principal amount of the Subordinated Notes that are subject to Conversion has not been effected within 5 Business Days after the relevant Trigger Event Date for any reason (including an Inability Event), (A) the principal amount of each Subordinated Note which, but for this Section (e), would be Converted, will not be Converted and instead will be Written Off with effect on and from the Trigger Event Date and (B) ANZ shall notify the Fiscal Agent and the Holders of the Subordinated Notes of the foregoing as promptly as practically possible.
- (f) Each Holder of Subordinated Notes irrevocably:
- (i) consents to becoming a member of ANZ upon the Conversion of the relevant principal amount of the Subordinated Notes required as described in this Section "Conversion Option" and agrees to be bound by the constitution of ANZ, in each case in respect of the Ordinary Shares issued to such holder on Conversion;

- (ii) acknowledges and agrees that it is obliged to accept Ordinary Shares upon a Conversion of the Subordinated Notes it holds notwithstanding anything that might otherwise affect a Conversion of such principal amount of Subordinated Notes including:
  - (A) any change in the financial position of ANZ since the issue of such Subordinated Notes;
  - (B) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally; or
  - (C) any breach by ANZ of any obligation in connection with such Subordinated Notes;
- (iii) acknowledges and agrees that where section (a) above applies:
  - (A) there are no other conditions to a Non-Viability Trigger Event occurring as and when provided in this Section;
  - (B) Conversion must occur immediately on the occurrence of a Non-Viability Trigger Event and that may result in disruption or failures in trading or dealings in the Subordinated Notes;
  - (C) it will not have any rights to vote in respect of any Conversion and the Subordinated Note does not confer a right to vote at any meeting of members of the Issuer; and
  - (D) the Ordinary Shares issued on Conversion may not be quoted at the time of issue, or at all;
- (iv) acknowledges and agrees that where section (e) applies, no conditions or events will affect the operation of that Section and such holder will not have any rights to vote in respect of any Write-Off under that Section and has no claim against ANZ arising in connection with the application of that Section;
- (v) acknowledges and agrees that such Holder of Subordinated Notes has no right to request a Conversion of any principal amount of any Subordinated Notes or to determine whether (or in what circumstances) the principal amount of Subordinated Notes it holds are Converted; and
- (vi) acknowledges and agrees that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write-Off of the principal amount of Subordinated Notes:
  - (A) any failure to or delay in the conversion or write-off of other Relevant Securities;
  - (B) any failure or delay in giving a Trigger Event Notice or other notice required as described in this Section "Conversion Option";
  - (C) any failure or delay in quotation of the Ordinary Shares to be issued on Conversion;
  - (D) any failure or delay by a Holder of a Subordinated Note or any other party in complying with the provisions of Section (h) below; and

- (E) any requirement to select or adjust the number or principal amount of Subordinated Notes to be Converted in accordance with subsection (a)(ii)(B) or (a)(iii) above.
- (g) For the purposes of the "Conversion Option" Section, "Written Off" shall mean that, in respect of a Subordinated Note or portion thereof that is otherwise subject to Conversion and a Trigger Event Date:
  - (i) the Subordinated Note or portion thereof that is otherwise subject to Conversion will not be Converted on that date and will not be Converted or redeemed under the terms hereof on any subsequent date; and
  - (ii) with effect on and from the Trigger Event Date the rights of the relevant Holder of the Subordinated Note or portion thereof (including any right to receive any payment thereunder, including payments of principal and interest both in the future and accrued but unpaid as at the Trigger Event Date) in relation to such Subordinated Note or portion thereof are immediately and irrevocably terminated and written off; and

"Write-Off" has a corresponding meaning.

- (h) Subject to the terms described in subsection (c)(ii) of "—Mergers and similar transactions for Subordinated Notes", any Subordinated Note which is to be Converted or Written-Off only in part shall be surrendered with, if ANZ or the Fiscal Agent so requires, due endorsement by, or a written instrument of transfer in form satisfactory to ANZ and the Fiscal Agent duly executed by, the holder thereof or his attorney duly authorized in writing, and ANZ shall execute, and the Fiscal Agent shall authenticate and deliver to the registered Holder of such Subordinated Note without service charge, a new Subordinated Note or Subordinated Notes of like form and tenor, of any aggregate principal amount equal to and in exchange for the non-Converted or non-Written-Off portion of the principal amount of the Subordinated Note so surrendered.
- (i) If a Non-Viability Determination takes effect, ANZ must perform the obligations in respect of the determination immediately on the day it is received by ANZ, whether or not such day is a Business Day.
- (j) Where a Subordinated Note is Converted or Written-Off only in part, then the amount of interest payable in respect of that Subordinated Note on each Interest Payment Date falling after that Trigger Event Date will be reduced and calculated on the principal amount of that Subordinated Note as reduced on the date of the Conversion or Write-Off.

### **Write-Off Option**

- (a) If a Non-Viability Trigger Event occurs:
  - (i) on the Trigger Event Date such principal amount of the Subordinated Notes will immediately be Written-Off as is required by the Non-Viability Determination provided that:
    - (A) where the Non-Viability Trigger Event occurs under limb (a) of the definition and such Non-Viability Determination does not require all Relevant Securities to be converted into Ordinary Shares or written-off, such principal amount of the Subordinated Notes shall be immediately Written-Off as is sufficient (determined by ANZ in accordance with subsection (a)(ii) below) to satisfy APRA that ANZ is viable without further conversion or write-off; and

- (B) where the Non-Viability Trigger Event occurs under limb (b) of the definition, all the principal amount of the Subordinated Notes will immediately be Written-Off;
- (ii) ANZ will determine the principal amount of Subordinated Notes which must be Written Off in accordance with subsection (a)(i) above, on the following basis:
  - (A) first, convert into Ordinary Shares or write-off all Relevant Tier 1 Securities; and
  - (B) secondly, if conversion into Ordinary Shares or write off of those Relevant Tier 1 Securities is not sufficient to satisfy the requirements of subsection (a)(i) above (and provided that as a result of the conversion or write off of Relevant Tier 1 Capital Securities APRA has not withdrawn the Non-Viability Determination), Write-Off a principal amount of Subordinated Notes and convert into Ordinary Shares or write off other Relevant Tier 2 Securities on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable and, for the purposes of the foregoing, where the specified currency of the principal amount of Relevant Tier 2 Securities is not the same for all Relevant Tier 2 Securities, ANZ may treat them as if converted into a single currency of ANZ's choice at such rate of exchange as ANZ in good faith considers reasonable,

