

Offering Circular



Australia and New Zealand Banking Group Limited

(Incorporated with limited liability in the State of Victoria)

US\$300,000,000

Perpetual Capital Floating Rate Notes

Issue Price 100%

The Notes will not be redeemable except as set forth herein. Subject to the satisfaction of certain conditions as provided herein, interest will be payable semi-annually in arrear in April and October each year, commencing in 1987.

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold, directly or indirectly, in the United States of America, including its territories and possessions and all areas subject to its jurisdiction, or to, or for the benefit of, nationals or residents thereof.

The Notes will be represented initially by a temporary global note without interest coupons which will be deposited on or about 30th October, 1986 with a common depositary for the Euro-clear System ("Euro-clear") and Cedel S.A. ("Cedel"). The temporary global note will be exchangeable for definitive Notes not earlier than 90 days after completion of the distribution of the Notes, as determined by Morgan Guaranty Ltd, upon certification as to non-U.S. beneficial ownership as more fully set forth herein.

MORGAN GUARANTY LTD

BANKERS TRUST INTERNATIONAL LIMITED
COMMERZBANK AKTIENGESellschaft
MERRILL LYNCH CAPITAL MARKETS
ORION ROYAL BANK LIMITED

BANK OF TOKYO INTERNATIONAL LIMITED
BANQUE BRUXELLES LAMBERT S.A.
BARING BROTHERS & Co., LIMITED
CIBC LIMITED

COUNTY NATWEST CAPITAL MARKETS LIMITED
DAIWA EUROPE LIMITED
DKB INTERNATIONAL LIMITED
EBC AMRO BANK LIMITED

KIDDER, PEABODY INTERNATIONAL LIMITED
LOYDS MERCHANT BANK LIMITED
MITSUBISHI FINANCE INTERNATIONAL LIMITED
MITSUI FINANCE INTERNATIONAL LIMITED
PRUDENTIAL-BACHE SECURITIES INTERNATIONAL
SHEARSON LEHMAN BROTHERS INTERNATIONAL
SWISS BANK CORPORATION INTERNATIONAL LIMITED
UNION BANK OF SWITZERLAND (SECURITIES) LIMITED
YAMAICHI INTERNATIONAL (EUROPE) LIMITED

ANZ MERCHANT BANK LIMITED

BANQUE PARIBAS CAPITAL MARKETS LIMITED
CREDIT SUISSE FIRST BOSTON LIMITED
MORGAN STANLEY INTERNATIONAL
S.G. WARBURG SECURITIES

BANK OF YOKOHAMA (EUROPE) S.A.
BANQUE NATIONALE DE PARIS
CHASE MANHATTAN LIMITED
CITICORP INVESTMENT BANK LIMITED
CREDIT COMMERCIAL DE FRANCE
DEUTSCHE BANK CAPITAL MARKETS LIMITED

DRESNER BANK AKTIENGESellschaft
IBJ INTERNATIONAL LIMITED
KYOWA BANK NEDERLAND N.V.
MANUFACTURERS HANOVER LIMITED
MITSUBISHI TRUST INTERNATIONAL LIMITED
MORGAN GRENFELL & Co. LIMITED
NOMURA INTERNATIONAL LIMITED
SALOMON BROTHERS INTERNATIONAL LIMITED
SUMITOMO TRUST INTERNATIONAL LIMITED
TAKUJIN INTERNATIONAL BANK (EUROPE) S.A.
WESTDEUTSCHE LANDESBANK GROSZENTRALE

YASUDA TRUST EUROPE LIMITED

23rd October, 1986

Australia and New Zealand Banking Group Limited (the "Bank"), having made all reasonable enquiries, confirms that this document contains all information with regard to the Bank and the Bank and its consolidated subsidiaries (the "Group") and with regard to the Notes which is material in the context of the issue of the Notes, that the information contained in this document is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that there are no other facts the omission of which makes any of such information or the expression of any such opinions or intentions misleading. The Bank accepts responsibility accordingly.

This Offering Circular does not constitute an offer or an invitation by or on behalf of the Bank or the institutions named on the cover hereof (the "Managers") or any of them to subscribe for or purchase any of the Notes.

The distribution of this Offering Circular and the subscription, offering or sale of the Notes in certain jurisdictions may be restricted by law; persons into whose possession this Offering Circular comes are required by the Managers and the Bank to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and on distribution of this Offering Circular, see "Subscription and Sale".

No person is authorised to give any information or to make any representation in connection with the issue of the Notes not contained in this document and any information or representation not contained herein must not be relied upon as having been authorised by the Bank or any of the Managers. Neither the delivery of this Offering Circular nor the issue of the Notes nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or the Group since the date hereof.

In connection with the issue of the Notes the Managers may (for their own account and not as agents of the Bank) over-allot or effect transactions in the open market or otherwise in connection with the distribution of the Notes with a view to stabilising or maintaining the price of the Notes at levels other than those which might otherwise prevail in the open market. Such stabilisation, if commenced, may be discontinued at any time.

All references to "A\$", "\$" or "cents" are to Australian dollars or cents, and to "U.S. dollars" or "U.S.\$" are to United States dollars.

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TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes substantially as they will appear on the reverse of each Note:—

This Note is one of a duly authorised issue of Notes (the "Notes" which expression shall include any further notes forming a single series with the Notes issued pursuant to Condition 14) of Australia and New Zealand Banking Group Limited (the "Bank"), in the aggregate principal amount of U.S.\$300,000,000 constituted by a trust deed dated 30th October, 1986 (the "Trust Deed") made between the Bank and Bankers Trustee Company Limited (the "Trustee", which expression shall wherever the context so admits include its successors as trustee under the Trust Deed) and having the benefit of an Agency Agreement dated 17th June, 1985 as amended and supplemented by a supplemental agreement dated 28th October, 1986 (together the "Agency Agreement") each made between the Bank and Bankers Trust Company as, inter alia, Agent Bank. The issue of the Notes was authorised by a board resolution dated 15th September, 1986. The Trustee shall act as trustee for the holders for the time being of the Notes (the "Noteholders") in accordance with the provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement and the latest available annual consolidated accounts of the Bank will be available for inspection at the registered office of the Trustee being at the date hereof at Dashwood House, 69 Old Broad Street, London EC2P 2EE and at the specified offices of the Principal Paying Agent and each of the Paying Agents named herein, or appointed in accordance with Condition 6 (the "Paying Agents"). The Noteholders and the holders of the Coupons (as defined in Condition 1) (the "Couponholders") will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the Trust Deed.

1. Form, Denomination and Title

The Notes are in bearer form serially numbered and in the denominations of U.S.\$10,000 and U.S.\$250,000 each with, upon issue, coupons and a talon for further coupons (together "Coupons") attached. Title to the Notes and the Coupons will pass by delivery. The bearer of any Note and, subject to Condition 6, the bearer of any Coupon shall be deemed to be and shall be treated as the absolute owner thereof for the purpose of receiving payment thereon or on account thereof (notwithstanding any notice of ownership or writing thereon made by anyone or any notice of previous loss or theft thereof) and for all other purposes, whether or not such Note or Coupon shall be overdue.

2. Status and Subordination

The Notes and the Coupons are unsecured obligations of the Bank, conditional as described below, and rank *pari passu* without any preference among themselves. The rights of the Noteholders and Couponholders are subordinated to the claims of Other Creditors (as defined below) of the Bank and accordingly the Bank's obligation to make any payment of principal and (subject to Condition 4) interest, are conditional upon the Bank being solvent at the time of payment by the Bank, and no principal or interest shall be payable in respect of the Notes except where the Bank could make such payment and remain solvent immediately thereafter. For the purposes of this Condition, the Bank shall be solvent if (i) it is able to pay its debts to Other Creditors as they fall due and (ii) its Assets exceed its Liabilities. A report as to the solvency of the Bank by two Directors of the Bank or, in certain circumstances as provided in the Trust Deed, the auditors of the Bank or, if the Bank is in winding-up, its liquidator, shall in the absence of proven error be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence thereof.

For the purposes of these Conditions:

"Other Creditors" means all creditors of the Bank (including but not limited to depositors of the Bank) other than the Noteholders and Couponholders and creditors whose claims against the Bank are expressed to rank *pari passu* with or after the claims of the Noteholders and Couponholders;

"Assets" means the unconsolidated assets of the Bank and "Liabilities" means the unconsolidated liabilities of the Bank to Other Creditors, in each case as shown in the latest audited published balance sheet of the Bank but with such adjustments as two Directors of the Bank, the auditors or, if the Bank is in winding-up, the liquidator shall determine.

In the event of the winding-up of the Bank, the rights of the Noteholders will rank in preference only to the rights of preferred and ordinary shareholders and creditors whose claims may at any future time be expressed to rank after the Noteholders.

3. Further Issues of Share Capital and Indebtedness

The Bank shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue any class of share capital (subject as provided in the Trust Deed) and to create, issue, secure or guarantee any indebtedness upon such terms, including as to return of capital or repayment in a winding-up, as the Bank may think fit.

4. Interest

(a) Interest Payments

Interest on the Notes will be paid in accordance with Condition 6.

(b) Period of Accrual of Interest

The Notes bear interest from and including 30th October, 1986 or, in the event that payment to the Bank of the subscription moneys in respect of the Notes is deferred, such later date as payment shall be made (the "Closing Date"). Where any principal in respect of any Note is to be repaid under Condition 5, interest thereon will cease to accrue from the due date for repayment unless, upon due presentation thereof, payment of principal or accrued interest is improperly withheld or refused, or is not made by reason of Condition 2. Interest due but unpaid shall not bear interest.

