

## News Release

For release: 16 August 2016

### ANZ Capital Notes 4 and CPS2 Reinvestment Offer

ANZ today announced that it intends to issue a new Additional Tier-1 capital security, ANZ Capital Notes 4, to raise approximately A\$1 billion with the ability to increase or decrease the offer size.

#### Key points

- **Opening:** the offer is expected to open on 24 August 2016 and forms part of ANZ's ongoing capital management strategy.
- **Use of proceeds:** ANZ will use the proceeds of the offer to refinance the convertible preference shares it issued in December 2009 (**CPS2**) and for general corporate purposes.
- **Regulatory capital:** ANZ Capital Notes 4 will constitute Additional Tier 1 Capital under current Australian Prudential Regulation Authority (**APRA**) standards.
- **Joint Lead Managers and Co-Managers:** ANZ Securities, Commonwealth Bank of Australia, J.P. Morgan, Morgans, Morgan Stanley, UBS and Westpac Institutional Bank have been appointed as Joint Lead Managers. Crestone Wealth Management and Ord Minnett have been appointed as Co-Managers on the transaction.
- **Offer Structure:** The Offer comprises:
  - a **Reinvestment Offer** open on 24 August 2016 to Eligible CPS2 Holders who were on the Register for those securities at 7.00pm (AET) on 8 August 2016 having an address in Australia and not in, or acting as a nominee for a person in, the United States;
  - an **ANZ Securityholder Offer** open on 24 August 2016 to Australian resident holders of ANZ Ordinary Shares, ANZ Convertible Preference Shares 2 and 3, ANZ Capital Notes 1, 2 and 3 and ANZ Subordinated Notes issued in March 2012 who were on the Register for those securities at 7.00pm (AET) on 8 August 2016;
  - a **Broker Firm Offer**, open to clients of Syndicate Brokers invited to participate through the Broker Firm Offer; and
  - an **Institutional Offer**, open to investors that have been invited by ANZ Securities to bid for ANZ Capital Notes 4 through the Institutional Offer.
- **Closing Dates:** The closing date for the Reinvestment Offer (including applications in respect of Reinvestment CPS2 under the Broker Firm Offer) and ANZ Securityholder Offer is scheduled to be at 5:00pm (AET) on 19 September 2016. The Broker Firm Offer is scheduled to close at 10:00am (AET) on 26 September 2016.

## **Further information about the CPS2 Reinvestment Offer**

A key element of the ANZ Capital Notes 4 offer is the Reinvestment Offer that will enable ANZ to refinance CPS2 and offer Eligible CPS2 Holders the opportunity to maintain an investment in securities issued by ANZ. Participation in the Reinvestment Offer is optional.

- **Reinvestment Offer:** Eligible CPS2 Holders may elect for some or all of their CPS2 to be bought back early for \$100 each on 27 September 2016, and to have the buy-back proceeds applied to the application payment for ANZ Capital Notes 4.
- **Pro rata dividend:** Eligible CPS2 Holders who have some or all of their CPS2 reinvested in ANZ Capital Notes 4 will receive a dividend on the scheduled CPS2 dividend payment date on 15 September 2016 plus a Pro Rata Dividend on their Reinvestment CPS2 on 27 September 2016, subject to certain conditions (including ANZ resolving to pay the relevant dividend).
- **Additional ANZ Capital Notes 4:** Eligible CPS2 Holders will also have the opportunity to apply for additional ANZ Capital Notes 4 under the ANZ Securityholder Offer.
- **Resale Notice:** Subject to APRA approval, ANZ expects to issue a CPS2 resale notice so that any CPS2 that are not bought-back by ANZ under the Reinvestment Offer will be mandatorily purchased by a Nominated Purchaser on 15 December 2016, being the initial mandatory conversion date for CPS2. On that date, CPS2 Holders who continue to hold their CPS2 will receive \$100 per CPS2, plus the final scheduled dividend, subject to certain conditions (including ANZ resolving to pay the relevant dividend). If APRA approval is not obtained or an appropriate Nominated Purchaser cannot be identified, the resale may not occur. If the resale does not occur, where the mandatory conversion conditions are satisfied on 15 December 2016, the CPS2 will convert into ANZ Ordinary Shares.
- **Amendment of CPS2 terms:** To facilitate the Reinvestment Offer, ANZ has made certain amendments to the CPS2 terms. The amended CPS2 terms were lodged with ASX today and are also available on the ANZ website at <http://shareholder.anz.com/pages/convertible-preference-shares>.