*provided* that such determination does not impede or delay the immediate Write Off of the relevant principal amount of Subordinated Notes;
- (b) on the Trigger Event Date, ANZ shall determine the Subordinated Notes or portions thereof as to which the Write-Off is to take effect and in making that determination may make any decisions with respect to the identity of the Holders of Subordinated Notes at that time as may be necessary or desirable to ensure Write-Off occurs in an orderly manner, including disregarding any transfers of Subordinated Notes that have not been settled or registered at that time, provided that such determination does not impede or delay the immediate Write-Off of the relevant principal amount of Subordinated Notes;
- (c) ANZ must give notice of its determination pursuant to Section (b) above (a "Trigger Event Notice") as soon as practicable to the Fiscal Agent and the Holders of Subordinated Notes, which must specify:
  - (i) the Trigger Event Date;
  - (ii) the principal amount of the Subordinated Notes Written-Off; and
  - (iii) the relevant number or principal amount of other Relevant Securities converted or written-off;
- (d) none of the following events shall prevent, impede or delay the Write-Off of Subordinated Notes as required by subsection (a)(i) above:
  - (i) any failure or delay in the conversion or write-off of other Relevant Securities;
  - (ii) any failure or delay in giving a Trigger Event Notice;

- (iii) any requirement to select or adjust the number or principal amount of Subordinated Notes to be Written-Off in accordance with subsection (a)(ii)(B) or (b) above; and
  - (iv) any failure or delay by a Holder of a Subordinated Note or any other party in complying with the provisions of subsection (g) below.
- (e) Each Holder of Subordinated Notes irrevocably:
  - (i) acknowledges and agrees that no conditions or events will affect the operation of this "Write-Off Option" Section and such Holder of Subordinated Notes will not have any rights to vote in respect of any Write-Off as described under this "Write-Off Option" Section; and
  - (ii) acknowledges and agrees that any failure or delay in Writing-Off a Subordinated Note held by the Holder pursuant to the provisions of subsection (g) below shall not prevent, impede or delay the Write-Off of such Security.
- (f) For the purposes of this "Write-Off Option" Section, "Written-Off" shall mean that, in respect of a Subordinated Note or portion thereof and a Trigger Event Date:
  - (i) the Subordinated Note or portion thereof will not be redeemed under the terms hereof on any subsequent date; and
  - (ii) the rights of the relevant Holders of the Subordinated Notes (including any right to receive any payment thereunder including payments of principal and interest both in the future and accrued but unpaid as at the Trigger Event Date) in relation to such Subordinated Notes or portion thereof are immediately and irrevocably terminated and written off, and "Write-Off" has a corresponding meaning.
- (g) Any Subordinated Note which is to be Written-Off only in part shall be surrendered with, if ANZ or the Fiscal Agent so requires, due endorsement by, or a written instrument of transfer in the form satisfactory to ANZ and the Fiscal Agent duly executed by, the holder thereof or his attorney duly authorized in writing, and ANZ shall execute, and the Fiscal Agent shall authenticate and deliver to the registered holder of such Subordinated Note without service charge, a new Subordinated Note or Subordinated Notes of like form and tenor, of any aggregate principal amount equal to and in exchange for the non-Written-Off portion of the principal amount of the Subordinated Note so surrendered.
- (h) If a Non-Viability Determination takes effect, ANZ must perform the obligations in respect of the determination immediately on the day it is received by ANZ, whether or not such day is a Business Day.
- (i) Where a Subordinated Note is Written-Off only in part, then the amount of interest payable in respect of that Subordinated Note on each Interest Payment Date falling immediately after that Trigger Event Date will be reduced and calculated on the principal amount of that Subordinated Note as reduced on the date of the Write-off.

### **Mergers and similar transactions for Subordinated Notes**

In the case of Subordinated Notes where the Conversion Option applies,

- (a) where either of the following occurs:

- (i) 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:
  - (A) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
  - (B) 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
- (ii) 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:
  - (A) 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
  - (B) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares, and
- (b) the bidder or the person having a relevant interest in the Ordinary Shares in ANZ after the scheme is implemented (or any entity that Controls the bidder or the person having the relevant interest) is an Approved NOHC,

then ANZ without further authority, assent or approval of the Holders of the Subordinated Notes may (but with the prior written approval of APRA):

- (c) amend the terms of the Subordinated Notes such that, unless APRA otherwise agrees, on the date the principal amount of the Subordinated Notes are to be Converted:
  - (i) each Subordinated Note that is being Converted in whole will be automatically transferred by each Holder of a Subordinated Note free from encumbrance to the Approved NOHC on the date the Conversion is to occur;
  - (ii) each Subordinated Note that is being Converted only in part shall be surrendered with, if ANZ or the Fiscal Agent so requires, due endorsement by, or a written instrument of transfer in a form satisfactory to ANZ and the Fiscal Agent duly executed by, the holder thereof or his attorney duly authorized in writing, and ANZ shall execute, and the Fiscal Agent shall authenticate and deliver to:
    - (A) the registered Holder of such Subordinated Note without service charge, a new Subordinated Note or Subordinated Notes of like form and tenor and of the aggregate principal amount equal to and in exchange for the portion of the principal amount of the Subordinated Note so surrendered that is not to be Converted; and
    - (B) the Approved NOHC without service charge, a new Subordinated Note or Subordinated Notes of like form and tenor and of the aggregate principal amount equal to and in exchange

for the principal amount of the Subordinated Note so surrendered that is to be Converted,

provided that any failure or delay by any party in complying with these provisions shall not prevent, impede or delay the Conversion or Write-Off of Securities;

- (iii) each holder (or a nominee in accordance with Sections (b) or (d) of the Conversion Option (as applicable), which provisions shall apply, *mutatis mutandis*, to such Approved NOHC Ordinary Shares) of the Subordinated Note or portion thereof being Converted will be issued a number of Approved NOHC Ordinary Shares equal to the Conversion Number and the Conversion Mechanics that would have otherwise been applicable to the determination of the number of Ordinary Shares shall apply (with any necessary changes) to the determination of the number of such Approved NOHC Ordinary Shares; and
- (iv) as between ANZ and the Approved NOHC each Subordinated Note held by the Approved NOHC as a result of the transfer will be automatically Converted into a number of Ordinary Shares such that the total number of Ordinary Shares held by the Approved NOHC by reason of such Conversion increases by the number which equals the number of Approved NOHC Ordinary Shares issued by the Approved NOHC to holders on Conversion; and
- (d) 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 the terms hereof, including, where the terms upon which the Approved NOHC acquires ANZ are such that the number of Approved NOHC Ordinary Shares on issue immediately after the substitution differs from the number of Ordinary Shares on issue immediately before that substitution (not involving any cash payment or other distribution to or by the holders of any such shares), an adjustment to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in the section entitled "Conversion Mechanics" below.