(c) Interest Payment Dates and Interest Periods

"Interest Payment Date" means the date which (save as mentioned below) falls six calendar months after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, six calendar months after the Closing Date. If any Interest Payment Date would otherwise fall on a day which is not a business day it shall be postponed to the next business day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date shall be the immediately preceding business day and each subsequent Interest Payment Date shall be the last business day of the sixth calendar month after the calendar month in which the preceding Interest Payment Date shall have fallen. The period from (and including) the Closing Date to (but excluding) the first Interest Payment Date and each period thereafter between successive Interest Payment Dates is referred to herein as an "Interest Period" and, as used in this Condition, "business day" shall mean a day on which banks and foreign exchange markets are open for business in both London and New York City.

"Compulsory Interest Payment Date" means any Interest Payment Date upon which the Bank, having made a payment of interest in respect of the Notes, would remain solvent immediately thereafter and which occurs at the end of a period of twelve calendar months during which any dividend has been declared or paid on any class of share capital of the Bank and "Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

There shall be payable on each Compulsory Interest Payment Date interest in respect of the Interest Period ending on such date.

Any interest not paid on an Optional Interest Payment Date shall be deemed never to have accrued and shall accordingly not thereafter be due and payable by the Bank.

The Bank shall give notice in accordance with Condition 11 not more than 14 nor less than 7 days prior to any Optional Interest Payment Date on which it elects not to make any payment of interest in full of such election.

(d) Rate of Interest

The rate of interest for each Interest Period payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank (as described in (e) below) on the basis of the following provisions:

- (i) On the second business day prior to the commencement of each Interest Period ("Interest Determination Date") the Agent Bank will request the principal London offices of the Reference Banks (as described in (b) below) to provide the Agent Bank with their offered quotation (the "reference rate") to leading banks for deposits of U.S. dollars in the London inter-bank market for such Interest Period as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for that Interest Period shall be 0.15 per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest 1/32 per cent.) of the reference rates;
- (ii) if on any Interest Determination Date two or three only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined (in accordance with (i) above) on the basis of the reference rates of such Reference Banks; and

(iii) if, on any Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such reference rates, the Rate of Interest for the relevant Interest Period shall be whichever is the higher of:

(A) the Rate of Interest in effect for the last preceding Interest Period to which (i) or (ii) above shall have applied; and

(B) (1) a rate per annum which the Agent Bank determines as being 0.15 per cent. per annum above the arithmetic mean (rounded upwards if necessary to the nearest 1/32 per cent.) of the rates, as communicated to and at the request of the Agent Bank by or on behalf of the Reference Banks or any two of them (if such only provide reference rates), at which such Reference Banks are offered, as at 11.00 a.m. (New York City time) on the relevant Interest Determination Date, by leading banks in New York City, U.S. dollar deposits for the relevant Interest Period; or

(II) if only one or none of the Reference Banks provide the Agent Bank with such reference rates, 0.15 per cent. per annum above the arithmetic average of the lowest lending rates for U.S. dollar deposits which leading banks in New York City, selected after consultation with the Bank by the Agent Bank, quote on the relevant Interest Determination Date for the relevant Interest Period to leading banks which have their head offices in Europe;

Provided that if the banks selected as aforesaid by the Agent Bank are not quoting as mentioned above, the Rate of Interest shall be the Rate of Interest specified in (A) above.

(e) Determination of Rate of Interest and Calculation of the Amount of Interest

The Agent Bank will, on each Interest Determination Date, determine the Rate of Interest and the amount of interest payable on the presentation and surrender of each Coupon in respect of each Note (the "Amount of Interest") for the relevant Interest Period. The Amount of Interest shall be calculated by applying the Rate of Interest to the principal amount of one Note of each denomination, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(f) Publication of Rate and Amount of Interest

The Agent Bank will cause the Rate of Interest and the Amount of Interest payable on the Notes as ascertained pursuant to (e) above for each Interest Period and the relevant Interest Payment Date to be notified to the Stock Exchange on which the Notes are listed and to be published in accordance with Condition 11, in each case as soon as possible after the determination, but in any event not later than the fourth business day thereafter. Such Amount of Interest and Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(g) Determination or Calculation by Trustee

In the event that the Agent Bank does not at any time for any reason determine the Rate of Interest in accordance with (d) above or the Amount of Interest payable on the Notes as ascertained pursuant to (e) above, the Trustee shall determine the Rate of Interest and/or, as the case may be, the Amount of Interest in such manner as, in its absolute discretion (having such regard as it shall think fit to the procedure described in (d) or (e) above) it shall deem fair and reasonable in all the circumstances; and each such determination or calculation shall be deemed to have been made by the Agent Bank.

(h) Agent Bank and Reference Banks

The Bank shall procure that so long as interest continues to accrue on the Notes there shall at all times be an Agent Bank and four Reference Banks for the purposes of the Notes. The initial Reference Banks shall be the principal London offices of Bankers Trust Company, Morgan Guaranty Trust Company of New York, International Westminster Bank Plc and Swiss Bank Corporation and the initial Agent Bank shall be Bankers Trust Company. The Bank may, with the prior approval of the Trustee, from time to time replace any Reference Bank or the Agent Bank by another bank engaged in the eurodollar market. In the event of the principal London office of any such bank being unable or unwilling to continue to act as Agent Bank, the Bank shall appoint such other bank as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign its duties as such without a successor having been appointed and approved as aforesaid.

(i) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purpose of the provisions of this Condition whether by Reference Banks (or any of them), the Agent Bank or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Agent Bank, the Principal Paying Agent, the Trustee and all of the Noteholders and Couponholders. No Noteholder or Couponholder shall be entitled to proceed against the Reference Banks, the Agent Bank, the Principal Paying Agent or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions.

(j) Amount of Interest on Optional Interest Payment Date

Notwithstanding the foregoing provisions of this Condition 4, the Bank shall be entitled, if it so elects, to pay on any Optional Interest Payment Date an amount of interest on the Notes which is less than the amount which would have been payable had that Optional Interest Payment Date been a Compulsory Interest Payment Date.

5. Repayment

(a) Repayment

The Notes will be undated and accordingly will have no final maturity date and will, subject as provided below, be repayable only upon the making of a winding up order against the Bank in Victoria and the claims of the Other Creditors being satisfied in full or in accordance with this Condition.

(b) Repayment for Taxation Reasons

If the Bank satisfies the Trustee, immediately prior to the giving of the notice referred to below that, as a result of any actual or proposed change in, or amendment of or judicial decision relating to, the laws of Australia or any political subdivision thereof or the regulations of any taxing authority therein or thereof or any actual or proposed change in the official application or interpretation of any such laws or regulations, the Bank, on the next Interest Payment Date, would be required to pay any additional amounts in accordance with the provisions of Condition 7 the Bank may, on giving not more than 45 nor less than 30 days' notice to the Trustee and to the Noteholders, repay (subject to Condition 2) on any Interest Payment Date all, but not some only, of the Notes at their principal amount. Upon the expiration of such notice the Bank shall be bound (subject to Condition 2) to pay interest accrued in the Interest Period ending on such date.

(c) Repayment at the Option of the Bank

The Bank may, having given not less than 45 days' notice to the Trustee and on giving not more than 45 nor less than 30 days' notice to the Noteholders, repay all or some (being U.S. \$10,000,000 in principal amount or an integral multiple thereof) of the Notes on any Interest Payment Date falling in or after October, 1991 at their principal amount. Upon the expiration of such notice the Bank shall (subject to Condition 2) be bound to repay the principal amount of the Notes to which such notice refers and to pay interest accrued in the Interest Period ending on such date.

(d) Drawings

In the case of any partial repayment under the terms of sub-paragraph (c) above, Notes to be called for repayment will be drawn in London, or such other place as the Trustee may approve, individually by lot or in such a manner as may be approved by the Trustee, not less than 60 days before the Interest Payment Date fixed for such repayment and notice of the serial numbers of the Notes so drawn will be given to the Noteholders together with notice of the date fixed for repayment in accordance with Condition 11.

(e) Purchases

The Bank or any of its subsidiaries (as defined in the Trust Deed) may at any time purchase Notes in each case together with all unmatured Coupons relating to such Notes.

(f) Cancellation

All Notes repaid or purchased as aforesaid will be cancelled forthwith, together with all unmatured Coupons attached thereto or surrendered therewith, and may not be resold or reissued. References in this Condition 5 and in Condition 6 to the purchase of Notes shall not include the purchase of Notes with the intention of resale or in the ordinary course of business as a Dealer in Securities (as defined in the Trust Deed).

(g) Undertaking to Reserve Bank of Australia

The Bank has given an undertaking to the Reserve Bank of Australia that it will not exercise its rights under Condition 5(b) and/or Condition 5(c), nor will it cancel any Notes pursuant to Condition 5(f), without first consulting with and obtaining the consent of the Reserve Bank of Australia.

6. Payments

Payments of principal and interest in respect of the Notes upon a winding up of the Bank in Victoria will be made against surrender of the relevant Note; other payments of principal will be made against surrender of the relevant Note and other payments of interest will be made against surrender of the relevant Coupon at the specified office of any Paying Agent, by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City, subject in all cases to the provisions of the Trust Deed and to any fiscal or other laws and regulations applicable to the Bank or the holder of the Note or Coupon in respect of such payment, but without prejudice to the provisions of Condition 7. If the date for payment of any amount of principal or interest in respect of any Note is not at any place of payment a business day, then the holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following day which is a business day at that place of payment and the holder shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means any day on which banks are open for business in the relevant place of payment and (in the case of the payment by transfer to a U.S. dollar account) on which dealings in foreign currency may be carried on both in New York City and in such place of payment. Without prejudice to the generality of the foregoing, the Bank reserves the right to require any person receiving repayment of principal or, as the case may be, payment of interest with respect to any Note or Coupon to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States Federal Income Tax Laws. It is likely that corporations, including banks and other financial institutions, will only have to supply evidence of corporate status.