## **ANZ Capital Notes 4 and further information**

The ANZ Capital Notes 4 Prospectus, attached to this release, has been lodged with ASIC and is available within Australia at [capitalnotes4.anz.com](http://capitalnotes4.anz.com) or by calling the ANZ Information Line. A replacement Prospectus, containing the Margin and Application Forms, will be made available on the ASX and at [capitalnotes4.anz.com](http://capitalnotes4.anz.com) when the Offer opens.

Investors who wish to apply for ANZ Capital Notes 4 should read the Prospectus in its entirety and seek professional guidance which takes into account their particular investment objectives, financial situation and needs from a professional advisor who is licensed by ASIC to give such advice. Applications may only be made using the Application Form attached to or accompanying the replacement Prospectus that will be available at [capitalnotes4.anz.com](http://capitalnotes4.anz.com).

Paper copies of the replacement Prospectus and personalised Application Forms also can be obtained free of charge by calling the ANZ Information Line.

## **Key features of ANZ Capital Notes 4**

- ANZ Capital Notes 4 are notes issued by ANZ.
- Distributions on ANZ Capital Notes 4 are non-cumulative and based on a floating rate. Distributions are scheduled to be paid quarterly in arrears, subject to a Payment Condition not existing and ANZ exercising its discretion to pay.

- The Distribution Rate will be calculated as the sum of the 90 day BBSW plus the Margin, together multiplied by (1 – the corporate tax rate, which is currently 30%). The Distributions are expected to be fully franked.
- The Margin will be determined following the Bookbuild scheduled for 23 August 2016 and is expected to be in the range of 4.7% to 4.9%.
- On 20 March 2024, ANZ has the right to Exchange ANZ Capital Notes 4, subject to certain conditions including APRA's prior written approval.
- ANZ Capital Notes 4 will Convert into a variable number of ANZ Ordinary Shares on 20 March 2026 (subject to certain conditions being satisfied), unless they are Exchanged earlier.
- Where a Trigger Event occurs (which includes where ANZ suffers significant losses), the Notes are subject to Conversion into Ordinary Shares or Write Off, in which case Holders are likely to suffer a material loss.
- ANZ must convert all ANZ Capital Notes 4 if a Change of Control Event occurs and may Exchange all or some ANZ Capital Notes 4 if a Tax Event or Regulatory Event occurs, in each case subject to certain conditions.

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

**For investor enquiries about ANZ Capital Notes 4 please refer to [capitalnotes4.anz.com](http://capitalnotes4.anz.com) or call the ANZ Information Line on 1800 113 399 (Australia) or +61 3 9415 4010 (international) Monday to Friday 8.30am – 5.30pm AET.**

For media enquiries only contact:

Stephen Ries, +61-409-655 551

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

<b>Key dates for the ANZ Capital Notes 4 Offer</b>	
Lodgement of the Prospectus with ASIC	16 August 2016
Bookbuild to determine the Margin	23 August 2016
Announcement of the Margin	23 August 2016
Lodgement of the replacement Prospectus with ASIC	24 August 2016
Opening Date	24 August 2016
Closing Date for ANZ Securityholder Offer	5.00pm AET on 19 September 2016
Closing Date for Broker Firm Offer	10.00am AET on 26 September 2016
Issue Date	27 September 2016
ANZ Capital Notes 4 commence trading on ASX (deferred settlement basis)	28 September 2016
Confirmation Statements despatched by	4 October 2016
ANZ Capital Notes 4 commence trading on ASX (normal settlement basis)	5 October 2016
First quarterly Distribution Payment Date	20 December 2016
Optional Exchange Date	20 March 2024
Mandatory Conversion Date	20 March 2026
<b>Key dates for the CPS2 Reinvestment Offer</b>	
Record date for determining Eligible CPS2 Holders for Reinvestment Offer (relevant CPS2 must also be held on Closing Date for the Reinvestment Offer)	7:00pm AET on 8 August 2016
Opening Date for the Reinvestment offer	24 August 2016
Record date for scheduled quarterly dividend for CPS2	31 August 2016
Scheduled quarterly dividend payment date for CPS2	15 September 2016
Closing Date for the Reinvestment Offer	5:00pm AET on 19 September 2016
Closing Date for the Broker Firm Offer (applications in respect of Reinvestment CPS2)	5:00pm AET on 19 September 2016
Number of Reinvestment CPS2 confirmed and announced	23 September 2016
Reinvestment CPS2 cease trading on ASX (but remain quoted on ASX)	23 September 2016
Reinvestment CPS2 Buy-back Date and payment date for Pro Rata Dividend on Reinvestment CPS2	27 September 2016
Last day of trading for remaining CPS2 on ASX	28 November 2016
Remaining CPS2 cease trading (but remain quoted on ASX)	29 November 2016
Record date for scheduled quarterly dividend for remaining CPS2	30 November 2016
Expected resale of remaining CPS2 to Nominated Purchaser and scheduled quarterly dividend payment date for remaining CPS2	15 December 2016
Expected buy-back of CPS2 from Nominated Purchaser	15 December 2016