ANZ shall give a notice to the Fiscal Agent and to Holders of Subordinated Notes as soon as practicable after the substitution as described herein specifying the amendments to the terms hereof which will be made as described herein to effect the substitution of an Approved NOHC as the issuer of Ordinary Shares on Conversion.

After a substitution as described herein, the Approved NOHC may without the authority, approval or assent of the Holder of Subordinated Notes, effect a further substitution as described herein (with necessary changes).

### **Certain Defined Terms**

**"Approved NOHC"** means an entity which:

(a) is a non-operating holding company within the meaning of the Banking Act (which term, as used herein, includes any amendments thereto, rules thereunder and any successor laws, amendments and rules); and

(b) has agreed for the benefit of Holders of Subordinated Notes:

(i) to issue fully paid ordinary shares in its capital under all circumstances when ANZ would otherwise have been required to Convert a principal amount of Subordinated Notes, subject to the same terms and conditions as set out in the terms hereof (with all necessary modifications); and

(ii) to use all reasonable endeavours to procure quotation of Approved NOHC Ordinary Shares issued upon Conversion of relevant Subordinated Notes on the ASX.

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

**"Business Day"** means a day which is a business day within the meaning of the listing rules of the Australian Securities Exchange as amended, varied or waived (whether in respect of ANZ or generally) from time to time;

**"Clearing System Holder"** means that the holder of a Security is the operator of a clearing system or a depository, or a nominee for a depository, for a clearing system.

**"Control"** has the meaning given in the Corporations Act.

**"Controlled Entity"** shall mean, in respect of ANZ, an entity ANZ Controls.

**"Conversion"** means, in relation to a Subordinated Note, the allotment and issue of Ordinary Shares and the termination of the holder's rights in relation to the relevant principal amount of that Note, and in each case, "Convert", "Converting" and "Converted" have corresponding meanings.

**"Inability Event"** shall mean ANZ is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency winding-up or other external administration of ANZ) or any other reason from Converting the Subordinated Notes.

**"the ANZ Group"** shall mean ANZ and its Controlled Entities.

**"Level 1", "Level 2" and "Level 3"** means those terms as defined by APRA from time to time.

**"Ordinary Share"** shall mean a fully paid ordinary share in the capital of ANZ.

**"Relevant Securities"** shall mean each of:

- (i) Relevant Tier 1 Securities; and
- (ii) Relevant Tier 2 Securities (including the Subordinated Notes);

**"Relevant Tier 1 Security"** shall mean, where a Non-Viability Trigger Event occurs, a Tier 1 Capital Security that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off where that event occurs.

**"Relevant Tier 2 Security"** shall mean, where a Non-Viability Trigger Event occurs, a Tier 2 Capital Security, including the Subordinated Notes that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written-off where that event occurs.

**"Tier 1 Capital"** shall mean 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 2 Capital"** shall mean 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.

**"Trigger Event Date"** shall mean the date (whether or not a Business Day) on which APRA notifies ANZ of a Non-Viability Trigger Event as contemplated under "Conversion or Write-off of Subordinated Notes on Non-Viability of ANZ" above.



## Conversion Mechanics

### 1. Conversion

If ANZ must Convert a principal amount of a Subordinated Note, then, subject to the terms described in the Conversion Option and the Write-Off Option and unless the relevant Pricing Supplement specifies that the Alternative Conversion Number applies, the following provisions apply:

- (a) ANZ will allot and issue on the Trigger Event Date a number of Ordinary Shares in respect of the principal amount of that Subordinated Note equal to the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Principal Amount}}{(99\% \times \text{VWAP})}$$

where:

“**VWAP**” (expressed in dollars and cents) means the VWAP during the VWAP Period and where the “**Maximum Conversion Number**” means a number specified in the applicable Pricing Supplement or calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Principal Amount}}{\text{Issue Date VWAP} \times 0.2}$$

- (b) on the Trigger Event Date, the rights of each Holder of a Subordinated Note (including to payment of interest with respect to such principal amount, both in the future and as accrued but unpaid as at the Trigger Event Date) in relation to each Subordinated Note or portion thereof that is being Converted will be immediately and irrevocably terminated for an amount equal to the principal amount of that Subordinated Note that is being Converted and ANZ will apply that principal amount by way of payment for subscription for the Ordinary Shares to be allotted and issued under Section 1(a) above. Each Holder of the Subordinated Note is taken to have irrevocably directed that any amount payable under the terms described herein is to be applied as provided for under the terms described herein and no Holder of the Subordinated Note has any right to payment in any other way;
- (c) any calculation under Section 1(a) above shall be, unless the context requires otherwise, be rounded to four decimal places provided that if the total number of additional Ordinary Shares to be allotted to a Holder of the Subordinated Note in respect of the aggregate principal amount of the Subordinated Notes it holds which is being Converted includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 5.00 P.M. (Melbourne, Australia time) on the Trigger Event Date (unless another time is required for Conversion on that date). At that time all other rights conferred or restrictions imposed on that Subordinated Note under the terms hereof will no longer have effect to the extent of the principal amount of that Subordinated Note being Converted (except for the right to receive the Ordinary Shares as set forth in this Section 1 and the section entitled “Conversion or Write-off of Subordinated Notes on Non-Viability of ANZ—Conversion Option” above and except for rights relating to interest which is payable but has not been paid on or before the Trigger Event Date which will continue).

## 2. Adjustments to VWAP

For the purposes of calculating VWAP in the terms hereof:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and the relevant principal amount of the Subordinated Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount ("**Cum Value**") equal to:
- (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
  - (ii) (in the case of any other entitlement that is not a dividend or other distribution under Section 2(a)(i) above which is traded on the ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on the 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 the ASX during the VWAP Period), the value of the entitlement as reasonably determined by the directors of ANZ; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on the Australian Securities Exchange as ex dividend or ex any other distribution or entitlement, and the relevant principal amount of the Subordinated Notes will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

## 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 or compensation to or by holders of Ordinary Shares) (a "**Reorganization**"), 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 Reorganization basis shall be adjusted by the following formula:

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

where:

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

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

- (b) Any adjustment made by ANZ in accordance with Section 3(a) above will, absent manifest error, be effective and binding on Holders of the Subordinated Notes under the terms of the Subordinated Notes and the terms described herein will be construed accordingly. Any such adjustment must be promptly notified to all Holders of the Subordinated Notes.