Upon the due date for repayment of any Notes or upon the purchase of Notes by the Bank or any of its subsidiaries any unmatured Coupons relating to such Notes (whether or not attached) shall become void and no payment shall be made in respect thereof and such Coupons shall cease to be treated as Coupons for the purpose of these Conditions.

For the purpose of these Conditions "matured" in relation to Coupons refers to Coupons in respect of which the Interest Payment Date has occurred and "unmatured" shall be construed accordingly.

Upon the commencement of a winding up of the Bank in Victoria unmatured Coupons and all other Coupons in respect of which the Relevant Date (as defined in Condition 7) has not occurred (whether or not attached to the relevant Notes) shall become void and no payment shall be made in respect thereof and such Coupons shall cease to be treated as Coupons for the purpose of these Conditions.

The Bank reserves the right, at any time, with the approval of the Trustee to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain a Paying Agent having a specified office in a European country other than the United Kingdom which, so long as the Notes are listed on the Luxembourg Stock Exchange, shall be in Luxembourg.

In addition, the Bank will, if so required by the Trustee, appoint a Paying Agent having a specified office in New York City if:

- (i) the Bank shall have appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the full amount of interest on the Notes in manner provided above when due,
- (ii) payment of the full amount of interest on the Notes by such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and the Trustee requests that payment be made in New York City, and
- (iii) such payment is then permitted by United States law.

Notice of any termination or appointment and of any changes in the specified offices of the Paying Agents will be given to the Noteholders in accordance with Condition 11.

7. Taxation

All repayments of principal and payments of interest by the Bank in respect of the Notes and/or Coupons will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Commonwealth of Australia or any political subdivision thereof, or any authority in the Commonwealth of Australia having power to tax unless the withholding or deduction of such taxes or duties is required by law, in which event the Bank will pay such additional amounts as may be necessary in order that the net amounts receivable by the holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction; except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Commonwealth of Australia other than the mere holding of such Note or Coupon or the receipt of principal or interest in respect thereof, or
- (ii) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on such thirtieth day.

For the purposes of these Conditions the "Relevant Date" means whichever is the later of

- (a) the date on which such payment first becomes due; and
- (b) if the full amount of the moneys payable has not been received in New York City by the Principal Paying Agent (as defined in the Trust Deed) or the Trustee on or prior to such due date, the date on which the full amount of such moneys having been so received, notice to that effect shall have been duly published.

Any reference in these Conditions to principal or interest in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under the undertakings referred to in this Condition or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

8. Prescription

Notes and Coupons (other than Talons for further Coupons) will become void unless presented for payment within a period of 12 years and 6 years respectively from the Relevant Date relating thereto. No Talon may be presented for exchange for further Coupons which themselves have become void under this Condition.

9. Enforcement

- (a) Notwithstanding Condition 2, if default is made for a period of 14 days or more in the repayment of any principal and/or the payment on a Compulsory Interest Payment Date of any interest due and payable in respect of the Notes or any of them, then the Trustee may, in order to enforce payment and whether or not the Bank would remain solvent after the payment of such amount at any subsequent time, at its discretion and without further notice institute proceedings for the winding up of the Bank in Victoria.
- (b) The Trustee shall not in any event be bound to take the action referred to in paragraph (a) above unless:
 - (i) it shall have been so requested in writing by the holders of at least one-fifth of the principal amount of the Notes then outstanding or if it shall have been so directed by an Extraordinary Resolution of the Noteholders; and
 - (ii) it shall have been indemnified to its satisfaction by the Noteholders and/or the Couponholders.

- (c) No remedy against the Bank other than as specifically provided by this Condition or in the Trust Deed shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or Coupons or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes or Coupons or otherwise (other than the payment of the costs, charges, expenses or liabilities or remuneration of the Trustee), and no Noteholder or Couponholder shall be entitled to proceed directly against the Bank or to prove or claim in the winding-up of the Bank unless the Trustee, having become bound to proceed, fails to do so within a reasonable period and such failure shall be continuing, or being able to prove or claim in the winding-up, fails so to do, in which case any such holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings against the Bank for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so and/or prove or claim in the winding-up.

10. Replacement of Notes and Coupons

Should any Note or Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent for the time being in Luxembourg, upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Bank may require. Mutilated or defaced Notes or Coupons or Talons must be surrendered before replacements will be issued.

11. Notices

All notices regarding the Notes or the Coupons will be valid if published, where practicable, in a leading daily newspaper in London which is expected to be the *Financial Times* and, so long as the Notes are listed on the Luxembourg Stock Exchange, in a leading daily newspaper in Luxembourg, which is expected to be the *Luxemburger Wort*. Any such notice shall be deemed to have been given on the date of such publication in both newspapers or, if published more than once, on the date of the first such publication.

12. Meetings of Noteholders, Modification, Waiver

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including, subject to the agreement of the Bank, the modification by Extraordinary Resolution of the terms and conditions of the Notes or the provisions of the Trust Deed. At any meeting convened for the passing of an Extraordinary Resolution the quorum will be persons holding or representing a clear majority, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders whether or not they are present at the meeting and on the Couponholders. Subject to certain exceptions the Trustee may agree, without the consent of the Noteholders or Couponholders, to

- (i) any modification of any of the provisions of the Trust Deed, the Notes or the Coupons; and
- (ii) the waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed, the Notes or the Coupons;

which, in either case, is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders. In addition, the Trustee may agree to any modification of any of the provisions of the Trust Deed, the Notes or the Coupons which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders as soon as practicable thereafter.

The Bank has given an undertaking to the Reserve Bank of Australia that it will not agree to any modifications pursuant to this Condition without first consulting with and obtaining the consent of the Reserve Bank of Australia.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Bank and/or any of its subsidiaries without accounting to the Noteholders or Couponholders for any profit resulting therefrom.

14. Further Issues

The Bank shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further bonds or notes either, in the case of notes, ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the Notes, or, in either case, upon such terms as to interest, conversion, premium, subordination, redemption and otherwise as the Bank may at the time of the issue thereof determine. Any further notes forming a single series with the Notes shall, and any other bonds or notes may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of bonds or notes of other series in certain circumstances where the Trustee so decides.

15. Governing Law

The Trust Deed, the Notes and the Coupons are governed by and shall be construed in accordance with English law. The Bank has submitted to the non-exclusive jurisdiction of the English courts for all purposes in connection with the Notes, the Coupons and the Trust Deed.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, estimated to aggregate approximately U.S. \$299,175,000, will be used in the general business of the Group.

CONSOLIDATED CAPITALISATION AND FUNDING OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND SUBSIDIARIES

The consolidated capitalisation and funding of the Group at 30th September, 1985 were as follows:—

Deposits	(A\$'000)
Due to other banks	25,079,252
Bills payable	5,304,852
Borrowings by subsidiaries	234,163
Secured	
Esanda Limited	1,735,896
Finance Corporation of Australia Limited	251,961
UDC Group Holdings Limited	375,425
ANZ Properties (Australia) Limited	4,244
Total secured	<u>2,367,526</u>
Unsecured	
Esanda Limited	885,825
Finance Corporation of Australia Limited	3,640
UDC Group Holdings Limited	94,255
ANZ Properties (Australia) Limited	120,005
Total unsecured	<u>1,103,725</u>
Total borrowings by subsidiaries	<u>3,471,251</u>
Minority interests	55,057
Provisions	
Doubtful debts	619,230
Deferred taxes	247,961
Longserviceleave	<u>119,264</u>
Total provisions	<u>986,455</u>
Shareholders' equity	<u>2,159,459</u>
Total capitalisation and funding	<u><u>37,290,489</u></u>

(a)	Since 30th September, 1985 the Bank has undertaken an issue of A\$50,000,000 15¼ per cent. Bonds due 1990, an issue of A\$100,000,000 Zero Coupon Bonds due 1991 and an issue of £50,000,000 9¼ per cent. Bonds due 1993, none of which is regarded by the Bank as forming part of its capital base and all of which the Bank proposes to treat as deposits in the consolidated balance sheet at 30th September, 1986. Similar borrowings up to the year ended 30th September, 1985 were treated as deposits in the consolidated balance sheet as of that date.
(b)	The issue of the U.S.\$300,000,000 Perpetual Capital Floating Rate Notes is regarded by the Bank as forming part of its capital base.
(c)	Since 30th September, 1985 the Bank has issued 67,725,542 A\$1 ordinary shares as a result of a one for five rights issue announced 18th November, 1985 raising A\$254,000,000. Apart from shares issued under the Bank's dividend reinvestment programme and employee share purchase scheme, the only other issue was at 10th October, 1986 when 38,634,169 shares were issued in connection with the acquisition of shares held by minority shareholders in ANZ (New Zealand) Ltd. Otherwise the share capital has remained unchanged.
(d)	Shareholders' equity at 30th September, 1985 was comprised as follows:—

	(A\$'000)
Issued and paid up capital	336,038
Reserves	1,396,768
Retained profits	426,653
	<u>2,159,459</u>

Details of Reserves are contained in Note 4 to the Consolidated Financial Statements on page 25 of this Offering Circular.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

INTRODUCTION

Australia and New Zealand Banking Group Limited (the "Bank") conducts general banking business in Australia, New Zealand and overseas. The Bank and its subsidiaries and associated companies (the "Group") also provide a complete range of finance, investment and advisory services and merchant banking activities.