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



## ANZ CAPITAL NOTES 4 PROSPECTUS

PROSPECTUS FOR THE ISSUE OF  
ANZ CAPITAL NOTES 4 TO RAISE  
\$1 BILLION WITH THE ABILITY TO  
RAISE MORE OR LESS

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

JOINT LEAD MANAGERS  
ANZ SECURITIES  
COMMONWEALTH BANK OF AUSTRALIA  
J.P. MORGAN  
MORGAN STANLEY  
MORGANS  
UBS  
WESTPAC INSTITUTIONAL BANK  
CO-MANAGERS  
CRESTONE WEALTH MANAGEMENT  
ORD MINNETT

ONLINE BROKER  
ANZ SHARE INVESTING



## IMPORTANT NOTICES

### ABOUT THIS PROSPECTUS

This prospectus relates to the offer by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (**ANZ**) of mandatorily convertible subordinated perpetual securities (**ANZ Capital Notes 4 or Notes**) to raise \$1 billion with the ability to raise more or less.

This Prospectus is dated 16 August 2016 and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It expires on 16 September 2017 and no Notes will be issued on the basis of this Prospectus after that date.

ASIC and ASX take no responsibility for the contents of this Prospectus nor for the merits of the investment to which this Prospectus relates.

This Prospectus also contains information in relation to the Reinvestment Offer. Neither ANZ nor any other person is providing any investment advice or making any recommendation to Eligible CPS2 Holders in respect of the Reinvestment Offer.

### ANZ CAPITAL NOTES 4 ARE HIGHER RISK THAN DEPOSITS

ANZ Capital Notes 4 are issued by ANZ under the Note Terms and Holders have no claim on ANZ except as provided in those Note Terms.

ANZ Capital Notes 4 are not:

- deposit liabilities or protected accounts of ANZ under the Banking Act; or
  - guaranteed or insured by any government, government agency, compensation scheme or by any other person.
- The risks associated with the Notes (which are detailed in Section 6) could result in the loss of your investment and associated income. The investment performance of the Notes is not guaranteed by ANZ.

### DEFINED WORDS AND EXPRESSIONS

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

The definitions specific to the Notes are in clause 17.2 of the Note Terms in Appendix A.

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

### EXPOSURE PERIOD

The Corporations Act prohibits ANZ from processing Applications in the seven day period after 16 August 2016 (which may be extended by ASIC for up to a further seven days) which is the date on which this Prospectus was lodged with ASIC. This period is referred to as the

**Exposure Period.** No applications received will be accepted until after the expiry of the Exposure Period.

### HOW TO OBTAIN A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at [capitalnotes4.anz.com](http://capitalnotes4.anz.com). During the Offer Period (i.e. after the Exposure Period), Application Forms will be available at [capitalnotes4.anz.com](http://capitalnotes4.anz.com) and paper copies of this Prospectus can be obtained free of charge by calling the ANZ Information Line.

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

### ELECTRONIC ACCESS TO PROSPECTUS

The following conditions apply if this Prospectus is accessed electronically:

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

### PROVIDING PERSONAL INFORMATION

You will be asked to provide personal information to ANZ (directly or via its agents) if you apply for the Notes. See Section 8.10 for information on how ANZ (and its agents) collect, hold and use this personal information.

### RESTRICTIONS IN FOREIGN JURISDICTIONS

For details of the selling restrictions that apply to the Notes in foreign jurisdictions – see Section 8.9.

### NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

**You should rely only on information in this Prospectus.**

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

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

### DIAGRAMS

The diagrams used in this Prospectus are illustrative only. They may not necessarily be shown to scale.