#### 4. Adjustments to issue date VWAP

For the purposes of determining the Issue Date VWAP, corresponding adjustments to VWAP will be made in accordance with Sections 2 and 3 above during the 20 Business Day period over which VWAP is calculated for the purposes of determining the Issue Date VWAP. On and from the Issue Date adjustments to the Issue Date VWAP:

- (a) may be made in accordance with Sections 5 to 7 below (inclusive); and
- (b) if so made, will cause an adjustment to the Maximum Conversion Number.

#### 5. Adjustments to issue date VWAP for bonus issues

- (a) Subject to Section 5(b) below, if at any time after the Issue Date ANZ makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

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

where:

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

**V<sub>o</sub>** 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) Section 5(a) above 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 Section 5(a) above, 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 Section 5 for any offer of Ordinary Shares not covered by Section 5(a) above, 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 Section 5(a) shall not in any way restrict ANZ from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any holders of the Subordinated Note.

6. Adjustment to issue date VWAP for divisions and similar transactions

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

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

where:

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

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

- (b) Any adjustment made by ANZ in accordance with Section 6(a) above will, absent manifest error, be effective and binding on holders of Subordinated Notes under the terms described herein and these terms will be construed accordingly.
- (c) Each holder of a Subordinated Note acknowledges that ANZ may, consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action requiring any consent or concurrence of any holders of Subordinated Notes.

7. No adjustment to Issue Date VWAP in certain circumstances

Despite the provisions of Sections 5 and 6 above, 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.

8. Announcement of adjustment to Issue Date VWAP

ANZ will notify the holder of Subordinated Notes (an "**Adjustment Notice**") of any adjustment to the Issue Date VWAP under the terms described herein within 10 Business Days of ANZ determining the adjustment and the adjustment set out in the announcement will be final and binding.

9. Ordinary shares

Each Ordinary Share issued or arising upon Conversion ranks *pari passu* with all other fully paid Ordinary Shares. The Holders of Subordinated Notes agree not to trade Ordinary Shares issued on Conversion (except as permitted by the Corporations Act, other applicable laws and the ASX Listing Rules) until ANZ has taken such steps as are required by the Corporations Act, other applicable laws and the ASX Listing Rules for the Ordinary Shares to be freely tradeable without such further disclosure or other action and agree to allow ANZ to impose a holding lock or to refuse to register a transfer in respect of Ordinary Shares until such time. See "Risk Factors Relating to the Notes—An investor holding Subordinated Notes subject to mandatory Conversion may receive on Conversion Ordinary Shares worth significantly less than the principal amount of the investor's Subordinated Notes; such Ordinary Shares may be subject to restriction on transfer in the absence of a prospectus or equivalent disclosure".

Shareholders hold ordinary shares of ANZ through CHESS. We do not issue share certificates to shareholders. Instead, following transfer, we provide shareholders with a shareholding statement (similar to a bank account statement) that sets out the number of ordinary shares of ANZ registered in such shareholder's name.

Shareholders receive subsequent statements at the end of any month in which their shareholding changes and may also request statements at any other time subject to payment of a small administration fee.

#### 10. Listing Ordinary Shares issued upon Conversion

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

#### 11. Alternative Conversion Number

If the Issuer must Convert a principal amount of Securities in accordance with the terms hereof and the Pricing Supplement specifies that the Alternative Conversion Number applies, then:

- (a) Section 1 of these Conversion Mechanics applies on the basis that the Conversion Number for the purposes of Section 1(a) of these Conversion Mechanics is the number of Ordinary Shares specified in the Pricing Supplement as the Alternative Conversion Number (subject to the Alternative Conversion Number being no more than the Maximum Conversion Number as determined in accordance with Section 1(a) of these Conversion Mechanics); and
- (b) Sections 2 to 8 (inclusive) of these Conversion Mechanics do not apply.

#### 12. Certain definitions

For the purposes of this "Conversion Mechanics" Section the following terms shall have the following meanings:

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

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

**"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 Subordinated Notes were issued, as adjusted in accordance with Sections 5 to 7 (inclusive) above.

**"Tax Act"** means:

- (c) the Income Tax Assessment Act 1936 of Australia or the Income Tax Assessment Act 1997 of Australia as the case may be and a reference to any Section of the Income Tax Assessment Act 1936 of Australia includes a reference to that Section as rewritten in the Income Tax Assessment Act 1997 of Australia; and
- (d) any other Act setting the rate of income tax payable and any regulation promulgated under it.

**"VWAP"** means, subject to any adjustments described in Section 2 above, 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 VWAP Period or on the relevant days (and, where the Specified Currency of the principal amount in respect of the relevant Subordinated Note is not Australian dollars, with each such daily price converted into the Specified Currency on the basis of the spot rate for the sale of the Australian dollar against the purchase of such Specified Currency in the New York foreign exchange market quoted by any leading international bank selected by ANZ on the relevant day of calculation) 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 the period of 5 Business Days or such other period specified in the applicable pricing supplement on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Date.

### **Mergers and similar transactions**

We are generally permitted to consolidate or merge with another company or other entity. We are also permitted to sell substantially all of our assets to another company or entity or to buy substantially all of the assets of another entity. However, we may not take any of these actions unless all the following conditions are met:

- Where we merge out of existence or sell all or substantially all of our assets, except as otherwise indicated below, the successor entity must be a corporation, trust or partnership. The successor entity must expressly assume the due and punctual payment of the principal of (and premium (for Senior Notes only) if any, on) and interest, if any, on the Notes and the performance of every covenant included in the Notes (and in the Fiscal Agency Agreement).
- We deliver to the Holders of the Notes an officer's certificate and opinion of counsel, each stating that the consolidation, merger, lease, conveyance or transfer of assets complies with the terms of the Notes.
- Immediately after the transaction, no Event of Default under the Notes or any event that would be an Event of Default with respect to the Notes if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded has occurred and is continuing. We describe these matters below under "— Default, remedies and waiver of default".

If the successor company or entity is not organized and validly existing under the laws of Australia or any State or Territory of Australia, it must expressly agree:

- to indemnify the Holder of the Notes against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, sale of assets or other transaction; and
- that all payments pursuant to the Notes must be made without withholding or deduction for or on account of any tax of whatever nature imposed or levied on behalf of the jurisdiction of organization of such successor company or entity, or any political subdivision or taxing authority thereof or therein, unless such tax is required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case such successor company or entity will pay such additional amounts in order that the net amounts received by the Holders of the Notes after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, subject to the same exceptions as would apply with respect to the payment by ANZ of additional amounts in respect of the Notes (substituting the jurisdiction of organization of such successor company or entity for Australia);

provided, however, that this indemnity shall not apply to any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and shall not require the payment of additional amounts on account of any such withholding or deduction.