At 31st March, 1986 the Group had total assets of approximately A\$49.3 billion. Consolidated operating profit after tax and before extraordinary items for the half-year to that date was A\$141.9 million. Group profit for the year to 30th September, 1985, the last full reporting year, was A\$320.2 million, of which A\$205.1 million was attributable to the Bank, including dividends received from subsidiary companies of A\$60.7 million. The Bank is publicly owned.

BUSINESS OF THE GROUP

History

The history of the Group dates from 1835 when the Bank of Australasia was established in London by Royal Charter. After mergers over a number of years the Bank transferred its domicile from England to Australia in 1976.

The Bank acquired the Bank of Adelaide in 1979 and Grindlays Holdings PLC on 7th September, 1984. However, Grindlays Bank PLC, a subsidiary of ANZ Holdings (UK) PLC, remains a separate corporate entity and maintains its present trading name.

General

The Group provides a wide range of banking and other financial services to corporations and individuals worldwide through 1657 points of representation of which 1,239 are in Australia, 218 in New Zealand and 200 in other countries. Staff worldwide number about 38,000, with almost 24,000 in Australia.

In New Zealand, the Bank operates through a subsidiary, ANZ Banking Group (New Zealand) Limited. On 4th August, 1986 the Group made an offer for the 25% of the ordinary share capital of ANZ Banking Group (New Zealand) Limited it did not already hold. On 20th August, 1986 the offer was declared unconditional.

At 30th September, 1985 the Group's total deposits and borrowings by borrowing corporation subsidiaries amounted to A\$28,550 million and its loans, advances and receivables were A\$25,939 million.

Retail Banking

Within Australia, the Group's retail banking services include current and interest bearing accounts, including term deposit and savings accounts; providing short and medium-term finance through loans, overdrafts and leasing; housing finance through longer-term mortgage loans and credit card operations.

Commercial Services

The Group's Australian commercial banking business covers a wide range of services. These include the businesses of Esanda Finance Corporation, Australian Fixed Trusts, Greater Pacific Life Assurance, ANZ Executors and Trustee Company, Investment and Trust Services and Travel Services. The main part of the Group's hire purchase, credit sales, equipment leasing and commercial property development finance activities is conducted through Esanda. A similar business is conducted in New Zealand through UDC Group Holdings Limited.

Corporate Services

Corporate Services groups together corporate banking, ANZ Capital Markets Corporation (the Merchant Banking Arm in Australia), Development Finance Corporation, Stockbrokers McCaughan Dyson and Daiwa-ANZ International.

International Operations

The Group's international operations, which comprise about 20 business units in 46 countries, are grouped together in four geographic sectors. The UK/Europe/Middle East and Africa business is based in London and includes the operations of ANZ Merchant Bank Limited, global trade finance, private banking and regional correspondent banking. The South Asia business covers operations in India, Bangladesh and Sri Lanka. The Group's operations in the Americas and Pacific Basin (including South East Asia, Papua New Guinea and the Pacific Islands) form a separate international sector. New Zealand is the remaining sector of the overseas operations.

At 30th September, 1985 lending exposure by the Group to 23 countries subject to rescheduling represented a total exposure of 3.4 per cent. of total assets. Over 90 per cent. relates to lending to governments, banks and government entities, and no individual country exposure exceeds one per cent. of assets.

The Bank's treasury operation is organized on an integrated global basis and the global treasury sector manages the Group's major treasures. The Bank is a leading foreign exchange dealer in Australia. On a global basis, the May 1986 edition of Euromoney Magazine ranked the Bank 11th among international banks in foreign exchange trading services.

DESCRIPTION OF ASSETS

Loan Portfolio

The Group's loan portfolio consists of loans, advances, bills discounted and outstandings under hire purchase, leasing and other agreements. The Group provides loan and overdraft facilities to its retail and corporate customers within Australia, New Zealand and overseas. At 30th September, 1985, total loans outstanding were A\$25,314 million.

Provisions for Doubtful Debts

Provisions for doubtful debts of the Bank are made as considered necessary having regard to both general and specific factors. Any subsequent write-off is charged against the specific provision. The Bank believes that it maintains a conservative policy throughout the Group in providing for doubtful debts and writing off loans. As soon as there is a risk that payments from the borrower are unlikely to meet principal and interest, no further interest is recorded as income.

Within the banking companies in the Group, the general provision for doubtful debts is based on the level of lending and an assessment of overall economic conditions and the quality of the loan portfolio as a whole rather than on an evaluation of individual loans.

Specific provisions for doubtful debts are maintained by companies within the Group with respect to loans and outstandings which are believed to present a likelihood of loss. Specific provisions are made when, in the judgment of senior management, the estimated repayment, after evaluating any security, is likely to fall short of the amount owed. The amount transferred to the specific provision is equal to the estimated shortfall. The decision to write down a loan or outstanding is made by management on a case by case basis.

The following table sets forth details of the Group's provisions for doubtful debts for the last two years.

	1984	1985
	(A\$'000)	(A\$'000)
Net loans, advances and receivables at 30th September	21,376,943	25,939,244
Balance brought forward at 30th September from prior year	161,503	541,611
Adjustment for exchange rate fluctuations	(5,134)	91,752
Transfer to profit and loss account	—	(20,586)
Bad debts written off	(40,133)	(69,684)
Recoveries	8,829	8,311
Charge to profit and loss account	59,646	60,133
Provisions at acquisition date of companies acquired	356,900	7,693
	541,611	619,230

	1984	1985
	(A\$'000)	(A\$'000)
Provision for doubtful debts at 30th September	277,265	317,887
Specific provision	264,346	301,343
General provision	541,611	619,230
Total provision	—	—

	1984	1985
	(%)	(%)
Percentage of provision for doubtful debts to net loans, advances and receivables at 30th September	1.30	1.23
Specific provision	1.23	1.16
General provision	2.53	2.39
Total provision	—	—

SOURCES OF FUNDS

Deposits

The principal components of the Group's domestic deposits are retail and corporate deposits consisting of current non-interest bearing deposits, interest bearing term deposits, certificates of deposit, and savings deposits. The Group also accepts international deposits from retail and corporate customers. The following table presents a breakdown of the sources of the Group's deposits at 30th September for the last two years.

	1984	1985
	(A\$'000)	(A\$'000)
	(% of total)	(% of total)
Domestic:		
Current	3,406,004	4,029,890
Term	5,745,470	6,649,526
Savings	3,818,030	3,784,208
Total domestic	12,969,504	14,463,624
International	6,662,870	10,615,628
Total deposits	19,632,374	25,079,252
	100.0	100.0

Other Sources of Funds

The Group's finance subsidiaries issue secured debenture stock and unsecured notes in the domestic capital market to fund their operations. These borrowings are not guaranteed by the Bank. The Group also raises short term funds by borrowing in offshore interbank markets and through the issue of commercial paper. The Bank also raises funds through the issue of fixed rate bonds and floating rate notes in various currencies in the international capital market.

ASSET AND LIABILITY MANAGEMENT

The majority of the Group's lending in the retail, corporate and commercial banking sectors is made on an adjustable rate basis, and incorporates both fixed and variable term loans. Accordingly, it is the objective of Asset and Liability Management to actively manage mismatches in the Group's assets and liabilities to maximise profitability, consistent with prudent risk. The outstandings of finance companies within the Group are generally of a fixed interest rate and term. As such, matching of assets and liabilities is an objective of these companies.

From 30th May, 1985, the Reserve Bank of Australia has required major trading banks to hold 12% of total assets (less shareholders funds) in Australian currency within Australia in prime assets. In addition, major banks are required to maintain on deposit with the Reserve Bank as a reserve requirement, an amount equal to 7% of a bank's deposits, and 3% of this reserve requirement is counted as prime assets for the purpose of meeting the prime assets ratio.

CAPITAL MANAGEMENT

The ratio of capital to total assets represents the principal yardstick for assessing bank capital adequacy in Australia and, till recently, 'capital' for this purpose was defined to include shareholders' equity and minority interests. The Group's capital ratios on this basis, which stood at 5.4%, 5.1% and 5.2% at 30th September, 1983, 1984 and 1985 respectively were generally regarded as well above prudential requirements. In common with other Australian banks, the Group does not maintain undisclosed contingency reserves. The Bank also recognises the importance of its subsidiaries possessing capital and liquidity appropriate to the business in which they are engaged and it is the Bank's policy to ensure that its subsidiaries are so capitalised. The Reserve Bank of Australia has recently announced a change in the method of assessing bank capital ratios by bringing within the definition of 'capital' general provisions against loan losses, excess of market value of properties over book value and a certain proportion of perpetual subordinated debt, in addition to shareholders' equity and minority interests. The Group will have no difficulty in meeting the revised standards over the period of time allowed for phasing in the new requirements.

MANAGEMENT DISCUSSION OF RESULTS

Year Ended 30th September, 1985

The consolidated operating profit after tax for the year to 30th September, 1985 excluding extraordinary items and minority interests was A\$320.2 million, an increase of 12.8% on the restated 1984 result of A\$283.8 million. After a net extraordinary items profit of A\$9.9 million (1984 loss of A\$146.9 million which included A\$143.5 million goodwill write-off relating to the acquisition of Grindlays Holdings plc and DFC) consolidated profit available to shareholders after tax was A\$330.1 million compared with A\$136.9 million (restated) in 1984.