## **GUIDANCE FOR RETAIL INVESTORS**

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### **READ THIS PROSPECTUS IN FULL**

**1**

This Prospectus is important and you should read it in its entirety.

In considering whether to apply for Notes, it is important you consider all risks and other information regarding an investment in Notes in light of your particular investment objectives and circumstances, as the Offer and the information in this Prospectus do not take into account those objectives and circumstances.

The Notes are complex, involve increased risks compared to other less risky bank investments such as deposits and may not be suitable for all investors. You should not see the Notes as an alternative to investments such as deposits. The overall complexity of the Notes may make the Note Terms difficult to understand. If you do not fully understand how the Note Terms work or the risks associated with the Notes, you should not invest in them.

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### **SPEAK TO YOUR PROFESSIONAL ADVISER**

**2**

If you wish to apply for Notes, it is recommended that you seek professional guidance which takes into account your particular investment objectives, financial situation and needs from a professional adviser who is licensed by ASIC to give such advice.

ASIC has published guidance on how to choose a professional adviser on its MoneySmart website. You can also search 'choosing a financial adviser' at [moneysmart.gov.au](http://moneysmart.gov.au).

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### **CONSIDER THE ASIC GUIDANCE FOR RETAIL INVESTORS**

**3**

ASIC has published guidance on hybrid securities on its MoneySmart website which may be relevant to your consideration of Notes. You can find this guidance by searching 'hybrid securities' at [moneysmart.gov.au](http://moneysmart.gov.au). The guidance includes a series of questions you should ask before you invest in hybrid securities, as well as a short quiz to check your understanding of how hybrids work, their features and risks.

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### **LEARN MORE ABOUT INVESTING IN BANK HYBRID SECURITIES**

**4**

ANZ has developed an interactive website containing an introductory guide to bank hybrid securities which may assist you to better understand bank hybrid securities, their features and their risks. The guide explains the different ways you may invest in a bank, including by depositing money or investing in securities issued by a bank.

The guide is available at [shareholder.anz.com/education/hybrids](http://shareholder.anz.com/education/hybrids).

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### **OBTAIN FURTHER INFORMATION ABOUT ANZ AND ANZ CAPITAL NOTES 4**

**5**

ANZ is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. ANZ must notify ASX immediately (subject to certain exceptions) if it becomes aware of information about ANZ that a reasonable person would expect to have a material effect on the price or value of its securities including ANZ Capital Notes 4.

Copies of documents lodged with ASIC which are publicly available can be obtained from ASIC's website [asic.gov.au](http://asic.gov.au) (a fee may apply) and ANZ's ASX announcements may be viewed at [asx.com.au](http://asx.com.au).

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### **ENQUIRIES**

**6**

If you have any questions in relation to the Offer or an Application, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8.30am to 5.30pm AET) or contact your Syndicate Broker or other professional adviser who is licensed by ASIC to give such advice.

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## KEY DATES

KEY DATES FOR THE OFFER	DATE
Lodgement of this Prospectus with ASIC	16 August 2016
Bookbuild to determine the Margin and announcement of the Margin	23 August 2016
Lodgement of the replacement prospectus with ASIC	24 August 2016
Opening Date	24 August 2016
Closing Date for ANZ Securityholder Offer	5:00pm AET on 19 September 2016
Closing Date for Broker Firm Offer and Institutional Offer	10:00am AET on 26 September 2016
Issue Date	27 September 2016
ANZ Capital Notes 4 commence trading on ASX (deferred settlement basis)	28 September 2016
Confirmation Statements despatched by	4 October 2016
ANZ Capital Notes 4 commence trading on ASX (normal settlement basis)	5 October 2016
First Distribution Payment Date <sup>1</sup>	20 December 2016
Optional Exchange Date	20 March 2024
Mandatory Conversion Date <sup>2</sup>	20 March 2026

1. Distributions are scheduled to be paid at the end of each quarterly Distribution Period (on 20 March, 20 June, 20 September and 20 December each year) subject to ANZ's absolute discretion and the Payment Conditions. If any of these scheduled dates are not Business Days, then the Distribution Payment Date will occur on the next Business Day.
2. The Mandatory Conversion Date may be later than 20 March 2026, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied – see Section 6.1.9.