If the conditions described above are satisfied with respect to the Notes, and we deliver an officer's certificate and an opinion of counsel to that effect, we will not need to obtain the approval of the Holders of the Notes in order to merge or consolidate or sell our assets.

Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control of us, but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets.

Also, if we merge, consolidate or sell our assets substantially as an entirety and the successor is a non-Australian entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences relating to the Notes. Notwithstanding the above, the terms of the Subordinated Notes do not prevent us from consolidating with or merging into any other person or conveying, transferring or leasing our properties and assets substantially as an entirety to any person, or from permitting any person to consolidate with or merge into us or to convey, transfer or lease its properties and assets substantially as an entirety to us where such consolidation, merger, transfer or lease is:

- required by APRA (or any statutory manager or similar official appointed by it) under law and prudential regulation applicable in the Commonwealth of Australia (including without limitation the Banking Act or the Financial Sector (Business Transfer and Group Restructure) Act 1999 of Australia, which terms, as used herein, includes any amendments thereto, rules thereunder and any successor laws, amendments and rules)); or
- determined by our directors or by APRA (or any statutory manager or similar official appointed by it) to be necessary in order for the Issuer to be managed in a sound and prudent manner or for us or APRA (or any statutory manager or similar official appointed by it) to resolve any financial difficulties affecting us, in each case in accordance with prudential regulation applicable in the Commonwealth of Australia.

### **Additional Operational Procedures Relating to the Subordinated Notes**

The below operational procedures supplement the terms and conditions of the Subordinated Notes as described in the section of the Offering Memorandum entitled “Description of the Notes—Conversion or Write-off of Subordinated Notes on Non-Viability of ANZ”.

Promptly following the receipt of the Trigger Event Notice by DTC (the “Trigger Event Notice Receipt Date”), DTC will suspend all clearance and settlement of the Subordinated Notes that are specified by the Trigger Event Notice to be Subordinated Notes that have been Converted or Written Off (“Relevant Subordinated Notes”), with such suspension commencing no later than the close of the next day following the Trigger Event Notice Receipt Date that is a business day in New York City (the date of such suspension, the “Suspension Date”). Promptly following its receipt of the Trigger Event Notice, DTC will, pursuant to its procedures currently in effect, post the Trigger Event Notice to its Reorganization Inquiry for Participants System.

The Trigger Event Notice shall request that holders of Relevant Subordinated Notes provide to ANZ a notice (a “Conversion Shares Settlement Notice”), containing the information specified in subsection (b) of the Section “Description of the Notes— Conversion or Write-off of Subordinated Notes on Non-Viability of ANZ—Conversion Option” in the Offering Memorandum. The Conversion Shares Settlement Notice must be given in accordance with the standard procedures of DTC (which may include the notice being given to ANZ by electronic means) and in a form acceptable to DTC and ANZ. In order to obtain delivery of Ordinary Shares in respect of Relevant Subordinated Notes, a holder of Relevant Subordinated Notes must deliver its Conversion Shares Settlement Notice on or before the date that is 30 days after the Trigger Event Date (the “Notice Cut-off Date”).

**Transfers of Subordinated Notes that are initiated prior to the Suspension Date and are scheduled to settle within DTC afterwards may be rejected by DTC and may not settle within DTC**

Holders of Relevant Subordinated Notes will not be able to settle the transfer of any Relevant Subordinated Notes from the Suspension Date, and any sale or transfer of the Relevant Subordinated Notes that a holder of Relevant Subordinated Notes may have initiated prior to the Suspension Date that is scheduled to settle after the Suspension Date will be rejected by DTC and will not be settled within DTC.

**No Defeasance of Subordinated Notes**

Full defeasance or covenant defeasance is not available to Holders of Subordinated Notes.

**Default, remedies and waiver of default**

***Events of Default***

You will have special rights if an Event of Default with respect to your Note occurs and is continuing, as described later in this subsection.

***What is an Event of Default under the Subordinated Notes?***

Unless the relevant Pricing Supplement indicates otherwise, the term “Event of Default” under the Subordinated Notes means:

- the making of an order by a court of the State of Victoria or of the Commonwealth of Australia or a court with appellate jurisdiction from any such court which is not successfully appealed or permanently stayed within 60 days of the entry of that order or the valid adoption by our shareholders of an effective resolution, in each case for our Winding Up;
- we do not pay the principal of a Subordinated Note on its due date; or
- we do not pay interest on a Subordinated Note within 30 days of its due date,

except, in the case of the second and third bullet points above, where we fail to make such payment because we were not Solvent at the time of that payment or would not be Solvent immediately after that payment.

The term “Winding Up” means any procedure whereby we may be wound up, dissolved, liquidated or cease to exist as a body corporate whether brought or instigated by a Holder of a Note or any other person and whether or not involving insolvency or bankruptcy, but shall exclude any Winding Up under or in connection with a scheme of amalgamation or reconstruction not involving our bankruptcy or insolvency where our obligations are assumed by a successor to which all, or substantially all, of our property, assets and undertaking are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented.

Upon the occurrence of an Event of Default contemplated by the first bullet point above under the Subordinated Notes, subject to the subordination provisions that apply to Subordinated Notes as described under the section entitled “—Status and Subordination of Subordinated Notes”, the principal and all accrued but unpaid interest on the Subordinated Notes will automatically become due and immediately payable.

If an Event of Default contemplated by the second or third bullet points above under the Subordinated Notes of a specific series occurs and is continuing then, subject to the subordination provisions that apply to Subordinated Notes as described in the section entitled “—Status and Subordination of Subordinated Notes”, a Holder of a Subordinated Note may only:

- commence a judicial proceeding for recovery of amounts we owe and have not paid in respect of a Note, provided that we will not, by virtue of the institution of any such proceedings (other than any Winding Up proceedings), be obliged to pay such amount unless we are Solvent at the time of, and will be Solvent immediately after, that payment; or



- commence a proceeding in the State of Victoria, Australia (but not anywhere else) for our Winding Up.

However, in such circumstances, the Holders of the Subordinated Notes cannot declare the principal amount of the Subordinated Notes to be due and payable prior to its stated maturity (except that on the occurrence of our Winding Up the principal and all unpaid interest on the Subordinated Notes will automatically become due and immediately payable subject to the subordination provisions that apply to the Subordinated Notes).