The 1985 result includes an abnormal credit item of A\$18.0 million which arose from the decision of the Directors to change the doubtful debt provision policy for banking companies in the Group. This change will mean that each year's result will directly reflect the year's bad and doubtful debts experience and move the Bank's doubtful debt provision policy into line with currently accepted international banking practice. In addition to the abnormal item mentioned earlier, as a result of the changed policy, the charge to profit and loss account for doubtful debt provisions in 1985 is A\$26.3 million lower than it would have been under the old policy. Application of the changed policy in 1984 would have resulted in a A\$14.7 million lower charge to profits and after adjustment for this amount, 1984 profits would have been A\$283.8 million compared with the 1985 result of A\$302.2 million excluding the abnormal item, i.e. an increase of 6.5% in 1985.

The improvement in the Group operating profit stemmed largely from increased contributions from overseas operations, partly due to favourable exchange rate movements and partly due to improved operating conditions. The results also included a maiden profit contribution of A\$11.7 million from the Grindlays group.

The results of the Bank's Trading Bank in Australia were adversely affected by lower interest margins and higher operating costs, the latter reflecting current technology investment patterns.

Australia and New Zealand Savings Bank Limited, a subsidiary of the Bank, recorded a moderate profit increase and achieved a strong growth in housing loans.

The New Zealand group was again a strong contributor in part reflecting the weaker Australian Dollar. The New Zealand results were affected by higher interest costs and a rise in operating costs following the removal of official price and wage restraints and the impost of the fringe benefits tax that applied in the second half of the year.

The Esanda group result, while only marginally higher than in 1984, contributed 17.5% of Group operating profit. The benefits of a record volume of new business written and a lower doubtful debt charge were offset to a large extent by reduced interest rate margins.

MANAGEMENT

The following is a list of the directors of the Bank and senior management of the Group:

<u>Name</u>	<u>Title</u>	<u>Place of Residence</u>
Sir William Vines, C.M.G.	Chairman of the Board	Sydney, Australia
W. J. Bailey	Group Managing Director	Melbourne, Australia
M. D. Bridgland	Director	Melbourne, Australia
Sir Roderick Carnegie	Director	Melbourne, Australia
J. C. Dahlsen	Director	Melbourne, Australia
D. C. L. Gibbs	Director	Melbourne, Australia
J. B. Gough, O.B.E.	Director	Melbourne, Australia
C. J. Harpel	Director	Sydney, Australia
W. J. Holcroft, A.O.	Director	Sydney, Australia
Professor Dame Leonie Kramer, D.B.E.	Director	Melbourne, Australia
Sir Lawrence Muir, VRD	Director	Sydney, Australia
Dr. B. W. Scott, A.O.	Director	Melbourne, Australia
R. A. D. Nicolson	Group Deputy Managing Director	Melbourne, Australia
L. M. Papps, C.M.G.	Director	Wellington, New Zealand
A. I. O. Ritchie	Director	London, United Kingdom
R. K. W. Bennett	Director, Australian Retail Banking	
D. T. Craig	Director, Americas and Pacific Basin	
B. B. Dickinson	Senior General Manager, ANZ and Managing Director, Grindlays Bank plc.	
F. A. McDonald	Director, Corporate Services	
D. Nicolson	Director, Australian Commercial Services	
P. J. Rizzo	Director, Global Treasury	
B. Weeks	Managing Director, Australia and New Zealand Banking Group (New Zealand) Limited	
R. N. Chailis	General Manager, Australian Treasury	
A. Dayal	Executive Director Banking, Grindlays Bank plc	
R. N. Fenton	State Manager Corporate Banking, New South Wales	
A. N. Findlay	General Manager, DP Operations	
D. W. Gall	General Manager, Electronic Network Services	
T. H. Giles	Managing Director, Australian Fixed Trusts	
C. A. Griss	Group Executive, Finance	
R. Isherwood	General Manager U.K., ANZ, and Executive Director Grindlays Bank plc	
T. C. Jenkins	Managing Director, Greater Pacific Life	
E. C. J. Johnson	General Manager, Commercial Banking	
J. R. McConnell	General Manager, Corporate Banking	
A. T. L. Maitland	General Manager, Australian Retail Banking	
D. P. Mercer	Group Executive, Strategic Planning	
A. R. D. Peatfield	Group Executive, Personnel and Administration	
J. W. Pitt	Senior Executive Strategic Planning and Management Information	
I. A. Pollard	Managing Director, Development Finance Corporation	
Hon. D. C. Poole	Managing Director and Chief Executive Officer, ANZ Merchant Bank Limited	
B. P. Ranford	Managing Director, ANZ Executors and Trustees	
J. F. Rices	General Manager, Australian Retail Banking	
R. C. Thomas	Executive Vice President, Americas	
L. G. Twidale	Managing Director, Esanda	
R. C. Tuxford	General Manager, Branch Banking, New South Wales	
D. B. Valentine	Executive Director Europe, Grindlays Bank plc	
B. J. Waldron	Group Executive, Audit	
B. H. Walters	Managing Director, ANZ Capital Markets Corporation Ltd.	
D. R. Watson	General Manager, Investment & Trust Services	

AUSTRALIAN BANKING SYSTEM

The Australian banking system consists of a central bank, trading (commercial) banks, savings banks, a number of special purpose banks and a broad range of non-bank financial institutions.

The central bank (Reserve Bank of Australia) has a responsibility to formulate and implement monetary policy and exercise general prudential supervision over the operations of banks subject to the Banking Act. Other duties of the Reserve Bank include acting as banker to governments, overseeing Australia's foreign exchange market, holding and managing Australia's reserves of gold and foreign exchange, printing and managing currency issue, and monitoring and possibly influencing activities of financial institutions, amongst other things.

Banks established by State Governments are not generally subject to the powers of the Reserve Bank, which derive from Commonwealth legislation. The Reserve Bank does, however, keep in close contact with them and seeks their co-operation in giving effect to its policies.

The Banking Act imposes a duty on the Reserve Bank in relation to protection of the depositors of banks subject to the Act. Accordingly, banks, other than State banks, are required to hold an authority in terms of the Banking Act. A number of new banks were invited by the Commonwealth Government to apply for banking authorities, and to date, nearly all have established operations in Australia. Three large private trading banks, including the Bank, plus a Commonwealth public enterprise bank are referred to as the major trading banks and operate nationwide branch networks. A number of new banks were invited by the Commonwealth Government to apply for banking authorities, and to date, nearly all have established operations in Australia. State banks and several other banks are largely state based with extensive branch networks in their region, while the balance of the banks tend to have limited networks, but with representation in a number of States. The four major trading banks and some other trading banks operate savings bank subsidiaries. There are three specialist banks.

Trading banks are primarily engaged in short and medium-term lending. They accept both interest bearing term deposits and non-interest bearing current account deposits, offer cheque account facilities and also deal in foreign exchange. Savings banks are principally involved in the provision of long-term finance to assist in the purchase of owner-occupied residential property.

There are a large number of non-bank financial institutions including finance companies, merchant banks, authorised money market dealers, building societies, credit co-operatives, pastoral finance companies, both life and general insurance companies and pension and superannuation funds. Banks have substantial interests in certain non-bank groups.

Supervision and Regulation in Australia

The Banking Act confers on the Reserve Bank broad powers in relation to the regulation of bank interest rates, bank lending policies, bank liquidity, foreign exchange control and the supervision of savings bank investments. While the Reserve Bank has these powers, deregulation has meant some powers are now in abeyance, particularly those that discriminate against banks. In the past, the Reserve Bank relied heavily on direct controls, mainly of banks, in the implementation of its monetary policy. In recent years, with successive relaxation of controls, there has been a shift by the Reserve Bank from direct controls towards policies based on market operations.

The Reserve Bank directly influences trading bank liquidity through the mechanism of the statutory reserve deposit whereby trading banks subject to the Banking Act are required to lodge with the Reserve Bank a specified percentage of their Australian deposits. Additionally, as part of the prudential management of trading bank liquidity, each trading bank subject to the Banking Act is required to hold in high quality liquidifiable assets (notes and coin, balances with the Reserve Bank, Commonwealth Government securities), a proportion of its liabilities (other than shareholders' funds) which are invested in Australian dollar assets in Australia. Savings banks subject to the Banking Act (with some exceptions) are required to invest the major part of depositors' balances in prescribed assets including a specified minimum proportion in highly liquidifiable assets. In addition to these specific measures, the Reserve Bank discusses prudential issues with banks covering both their domestic and international operations and continuously assesses each bank in regard to adequacy of capital and liquidity and concentration of risks, amongst other things.

TAXATION

The comments below are of a general nature and are based on the provisions currently in force. They relate only to the position of persons who are the absolute beneficial owners of their Notes. Noteholders who are in doubt as to their personal tax position should consult their professional advisers.

Australia

Under present Australian income tax law, a person who is not a resident of the Commonwealth of Australia within the meaning of the Income Tax Assessment Act and who does not carry on business at or through a permanent establishment in Australia and who acquires any of the Notes or Coupons will not incur or become liable for any Australian income tax in respect of interest derived on the Notes and following the issue of a certificate under Section 128F(4) of the Australian Income Tax Assessment Act, 1936 (as amended), the Bank will not be liable to deduct any Australian taxes or duties of whatsoever nature in respect of payments of principal, premium (if any), or interest derived on the Notes.

As set out in more detail under Condition 7 of the Notes, if the Bank should at any time be compelled by law to withhold or deduct an amount in respect of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Australia or any authority therein or thereof having power to tax, it will pay such additional amounts as will result in a payment to the holders of the Notes or Coupons of the amount which would otherwise have been payable in respect of the Notes or Coupons.