## KEY DATES FOR CPS2 HOLDERS

## DATE

Record date for determining Eligible CPS2 Holders for Reinvestment Offer (relevant CPS2 must also be held on Closing Date for the Reinvestment Offer)	8 August 2016
Opening Date for the Reinvestment Offer	24 August 2016
Closing Date for the Reinvestment Offer	5:00pm AET on 19 September 2016
Closing Date for the Broker Firm Offer (applications in respect of Reinvestment CPS2)	5:00pm AET on 19 September 2016
Number of Reinvestment CPS2 confirmed and announced	23 September 2016
Reinvestment CPS2 cease trading on ASX (but remain quoted on ASX)	23 September 2016
Reinvestment CPS2 Buy-back Date and payment date for Pro Rata Dividend on Reinvestment CPS2 <sup>3</sup>	27 September 2016
Last day of trading for remaining CPS2 on ASX	28 November 2016
Remaining CPS2 cease trading (but remain quoted on ASX)	29 November 2016
Record date for scheduled quarterly dividend for remaining CPS2	30 November 2016
Expected resale of remaining CPS2 to Nominated Purchaser and scheduled quarterly dividend payment date for remaining CPS2 <sup>4</sup>	15 December 2016
Expected buy-back of CPS2 from Nominated Purchaser	15 December 2016

## DATES MAY CHANGE

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

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

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

3. Payment of the relevant dividend is subject to the payment tests in the CPS2 terms (including that the Board resolves to pay the relevant dividend).
4. The appointment of the Nominated Purchaser and the issue of the resale notice are subject to APRA approval. ANZ intends to appoint a wholly-owned subsidiary as the Nominated Purchaser. Any resale may be subject to conditions. If these approvals are not obtained, an appropriate Nominated Purchaser cannot be identified or any conditions to resale are not met, the resale may not occur. If the resale does not occur, where the mandatory conversion conditions in respect of the CPS2 are satisfied on 15 December 2016, the CPS2 will convert into Ordinary Shares. If the mandatory conversion conditions in respect of the CPS2 are not satisfied on that date, the CPS2 will remain on issue until the first CPS2 dividend payment date on which the conditions are satisfied unless otherwise dealt with in accordance with their terms. Payment of the dividend is subject to the payment tests in the CPS2 terms (including that the Board resolves to pay the dividend).

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# 1

## SECTION 1

# INVESTMENT OVERVIEW

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THIS SECTION PROVIDES A SUMMARY OF THE KEY FEATURES AND RISKS OF ANZ CAPITAL NOTES 4.

IF YOU WISH TO APPLY FOR NOTES, IT IS IMPORTANT THAT YOU FIRST READ THIS PROSPECTUS IN FULL AND IT IS RECOMMENDED THAT YOU SEEK PROFESSIONAL GUIDANCE WHICH TAKES INTO ACCOUNT YOUR PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATION AND NEEDS FROM A PROFESSIONAL ADVISER WHO IS LICENSED BY ASIC TO GIVE SUCH ADVICE.