Neither ANZ nor a Holder of a Subordinated Note has any contractual right to set off any sum at any time due and payable to the Holder or ANZ (as applicable) under or in relation to the Subordinated Notes against amounts owing by the Holder to ANZ or by ANZ to the Holder. Holders of Subordinated Notes shall not be entitled to seek the appointment of a receiver, administrator or provisional liquidator to ANZ.

No other remedy will be available to a Holder of a Subordinated Note against us, whether for the recovery of amounts owing in respect of, or for a breach by us of our obligations under or in respect of, the Subordinated Notes.

### ***Waiver of default***

The holders of not less than 50% in principal amount of the Notes may waive a default for all Notes provided, in the case of Subordinated Notes only, that APRA gives its prior written approval to give consent or waiver or take other actions (including to waive a default) where such consent, waiver or action may affect the eligibility of the Subordinated Notes as Tier 2 Capital. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your Note, however, without the approval of the Holder of that Note.

Book-entry and other indirect owners should consult their banks or brokers for information on how to give notice or direction to or make a request of the Fiscal Agent and how to declare or cancel an acceleration of the maturity. Book-entry and other indirect owners are described below under "Legal Ownership and Book-Entry Issuance".

### **Modification of the Fiscal Agency Agreement and waiver of covenants**

There are three types of changes we can make to the Fiscal Agency Agreement and the Notes, and these changes may have United States federal tax consequences for holders.

#### ***Changes requiring each Holder's approval***

First, there are changes that cannot be made without the written consent or the affirmative vote or approval of each Holder affected by the change. Here is a list of those types of changes:

- change the due date for the payment of principal of, or any installment of interest on any Note;
- reduce the principal amount of any Note, the portion of any principal amount that is payable upon acceleration of the maturity of the Note, the interest rate payable upon redemption;
- change the subordination provisions of a Subordinated Note, or the Write-Off or Conversion features (other than adjustments contemplated by the terms of the Subordinated Notes), if any, applicable thereto, in a manner adverse to the Holder of the Note;
- change the currency of any payment on a Note;
- change our obligation to pay additional amounts;
- shorten the period during which redemption of the Notes is not permitted or permit redemption during a period not previously permitted;
- change the place of payment on a Note;
- reduce the percentage of principal amount of the Notes outstanding necessary to modify, amend or supplement the Fiscal Agency Agreement or the Notes or to waive past defaults or future compliance;

- reduce the percentage of principal amount of the Notes outstanding required to adopt a resolution or the required quorum at any meeting of Holders of Notes at which a resolution is adopted; or
- change any provision in a Note with respect to redemption at the holders' option in any manner adverse to the interests of any Holder of the Notes.

### ***Changes not requiring approval***

The second type of change does not require any approval by Holders. These changes are limited to curing any ambiguity or curing, correcting or supplementing any defective provision, or modifying the Fiscal Agency Agreement or the Notes in any manner determined by us and the Fiscal Agent to be consistent with the Notes and not adverse to the interest of any Holder of Notes.

### ***Changes requiring majority approval***

Any other change to the Fiscal Agency Agreement and the Notes would require the following approval:

- The written consent of the holders of at least 50% of the aggregate principal amount of the Notes at the time outstanding; or
- The adoption of a resolution at a meeting at which a quorum of holders is present by 50% of the aggregate principal amount of the Notes then outstanding represented at the meeting.

The same 50% approval would be required for us to obtain a waiver of any of our covenants in the Fiscal Agency Agreement. Our covenants include the promises we make about merging, which we describe above under “—Mergers and similar transactions”. If the Holders approve a waiver of a covenant, we will not have to comply with it.

The quorum at any meeting called to adopt a resolution will be persons holding or representing a majority in aggregate principal amount of the Notes at the time outstanding and, at any reconvened meeting adjourned for lack of a quorum, 25% of the aggregate principal amount of the Notes outstanding. For purposes of determining whether holders of the aggregate principal amount of Notes required for any action or vote, or for any quorum, have taken the action or vote, or constitute a quorum, the principal amount of any particular Note may differ from its principal amount at stated maturity but will not exceed its stated face amount upon original issuance, in each case if and as indicated in the relevant Pricing Supplement.

Unless otherwise indicated in the relevant Pricing Supplement, we will be entitled to set any day as a record date for determining which holders of book-entry Notes are entitled to make, take or give requests, demands, authorizations, directions, notices, consents, waivers or other action, or to vote on actions, authorized or permitted by the Fiscal Agency Agreement. In addition, record dates for any book-entry Note may be set in accordance with procedures established by the Depository from time to time. Therefore, record dates for book-entry Notes may differ from those for other Notes. Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Fiscal Agency Agreement or any Notes or request a waiver.

### ***Changes Requiring Approval of APRA***

The prior written approval of APRA is required to modify, amend or supplement the terms of any series of Subordinated Notes where such variation may affect the eligibility of the Notes as Tier 2 Capital.

### **Special rules for action by holders**

When Holders take any action under the Fiscal Agency Agreement, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the Fiscal Agent an instruction, we will apply the following rules.

### ***Only outstanding Notes are eligible***

Only Holders of outstanding Notes will be eligible to participate in any action by Holders. Also, we will count only outstanding Notes in determining whether the various percentage requirements for taking action have been met. For these purposes, a Note will not be “outstanding”:

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its Holder, money for its payment or redemption;
- if we or one of our affiliates is the owner; or
- in the case of the Subordinated Notes only, if it has been Converted or Written-Off.

### **Form, exchange and transfer of Subordinated Notes**

If any Subordinated Notes cease to be issued in registered global form, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in the relevant Pricing Supplement, in denominations of US\$200,000, or greater (or the equivalent thereof in another currency or composite currency).

Holders may exchange their Subordinated Notes for Subordinated Notes of smaller denominations or combine them into fewer Subordinated Notes of larger denominations, as long as the total principal amount is not changed. You may not exchange your Subordinated Notes for Subordinated Notes of a different series or having different terms, unless the relevant Pricing Supplement says you may.

Holders may exchange or transfer their Notes at the office of the Fiscal Agent. They may also replace lost, stolen, destroyed or mutilated Notes at that office. We have appointed the Fiscal Agent to act as our agent for registering Notes in the names of Holders and transferring and replacing Notes. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their Notes, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the Holder’s proof of legal ownership. The transfer agent may require an indemnity before replacing any Notes.

If we have designated additional transfer agents for your Note, they will be named in the relevant Pricing Supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If any Subordinated Notes are redeemable and we redeem less than all those Notes, we may block the transfer or exchange of those Notes during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing, in order to freeze the list of Holders to prepare the mailing. We may also refuse to register transfers of or exchange any Note selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any Note being partially redeemed.