AUDITORS' REPORT

The Directors,
Australia and New Zealand Banking Group Limited,
ANZ Tower,
55 Collins Street,
Melbourne, Victoria 3000.

Dear Sirs,

1. We have examined the financial information set out on pages 19 to 28 of this Offering Circular which is based principally on the statutory consolidated accounts of Australia and New Zealand Banking Group Limited and its subsidiaries for the five years ended 30th September, 1985. The statutory accounts have been prepared to comply with the relevant Australian legislation and Australian Accounting Standards in the manner authorised for a banking company, and we have reported thereon as auditors. Certain detailed information required by statute or by accounting standards to be disclosed has been condensed for the purposes of inclusion herein, or omitted.

2. In our opinion the financial information set out on pages 19 to 28 gives, on this basis, a true and fair view of the consolidated state of affairs of Australia and New Zealand Banking Group Limited and its subsidiaries as at 30th September, 1984 and 30th September, 1985, of the consolidated operating profit for the five years to 30th September, 1985 and of the consolidated source and application of funds for the two years to 30th September, 1985.

Yours faithfully,

Melbourne
23rd October, 1986

PEAT, MARWICK, MITCHELL & CO.

FINANCIAL STATEMENTS
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 30TH SEPTEMBER

	<u>1984</u>	<u>1985</u>
	(A\$'000)	
Source of funds:		
Operating profit before tax, including minority interests	510,207	607,073
Add: Depreciation and other items not involving the outlay of funds in current period	<u>61,332</u>	<u>109,180</u>
Funds derived from operations	571,539	716,253
New share issues including premium on issue	280,055	10,981
Increases in liabilities:		
Deposits and borrowings by subsidiaries	7,426,832	6,240,108
Bills payable and all other liabilities	<u>3,359,289</u>	<u>—</u>
	<u>11,637,715</u>	<u>6,967,342</u>
Application of funds:		
Payment of dividends	69,972	99,981
Payment of tax	86,346	183,554
Goodwill on consolidation	143,535	—
Increases in assets:		
Premises, equipment and other fixed assets (net)	260,883	267,902
Liquid assets	2,130,417	428,561
Investments	987,996	717,286
Regulatory deposits with central and other banks	247,724	49,877
Loans, advances and net receivables	7,232,496	4,488,960
All other assets	478,346	102,260
Reduction in liabilities:		
Bills payable and all other liabilities	<u>—</u>	<u>628,961</u>
Total Application of funds	<u>11,637,715</u>	<u>6,967,342</u>

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER

	Assets	
	1984 <u>(A\$'000)</u>	1985 <u></u>
Liquid assets:		
Coin, notes and cash at bankers	208,190	306,547
Loans to authorised dealers in Australian short-term money market	82,899	310,520
Money at short call overseas	721,303	766,682
Bills receivable and remittances in transit	421,905	552,651
Cheques in course of collection and balances with other banks	3,387,311	3,313,769
Investments (Note 8)	4,085,275	4,802,561
Regulatory deposits with central and other banks:		
Reserve Bank of Australia	510,703	635,992
Overseas	194,371	118,959
Customers' accounts:		
Loans, advances and net receivables (less provisions for doubtful debts)	20,825,031	25,313,991
Customers' liability for acceptances (see contra)	3,764,812	4,696,396
Shares in subsidiary companies	—	—
Amounts due from subsidiary companies	—	—
Shares in associated and other companies (Note 9)	43,623	59,013
Premises and equipment (Note 7)	829,465	1,046,502
All other assets	779,793	858,521
Total Assets	<u>35,854,681</u>	<u>42,782,104</u>

See accompanying Notes to the Consolidated Financial Statements.

**AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER

	Liabilities and Shareholders' Equity	
	1984	1985
	(A\$'000)	
Authorised capital:		
450,000,000 ordinary shares at \$1 each (Note 3)	.. .. 350,000	450,000
Shareholders' funds:		
Issued and paid up capital	.. .. 302,858	336,038
Reserves (Note 4)	.. .. 1,225,946	1,396,768
Retained profits	.. .. 252,069	426,653
Share capital and reserves applicable to shareholders of Australia and New Zealand Banking Group Limited	1,780,873	2,159,459
Minority shareholders' interest in subsidiary companies	.. .. 37,619	55,057
Customers' accounts etc:		
Deposits	.. .. 19,632,374	25,079,252
Borrowings by borrowing corporation subsidiaries	.. .. 2,678,021	3,471,251
Bank and other acceptances of customers (see contra)	.. .. 3,764,812	4,696,396
Due to other banks	.. .. 6,162,318	5,304,852
Bills payable and other liabilities	.. .. 1,308,444	1,483,619
Amounts due to subsidiary companies —	—
Provisions:		
Proposed dividend	.. .. 49,968	53,720
Provision for income tax	.. .. 125,561	50,709
Other provisions (Note 6)	.. .. 314,691	427,789
Total Liabilities and Shareholders' Equity	35,854,681	42,782,104

See accompanying Notes to the Consolidated Financial Statements.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF PROFIT FOR THE YEARS ENDED 30TH SEPTEMBER

	<u>1981</u>	<u>1982</u>	<u>1983</u> (A\$'000)	<u>1984</u>	<u>1985</u>
Interest income	1,729,148	2,381,469	2,562,480	2,713,452	5,051,347
Interest expense	<u>(1,097,023)</u>	<u>(1,670,307)</u>	<u>(1,747,805)</u>	<u>(1,763,038)</u>	<u>(3,815,750)</u>
Net interest income	632,125	711,162	814,675	950,414	1,235,597
Other income	297,888	367,589	417,129	562,484	804,180
Operating expenses					
Salaries and other personnel	(372,376)	(443,301)	(490,318)	(549,673)	(770,289)
Building occupancy	(63,928)	(83,218)	(94,872)	(107,470)	(240,177)
Provision for doubtful debts (Note 1(e))	(29,825)	(63,889)	(75,138)	(59,646)	(60,133)
Other	<u>(139,440)</u>	<u>(167,210)</u>	<u>(210,146)</u>	<u>(285,902)</u>	<u>(362,105)</u>
Total operating expenses	<u>(605,569)</u>	<u>(757,618)</u>	<u>(870,474)</u>	<u>(1,002,691)</u>	<u>(1,432,704)</u>
Operating profit (Note 1(e))	324,444	321,133	361,330	510,207	607,073
Income tax expense	<u>(143,416)</u>	<u>(133,555)</u>	<u>(154,906)</u>	<u>(230,193)</u>	<u>(270,952)</u>
Operating profit after tax	181,028	187,578	206,424	280,014	336,121
Interests of minority shareholders	<u>(5,633)</u>	<u>(7,106)</u>	<u>(8,524)</u>	<u>(10,977)</u>	<u>(15,919)</u>
Operating profit before extraordinary items	175,395	180,472	197,900	269,037	320,202
Extraordinary items (net of minority interests) (Note 2)	<u>29,247</u>	<u>7,377</u>	<u>(150)</u>	<u>(146,887)</u>	<u>9,906</u>
Operating profit and extraordinary items	<u>204,642</u>	<u>187,849</u>	<u>197,750</u>	<u>122,150</u>	<u>330,108</u>

See accompanying Notes to the Consolidated Financial Statements.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Notes to the Consolidated Financial Statements

1. Bases of Accounting

These financial statements have been prepared in accordance with historical cost concepts except where otherwise indicated.

(a) Principles of consolidation

The Group consolidation includes all companies in which the Group holds more than half of the issued ordinary share capital. All inter-company balances and transactions have been eliminated.

(b) Translation of overseas currency

The accounts of overseas branches and subsidiaries and other foreign currency assets and liabilities held at balance date have been translated at the rates of exchange ruling at balance date. The net translation difference arising from the conversion of overseas branch capital positions and investment in overseas subsidiaries, after allowing for those positions covered by foreign exchange hedge contracts and related currency borrowings, has been dealt with by transfer to reserves (Refer note 4).

(c) Leveraged lease transactions

Certain companies in the Group have entered into leveraged lease transactions as equity participants. The investment is recorded net of the non-recourse long-term debt and is included in "Investments" in the balance sheet. Income is taken to account over the period of the lease based on the outstanding investment balance.

(d) Amortisation of discounts and premiums on dated investments

Premiums and discounts on dated investments are amortised from the date of purchase to maturity on a straight line basis.

As the majority of redeemable quoted investments are normally held to or near to maturity, no provision is considered necessary for any difference between the book amounts and the market values of such individual stocks quoted below book amounts at the balance date, neither have any transfers been made from reserves or out of the current year's profits to write them down, apart from the amortisation of the premium on stocks bought above par referred to above.

(e) Bad and doubtful debts

Specific provisions are maintained to cover identified doubtful accounts and general provisions are maintained to provide cover for possible future losses which are inherent in any portfolio of bank and finance company lending. Provisions for doubtful debts are deducted from loans and advances in the balance sheet. Operating subsidiaries within the Group maintain appropriate provisions for doubtful debts. Details of provisions are set out in note 5.

During 1985 a change was made in the basis of providing for doubtful debts of banking companies within the Group. The policy of determining the charge to profit and loss account based on average bad debts experience of the current and preceding four years has been discontinued and the annual charge now reflects each year's requirements.

The policy change follows a reassessment of industry practice overseas, in particular the United Kingdom, on which the previous policy of spreading was based.

As a result of the change:

- Surplus general provision balances at 30th September, 1984 which previously provided cover to enable the operation of the spreading formula have been transferred to profit and loss account as abnormal items in the 1985 year. The amount is \$18.0 million.
- The charge to profit and loss account for provisions for doubtful debts in 1985 is \$26.3 million lower for the Group.

— The charge to profit and loss account for provisions for doubtful debts in 1984, if the new policy had applied in that year, would have been \$14.7 million lower for the Group.

Ratios applied to the current volume of lending to determine the required base level of general provision balances are unchanged.

(f) Depreciation and amortisation

Expenditure on buildings is generally depreciated on a straight line basis.

Expenditure on plant, fixtures and fittings is generally depreciated over estimated life on a straight line basis.

Expenditure on leasehold improvements is amortised on a straight line basis over the unexpired portion of the lease.

(g) Taxation

Tax effect accounting procedures are applied under the liability method. General provisions for doubtful debts are treated as permanent differences. Withholding tax has been provided on overseas income which is expected to be remitted in the future. No provision has been made for withholding tax on earnings that are expected to be retained by overseas subsidiaries to finance their ongoing business.

(h) Pension funds

The Group has a number of pension funds established which provide defined benefits for employees and their dependants on retirement or death. These funds cover the majority of Group employees throughout the world.

The benefits under the funds are provided from contributions by employee members and the Group and income from fund assets invested.

The members' contributions are at fixed rates while Group contributions are made at levels necessary to ensure that the funds are maintained with sufficient assets to meet their liabilities. The rate of Group contributions is determined by actuarial valuations which are carried out at regular intervals not exceeding three years. The assets of the funds are not included in these accounts.

(i) General finance subsidiaries

The gross income arising from the various forms of instalment credit transactions and other credit facilities entered into by subsidiaries is apportioned over the term of the contracts in direct relationship to the amount of the funds invested therein during the relevant accounting periods using an actuarial method. A "financial method" is used for recording lease finance transactions and accordingly these are shown in the balance sheet as receivables rather than leased assets less depreciation.

(j) Associated companies

The Group's share of results of associated companies has not been included in the profit and loss account except insofar as dividends have been received.

Supplementary financial statements adopting the equity method to account for the Group's interest in associated companies have not been provided as such supplementary statements are not materially different from the Group's consolidated accounts.

(k) Trust activities

The holding company and some of its subsidiaries act as trustee and/or manager for a number of investment funds and trusts including retirement funds, mortgage funds, approved deposit funds, and equity and property unit trusts. The assets of these funds and trusts are not included in the accounts. Where the Holding Company or the subsidiaries as trustee incur liabilities in respect of these operations a right of indemnity exists against the assets of the applicable funds or trusts and, as these assets are sufficient to cover liabilities, the liabilities are not included in the accounts.

Commissions and fees earned in respect of the Group's trust activities are included in profit.

(1) *Definitions*

"Holding Company" is Australia and New Zealand Banking Group Limited, and "borrowing corporations" are Esanda Limited, Finance Corporation of Australia Limited, UDC Group Holdings Limited and ANZ Properties (Australia) Limited.

Australia and New Zealand Banking Group Limited and Australia and New Zealand Savings Bank Limited are banking companies as defined by the Companies (Victoria) Code. For the Group accounts the banking operations of ANZ Banking Group (New Zealand) Limited, ANZ Finance (Far East) Limited, Australia and New Zealand Banking Group (PNG) Limited, Australia and New Zealand Banking Group (Channel Islands) Limited and Grindlays Bank plc have been included as banking companies.

2. **Extraordinary Items**

	1984	1985
	(A\$'000)	
(No income tax applicable except where shown)		
Write-off of goodwill on consolidation arising on company acquisitions	..	..
Surplus on sale of properties	..	..
Other (1984 net of A\$291 income tax)	..	..
	(143,535)	—
	2,094	3,541
	(5,393)	6,396
	<u>(146,834)</u>	<u>9,937</u>

3. **Share Capital**

Issued Capital:		
335,750,710 (1984 302,611,595) ordinary shares of A\$1 each fully paid	..	..
2,877,000 (1984 2,461,100) ordinary shares of A\$1 each paid to 10 cents per share	..	..
	302,612	335,751
	246	287
	<u>302,858</u>	<u>336,038</u>
	(A\$'000)	

4. **Reserve Funds**

	Share Premium Reserve	Asset Revaluation Reserve	Continuities Reserve	General Reserve	Capital Reserves	Total Reserves
			(A\$'000)			
Balance at 30th September, 1983	16,461	36,307	130,180	540,566	22,693	746,207
Adjustment for exchange rate fluctuations	—	485	—	(8,939)	153	(8,301)
Transfers (to) from profit and loss account	—	—	—	18,082	2,562	20,644
Premium on issue of shares	208,901	—	—	—	136	209,037
Revaluation of properties	—	293,883	—	—	—	293,883
Capitalisation issue	—	(28,001)	—	—	5,907	(22,094)
Currency translation adjustments	—	—	—	(15,111)	2,908	(12,203)
Transfer between reserves	—	450	(130,180)	130,180	(450)	—
Other	—	—	—	—	(1,227)	(1,227)
Balance at 30th September, 1984	225,362	303,124	—	664,778	32,682	1,225,946
Adjustment for exchange rate fluctuations	—	1,092	—	(2,148)	(2,436)	(3,492)
Transfers (to) from profit and loss account	—	(1,495)	—	55,259	1,937	55,701
Premium on issue of shares	8,293	—	—	—	—	8,293
Revaluation of properties	—	39,074	—	—	—	39,074
Capitalisation issue	—	(30,492)	—	—	—	(30,492)
Currency translation adjustments	—	4,076	—	97,187	1,570	102,833
Other	—	(97)	—	(40)	(958)	(1,095)
Balance at 30th September, 1985	<u>223,655</u>	<u>315,282</u>	<u>—</u>	<u>815,036</u>	<u>32,795</u>	<u>1,396,768</u>

5. Provisions for Doubtful Debts

	1984*	1985	1984*	1985
	Specific Provision		General Provision	
	(A\$'000)			
Balance at 30th September, 1984	77,549	277,265	121,511	264,346
Adjustment for exchange rate fluctuations	(2,141)	52,161	(2,993)	39,591
Transfer to profit and loss account	—	—	—	(20,586)†
Bad debts written off	(40,133)	(69,684)	—	—
Recoveries	8,829	8,311	—	—
Charge to profit and loss account	29,306	43,761	30,340	16,372
Provision at acquisition date of companies acquired	203,855	6,073	115,488	1,620
Transfer within Group	—	—	—	—
Balance at 30th September, 1985	<u>277,265</u>	<u>317,887</u>	<u>264,346</u>	<u>301,343</u>

* 1984 figures have been restated to allow for change in classification of certain provision balances.

† Includes minorities of A\$2,582.

6. Other provisions

	1984	1985
	(A\$'000)	
Provision for long service leave	99,213	119,264
Provision for deferred income tax	161,189	247,961
Provision for non-lending losses	17,332	13,706
Provisions—other	<u>36,957</u>	<u>46,858</u>
	<u>314,691</u>	<u>427,789</u>

7. Premises and Equipment

	1984	1985
	(A\$'000)	
(a) Freehold and leasehold land and buildings		
— at directors' valuation 1979	1,341	1,331
— at directors' valuation 1980	6,875	9,057
— at directors' valuation 1982	2,532	1,605
— at directors' valuation 1983	931	931
— at directors' valuation 1984	280,153	271,072
— by independent valuation 1984	300,611	330,209
— by independent valuation May 1985	—	47,617
— at cost	<u>18,673</u>	<u>73,572</u>
Deduct: Provision for depreciation	611,116	735,394
	<u>1,357</u>	<u>15,802</u>
	609,759	719,592
(b) Plant, fixtures and fittings, office machines and other equipment at cost	339,823	490,875
Deduct: Provision for depreciation	154,625	208,233
	<u>185,198</u>	<u>282,642</u>
(c) Leasehold improvements at cost	45,501	58,963
Deduct: Provision for amortisation	10,993	14,695
	<u>34,508</u>	<u>44,268</u>
Total premises and equipment	<u>829,465</u>	<u>1,046,502</u>

The independent valuations in 1985 were carried out by registered valuers from Baillieu Knight Frank and were on the basis of open market value subject to existing leases.

8. Investments

Quoted investments are mainly redeemable at fixed dates within ten years and are stated in the balance sheets at cost adjusted for amortised premiums and discounts. The book amounts and valuations at middle market prices of these investments are given below.

Book value	1984	1985
	(A\$'000)	
Quoted in Australia:		
Australian Government securities	1,725,401	1,832,824
Australian Local and Semi-Government authorities	82,785	81,166
Other securities	8,174	2,278
Quoted in other countries:		
Government and local authority securities	857,912	858,606
Other securities	99,061	244,176
Total book value of quoted investments	2,773,333	3,019,050
Unquoted investments:		
Australian Government and Local and Semi-Government authorities	679,175	536,014
Australian Treasury notes	105,300	237,000
Treasury bills	7,050	295,806
Other securities including equity in leveraged leasing	520,417	714,691
Total book value	4,085,275	4,802,561
Market value		
Quoted in Australia:		
Australian Government securities	1,739,389	1,797,258
Australian Local and Semi-Government authorities	80,721	76,602
Other securities	11,008	2,284
Quoted in other countries:		
Government and Local Authority securities	845,184	827,918
Other securities	99,345	245,147
Total market value of quoted investments	2,775,647	2,949,209

9. Shares in Associated and Other Companies

	1984	1985
	(A\$'000)	
Quoted—at cost		
(Market value 1985-A\$10,320, 1984-A\$261)	237	5,944
Unquoted—at cost less amounts written off	43,386	53,069
	43,623	59,013

10. Contingent Liabilities

	1984	1985
	(A\$'000)	
Commercial bills endorsed	811,793	261,025
Liabilities under letters of credit	919,983	1,341,442
Guarantees entered into in the normal course of business	2,350,105	3,111,109
Other	761,877	886,784
Total	4,843,758	5,600,360

The Bank has:—

- (i) guaranteed the depositors' balances with Australia and New Zealand Savings Bank Limited;
- (ii) agreed to provide funds to ANZ Properties (Australia) Limited, to meet its liabilities as they fall due, should the subsidiary have insufficient funds for that purpose;
- (iii) in accordance with section 22 of the Hong Kong Deposit Taking Companies Ordinance given a letter of comfort to the Commissioner of Banking in Hong Kong in respect of the operations of ANZ Finance (Far East) Limited; and
- (iv) guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc.