If a Note is issued as a Global Note, only the Depositary—e.g., DTC, Euroclear or Clearstream, Luxembourg—will be entitled to transfer and exchange the Note as described in this subsection, because the Depositary will be the sole Holder of the Note.

The rules for exchange described above apply to exchange of Notes for other Notes of the same series and kind. If a Note is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the relevant Pricing Supplement.

## **Payment mechanics for Subordinated Notes**

### ***Who receives payment?***

If interest is due on a Note on an interest payment date, we will pay the interest to the person in whose name the Note is registered at the close of business on the Regular Record Date relating to the interest payment date as described below under “—Payment and Record Dates for Interest”. If interest is due at maturity, we will pay the interest to the person entitled to receive the principal of the Note. If principal or another amount besides interest is due on a Note at maturity, we will pay the amount to the Holder of the Note against surrender of the Note at a proper place of payment or, in the case of a Global Note, in accordance with the applicable policies of the Depository, which will be DTC, Euroclear or Clearstream, Luxembourg.

### ***Payment and record dates for interest***

Unless otherwise specified in the relevant Pricing Supplement, interest on any Fixed Rate Note will be payable annually or semi annually on the date or dates set forth in the relevant Pricing Supplement and at maturity. The Regular Record Date relating to an interest payment date for any Fixed Rate Note will also be set forth in the relevant Pricing Supplement. Unless otherwise specified in the relevant Pricing Supplement, the Regular Record Date relating to an interest payment date for any Floating Rate Note will be the 15th calendar day before that interest payment date. These record dates will apply regardless of whether a particular record date is a “business day”, as defined above. For the purpose of determining the Holder at the close of business on a Regular Record Date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

### ***No payments in the Commonwealth of Australia***

We will not make any payments of principal or interest on the Notes at any office or agency of ANZ in the Commonwealth of Australia or by check to any address in the Commonwealth of Australia or by transfer to an account maintained with a bank located in the Commonwealth of Australia.

### ***How we will make payments due in U.S. dollars***

We will follow the practice described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

Payments on Global Notes. We will make payments on a Global Note in accordance with the applicable policies as in effect from time to time of the Depository, which will be DTC, Euroclear or Clearstream, Luxembourg. Under those policies, we will pay directly to the Depository, or its nominee, and not to any indirect owners who own beneficial interests in the Global Note. An indirect owner’s right to receive those payments will be governed by the rules and practices of the Depository and its participants, as described below in the section entitled “Legal Ownership and Book-Entry Issuance—What is a Global Note?”.

Payments on non-Global Notes. We will make payments on a Note in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the Holder at his or her address shown on the Fiscal Agent’s records as of the close of business on the Regular Record Date. We will make all other payments by check at the Paying Agent described below, against surrender of the Note. All payments by check will be made in next-day funds—i.e., funds that become available on the day after the check is cashed.

Alternatively, if a non-Global Note has a face amount of at least US\$5,000,000 and the Holder asks us to do so, we will pay any amount that becomes due on the Note by wire transfer of immediately available funds to an account at a bank in New York City on the due date. To request wire payment, the Holder must give the Paying Agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person or entity who is the Holder on the relevant Regular Record Date. In the case of any other payment, payment will be made only after the Note is surrendered to the Paying Agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Notes.

### **Payment when offices are closed**

If any payment is due on a Note on a day that is not a business day, we will make the payment on the next day that is a business day. Payments postponed to the next business day in this situation will be treated under the Fiscal Agency Agreement as if they were made on the original due date. Postponement of this kind will not result in a default under any Note or the Fiscal Agency Agreement. However, if any interest payment date, other than the one that falls on the maturity date for a EURIBOR Note or a LIBOR Note would otherwise fall on a day that is not a business day and the next business day falls in the next calendar month, then the interest payment date will be advanced to the next preceding day that is a business day. The term business day has a special meaning, which we described above under “—Interest rates—Floating Rate Notes—Special rate calculation terms”.

### **Paying Agents**

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices Notes in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a “Paying Agent”. We may add, replace or terminate Paying Agents from time to time, provided that at all times there will be a Paying Agent in the Borough of Manhattan, The City of New York. We may also choose to act as our own Paying Agent. Initially, we have appointed the Fiscal Agent, at its corporate trust office in New York City, as the Paying Agent. We must notify the Fiscal Agent of changes in the Paying Agents.

### **Unclaimed payments**

Regardless of who acts as Paying Agent, all money paid by us to a Paying Agent that remains unclaimed at the end of two years after the amount is due to a Holder will be repaid to us. After that two-year period, the Holder may look only to us for payment and not to the Fiscal Agent, any other Paying Agent or anyone else.

### **Notices**

Notices to be given to Holders of a Global Note will be given only to the Depository, in accordance with its applicable policies as in effect from time to time. Notices to be given to Holders of Notes not in global form will be sent by mail to the respective addresses of the Holders as they appear in the Fiscal Agent’s records, and will be deemed given when mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder. Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

### **Our relationship with the Fiscal Agent**

The Bank of New York Mellon is initially serving as the Fiscal Agent for the Notes issued under the Fiscal Agency Agreement. The Bank of New York Mellon has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, The Bank of New York Mellon serves as trustee or agent with regard to other of our debt **obligations**.

### **Prescription**

There are no time limits affecting the validity of claims to interest and repayment of principal under the Notes.

### **Governing law**

The Subordinated Notes and the Fiscal Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except that all matters governing authorization and execution of the Subordinated Notes and the Fiscal Agency Agreement by us and the subordination, Conversion and Write-Off provisions, will be governed by the laws of the State of Victoria and the Commonwealth of

Australia. We have appointed Australia and New Zealand Banking Group Limited, New York branch, with its offices at 277 Park Avenue, New York, New York, 10172, as our agent for service of process in The City of New York in connection with any action arising out of the sale of the Notes or enforcement of the terms of the Fiscal Agency Agreement.