ANZ Banking Group (New Zealand) Limited has guaranteed the depositors' balances with ANZ Savings Bank (New Zealand) Limited.

11. Capital Expenditure Commitments

Contracts for outstanding capital expenditure not provided for in these accounts

1984	1985
(A\$'000)	
<u>38,220</u>	<u>47,701</u>

12. Lease Rental Commitments

(A\$'000)

Future rentals in respect of operating leases not provided in these accounts comprise:

Land and buildings		
Within one year	33,067	46,949
Between one and two years	26,104	47,085
Between two and five years	59,394	114,301
After five years	473,672	730,969
	<u>592,237</u>	<u>939,304</u>
Furniture, office machines and other equipment		
Within one year	2,153	3,289
Between one and two years	1,876	2,385
Between two and five years	1,210	2,488
After five years	53	426
	<u>5,292</u>	<u>8,588</u>
	<u>597,529</u>	<u>947,892</u>

13. Future Income Tax Benefits

Included in all other assets		
	1984	1985
	(A\$'000)	
	<u>128,637</u>	<u>151,189</u>

Possible future income tax benefits in certain subsidiary companies arising from tax losses and timing differences have not been recognised as assets because recovery is not assured beyond all reasonable doubt. These possible benefits, which could amount to A\$31.800 million (1984 — A\$26.364 million), will only be obtained if:

- (i) the relevant companies derive future assessable income of a nature and of an amount sufficient to enable the benefit of the taxation deductions to be realised;
- (ii) the relevant companies continue to comply with the conditions for deductibility imposed by the law; and
- (iii) there are no changes in taxation legislation adversely affecting the relevant companies in realising the benefit of the taxation deductions.

14. Other Off-Balance Sheet Transactions

The Group is a major operator in foreign exchange markets in Australia and overseas financial centres and is also involved in underwriting operations, interest rate and currency swap transactions and futures operations. It is not envisaged that any irrecoverable liability will arise from these types of transactions.

SUBSCRIPTION AND SALE

Morgan Guaranty Ltd, ANZ Merchant Bank Limited, Bankers Trust International Limited, Banque Paribas Capital Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse First Boston Limited, Merrill Lynch International & Co., Morgan Stanley International, Orion Royal Bank Limited, S.G. Warburg, Akroyd, Rowe & Pimman, Mullens Securities Ltd., Bache Securities (UK) Inc., Bank of Tokyo International Limited, Bank of Yokohama (Europe) S.A., Banque Bruxelles Lambert S.A., Banque Nationale de Paris, Baring Brothers & Co., Limited, Chase Manhattan Limited, CIBC Limited, Citicorp Investment Bank Limited, County NatWest Capital Markets Limited, Crédit Commercial de France, Daiwa Europe Limited, Deutsche Bank Capital Markets Limited, DKB International Limited, Dresdner Bank Aktiengesellschaft, EBC Amro Bank Limited, IBI International Limited, Kidder, Peabody International Limited, Kyowa Bank Nederland N.V., Lloyds Merchant Bank Limited, Manufacturers Hanover Limited, Mitsubishi Finance International Limited, Mitsubishi Trust International Limited, Mitsui Finance International Limited, Morgan Grenfell & Co. Limited, Nomura International Limited, Salomon Brothers International Limited, Shearson Lehman Brothers International, Inc., Sumitomo Trust International Limited, Swiss Bank Corporation International Limited, Takagin International Bank (Europe) S.A., Union Bank of Switzerland (Securities) Limited, Westdeutsche Landesbank Girozentrale, Yamachi International (Europe) Limited and Yasuda Trust Europe Limited (together the "Managers") have, pursuant to a Subscription Agreement dated 23rd October, 1986 (the "Subscription Agreement"), jointly and severally agreed with the Bank, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100 per cent. of their principal amount less a concession of $\frac{1}{8}$ per cent. of the principal amount of the Notes. The Bank has agreed to pay to the Managers a combined management and underwriting commission of $\frac{1}{8}$ per cent. of the principal amount of the Notes. In addition, the Bank has agreed to pay the Managers an amount of U.S.\$75,000 in respect of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Managers to terminate it in certain circumstances prior to payment being made to the Bank.

The Notes have not been and will not be registered under the United States Securities Act of 1933 and each Manager has agreed that there may not be offered, sold or delivered at any time, directly or indirectly, in the United States (which term, as used herein, includes its territories or possessions) or to or for the account of any U.S. person (which term, as used herein, includes any national or resident thereof (including the estate of any such person) and any corporation or other entity organised under the laws thereof or of any political subdivision thereof) any of the Notes acquired in connection with the distribution contemplated hereby. Each Manager has also agreed that prior to the date (the "Exchange Date") which is 90 days after the completion of the distribution of the Notes as determined by Morgan Guaranty Ltd it will not, directly or indirectly, offer, sell or deliver in the United States or to or for the account of any U.S. person any Notes, no matter how acquired. Each Manager has further agreed to send to any dealer who purchases from it any of the Notes acquired by it in connection with the distribution contemplated hereby a notice stating in substance that the Notes have not been registered under the United States Securities Act of 1933 and that by purchasing such Notes such dealer represents and agrees that (i) it has not offered, sold or delivered, and will not offer, sell or deliver at any time, any of such Notes, directly or indirectly, in the United States or to or for the account of any U.S. person, (ii) prior to the Exchange Date, it will not, directly or indirectly, offer, sell or deliver in the United States or to or for the account of any U.S. person any Notes no matter how acquired, and (iii) it will send to any other dealer to whom it sells any of such Notes a notice containing substantially the same statement as is contained in this sentence.

The Notes may not be offered or sold in the Commonwealth of Australia, by means of this or any other document (except in circumstances which do not constitute an invitation or offer to the public within the meaning of the Companies (Victoria) Code or the corresponding legislation of the other States or Territories of the Commonwealth of Australia), nor may this document or any other offering material relating to the Notes be distributed in or from any of the States or Territories of the Commonwealth of Australia except by persons permitted to do so under the securities laws of those States or Territories, otherwise than to a person whose ordinary business is to buy or sell shares, debentures or prescribed interests, whether as principal or agent.

The Notes may not be offered or sold in Great Britain, whether by means of this or any other document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent (except in circumstances which do not constitute an offer to the public within the meaning of the Companies Act, 1985), nor may this document or any other offering material relating to the Notes be distributed, in connection with the issue of Notes, in or from Great Britain (except by persons permitted to do so under the securities laws of Great Britain) other than to persons whose business involves the acquisition and disposal, or the holding, of securities, whether as principal or as agent.

GENERAL INFORMATION

1. In connection with the application for the listing of the Notes on the Luxembourg Stock Exchange, the legal notice relating to the issue of the Notes and the Memorandum and Articles of Association of the Bank will be lodged with the Chief Registrar of the District Court of Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et a Luxembourg*) prior to the listing thereof, where such documents are available for inspection and where copies thereof can be obtained.
2. There are no litigation, arbitration or administrative proceedings against the Bank or any of its subsidiaries which are considered to be material in the context of the issue of the Notes and, as far as each of them is aware, no such litigation is pending or threatened.
3. There has been no material adverse change in the financial position of the Bank and its subsidiaries, taken as a whole, since 30th September, 1985 being the date of their most recent audited financial statements.
4. A copy of the Trust Deed and of the Agency Agreement and of the supplement thereto referred to in 8 (d) below, together with copies of the published audited accounts from 30th September, 1985 onwards of the Bank when available and semi-annual unaudited financial statements (if any), will, so long as any of the Notes remains outstanding, be available during usual business hours on any weekday (except Saturdays and public holidays) at the principal office of the Principal Paying Agent and each of the paying agents.
5. The Notes have been accepted for clearance through Cedel (reference no. 166006) and Euro-clear (reference no. 18458).
6. Peat, Marwick, Mitchell & Co. have given and have not withdrawn their consent to the inclusion herein of their report in the form and context in which it appears.
7. The Bank does not produce interim financial statements.
8. Copies of the following documents are available for inspection at any time during normal business hours on any business day until 13th November, 1986 at the offices of Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA:—
 - (a) the Memorandum and Articles of Association of the Bank;
 - (b) the Reports and Accounts of the Bank for the years ended 30th September, 1984 and 30th September, 1985;
 - (c) the Report of Peat, Marwick, Mitchell & Co. and their abovementioned consent;
 - (d) the Agency Agreement dated 17th June, 1985 together with a draft of the supplement thereto to be dated 28th October, 1986;
 - (e) a draft of the Trust Deed; and
 - (f) the Subscription Agreement.

REGISTERED OFFICE OF THE BANK

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TRUSTEE

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PRINCIPAL PAYING AGENT

Bankers Trust Company
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