## ***Schedule 2 – Extract of commercial particulars of the Subordinated Notes***

### **Final Terms of the Subordinated Notes**

<b>Deal Reference MTN:</b>	67
Issuer:	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)
Principal Amount and Specified Currency:	US\$1,500,000,000, as it may be reduced due to Conversion or Write-Off in accordance with Section 8A.2 of the Subordinated Notes
Option to receive payment in Specified Currency:	Not Applicable
Type of Note:	Rule 144A Global Note and Regulation S Global Note
Status of Note:	Subordinated Note
Term:	10 years
Issue Date:	May 19, 2016
Trade Date:	May 12, 2016
Stated Maturity:	May 19, 2026
Redemption:	At option of the Issuer at any time on or after a Regulatory Event or for tax reasons. Any early redemption will be subject to the prior written approval of APRA.
Repayment:	No repayment at the option of the holders prior to Stated Maturity. Any early repayment will be subject to the prior written approval of APRA.
Conversion Option:	Conversion with a fall back to Write-Off (Option 1: Section 8A.2 of the Subordinated Notes applies)
Alternative Conversion Number ( <i>for Subordinated Notes only</i> ):	Not Applicable
<b>Fixed Rate Notes:</b>	Applicable
Interest Rate:	4.400% per annum
Interest Rate Frequency:	Semi-annually
Regular Record Date(s):	15 calendar days preceding applicable Interest Payment Date whether or not a “business” day
Interest Payment Dates:	On May 19 and November 19 of each year, commencing on November 19, 2016 and ending on the Stated Maturity Date.
<b>Redemption:</b>	At option of the Issuer at any time on or after a Regulatory Event or for tax reasons. Any early redemption will be subject to the prior written approval of APRA. Any redemption of the Subordinated Notes will be pursuant to the terms of the Subordinated Notes pertaining to redemption, as described in the sections of the Offering Memorandum entitled “Description of the Notes – Redemption or Repurchase of Subordinated Notes”, “Description of the Notes – Redemption for taxation reasons” and “Description of the Notes – Redemption of Subordinated Notes for Regulatory Event”.
Redemption Commencement Date:	Not Applicable
Redemption Price(s):	Par, as it may be reduced due to Conversion or Write-Off in accordance with Section 8A.2 of the Subordinated Notes
Redemption Period(s):	Not Applicable

**General Provisions:**

Business Day Convention:	Following Business Day Convention
Business Days:	London, New York, Sydney
Alternative Day Count Fraction:	30/360, unadjusted
Issue Price (%):	99.952%
Issue Price (\$):	US\$1,499,280,000
Resale Price (Price to public):	99.952%
Discount or Commission:	0.400% (Commission will not be taken out of the Subordinated Notes proceeds)
Net Proceeds to Issuer:	US\$1,499,280,000 (before certain costs, fees and expenses)
Offering Agents:	ANZ Securities, Inc. Citigroup Global Markets Inc. HSBC Securities (USA) Inc. J.P. Morgan Securities LLC
Agents acting in capacity of:	Agent in the case of ANZ Securities, Inc. and principal in the case of the other Offering Agents
Paying Agent:	The Bank of New York Mellon
Calculation Agent:	The Bank of New York Mellon, London branch
Exchange Rate Agent:	Not Applicable
Additional Paying Agent:	Not Applicable
Redenomination, renominatisation and reconventioning provisions:	Not Applicable
Listing:	None
Admission to trading:	Not Applicable
Denominations:	Minimum denomination of US\$200,000, and any integral multiple of US\$1,000 thereafter
Covenant Defeasance:	Not Applicable
CUSIP:	144A: 052528AK2 Reg S: Q0426RND6
ISIN:	144A: US052528AK26 Reg S: USQ0426RND62
Common Code:	144A: 138603369 RegS: 141785265
Additional Selling Restrictions:	See Offering Memorandum
Stabilizing Manager:	Not Applicable
Exchange Rate:	Not Applicable
Depositary (if other than DTC):	Not Applicable
Other terms:	Not Applicable



### ***Schedule 3 – Description of rights and liabilities attaching to Ordinary Shares***

The rights and liabilities attaching to the Ordinary Shares issued on conversion of the Subordinated Notes due May 2026 are set out in the Constitution of the Issuer (“**Constitution**”) and are also regulated by the Corporations Act, ASX Listing Rules and the general law.

A summary of the key rights attaching to the Ordinary Shares is as follows.

#### **Voting rights**

Subject to any rights or restrictions attached to any shares or class of shares, a registered holder of an Ordinary Share is entitled to attend and vote at a general meeting of the Issuer. 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 a registered holder of an Ordinary Share present has one vote.

On a poll, each registered holder of an Ordinary Share 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.

#### **General meetings**

Notice of a general meeting must be given to each registered holder of an Ordinary Share in accordance with the Corporations Act. Each registered holder of an Ordinary Share is entitled to receive notices, financial statements and other documents required to be sent to a registered holder of an Ordinary Share under the Constitution, Corporations Act and ASX Listing Rules, but in the case of financial statements and annual reports only where the registered holder of an Ordinary Share has requested one to be sent to them in accordance with the Corporations Act.

#### **Dividend entitlement**

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the board of Directors of the Issuer (“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 a registered holder of an Ordinary Share (subject to the rights of holders of shares carrying preferred rights including Subordinated Notes).

#### **Dividend reinvestment plan and bonus option plan**

Registered holders of Ordinary Shares who are eligible may participate in the Issuer'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. Registered holders of Ordinary Shares 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 the Issuer's dividend reinvestment plan and bonus option plan is not available directly or indirectly to any entity or person (including any legal or beneficial owner of Ordinary Shares) who is (or who is acting on behalf of or for the account or benefit of an entity or person who is) in or resident in the United States (including its territories or possessions) or Canada.

#### **Rights of shareholders on a winding-up of the Issuer**

If the Issuer is wound up and its property is more than sufficient to pay all debts, share capital of the Issuer and expenses of the winding-up, the excess must be divided among registered holders of Ordinary Shares 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 Subordinated Notes). A partly paid

Ordinary Share is counted as a fraction of a fully paid Ordinary Share equal to the proportion which the amount paid on it bears to the total issue price of the Ordinary Share. However, with the sanction of a special resolution, the liquidator may divide among the registered holders of Ordinary Shares the assets of the Issuer in kind and decide how the division is to be carried out or vest assets in trustees of any trusts for the benefit of the registered holders of Ordinary Shares as the liquidator thinks appropriate.

### **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 ASX Listing Rules or the settlement operating rules of the ASX ("ASX Settlement Operating Rules"), or where registration of the transfer is forbidden by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. In addition, subject to the Corporations Act, ASX 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 ASX Listing Rules.

### **Issues of further shares**

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

### **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.

### **Variation of rights**

The Issuer 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 the Issuer.

### **Approved NOHC event**

If certain events occur in relation to an Approved NOHC, the terms and conditions of the Subordinated Notes may be amended to enable substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including Conversion upon the occurrence of a Non-Viability Trigger Event). If this occurs, the rights and liabilities of the Approved NOHC Ordinary Shares will not be materially different to the rights and liabilities of Ordinary Shares.