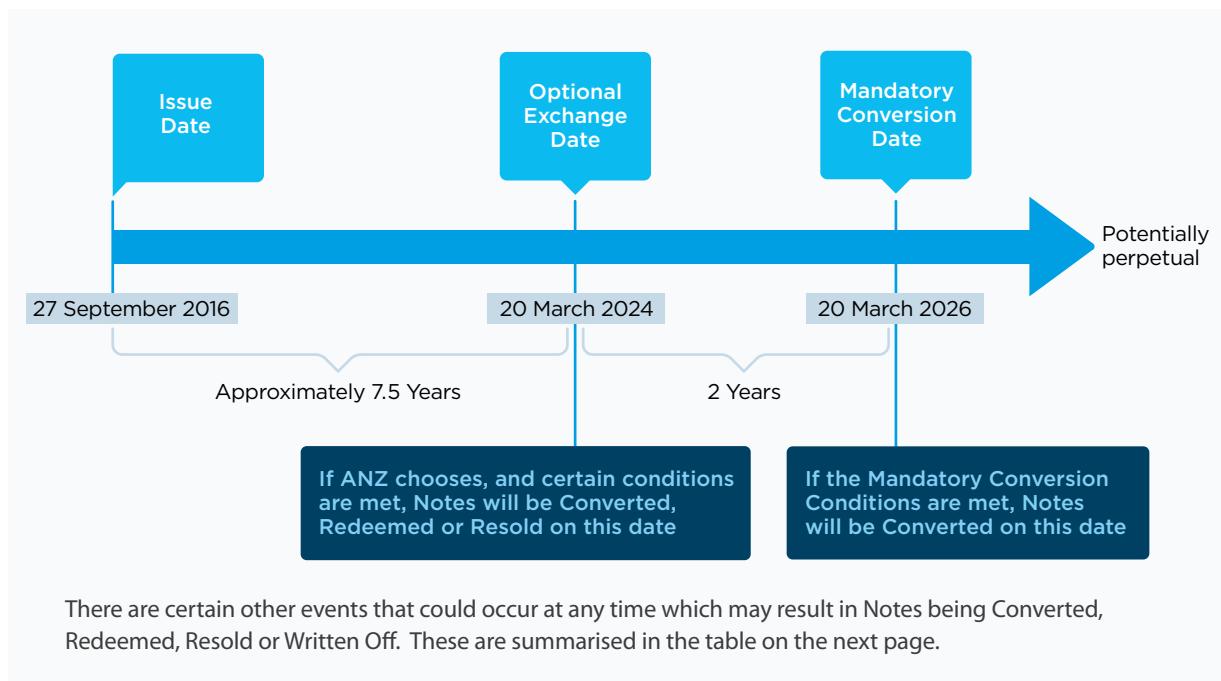
## 1.1 KEY FEATURES OF THE OFFER AND ANZ CAPITAL NOTES 4

Topic	Summary	Where to find more information
Issuer	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ).	Section 5
Type of instrument	<p>ANZ Capital Notes 4 are:</p> <ul style="list-style-type: none"> <li>• <b>fully paid</b> – at \$100 per Note;</li> <li>• <b>convertible</b> – in certain circumstances, the Notes will Convert into Ordinary Shares;</li> <li>• <b>redeemable and resaleable</b> – in certain circumstances, ANZ may be permitted to repay the Face Value of the Notes or transfer the Notes to a third party (but there are significant restrictions on repayment or transfer of the Notes);</li> <li>• <b>non-cumulative</b> – Distributions are discretionary and unpaid. Distributions do not accumulate. Holders will not have any right to compensation if ANZ does not pay a Distribution;</li> <li>• <b>perpetual</b> – the Notes do not have any fixed maturity date and could remain on issue if they are not Converted or Redeemed (in which case you would not receive your capital back or be issued any Ordinary Shares);</li> <li>• <b>unsecured</b> – they are not guaranteed or secured, are not deposit liabilities of ANZ and are not protected accounts for the purposes of the Banking Act;</li> <li>• <b>subordinated</b> – although they have priority over Ordinary Shares and rank equally with Equal Ranking Instruments, they are subordinated to the claims of Senior Creditors (including ANZ depositors) in a winding-up;</li> <li>• <b>exposed to Trigger Events</b> – where a Trigger Event occurs (which includes where ANZ suffers significant losses), the Notes are subject to Conversion into Ordinary Shares or Write Off, in which case Holders are likely to suffer a material loss; and</li> <li>• <b>listed</b> – ANZ will apply for Notes to be listed on ASX and Notes are expected to trade under ASX code “ANZPG”.</li> </ul> <p>The Note Terms are complex and derive from the detailed capital requirements which APRA applies to these instruments. ANZ's ability to pay a Distribution or to Convert, Redeem or Resell the Notes at its option are in each case subject to a number of restrictions, including, in the case of payment of a Distribution, APRA not objecting to the Distribution and, in the case of Conversion, Redemption or Resale, APRA giving its prior written approval to the Conversion, Redemption or Resale.</p>	
Regulatory treatment	<p>APRA has confirmed that the Notes will constitute Additional Tier 1 Capital for the purposes of ANZ's regulatory capital requirements.</p> <p>The Notes and ANZ's other regulatory capital help to protect ANZ's depositors and other creditors by providing a capital buffer which supports losses that may be incurred on ANZ's assets.</p>	
Face Value	\$100 per Note. This is the price you need to pay to apply for each Note under the Prospectus.	
Offer size	\$1 billion, with the ability to raise more or less.	
Purpose of the Offer	The Offer is part of ANZ's ongoing capital management strategy. ANZ will use the proceeds to refinance CPS2 and for general corporate purposes.	

Topic	Summary	Where to find more information
Distributions	<p>Distributions are cash payments on the Notes which are scheduled to be paid quarterly until all Notes are Converted or Redeemed.</p> <p>The Distribution Rate is calculated in accordance with the following formula:</p> $\text{Distribution Rate} = (\text{BBSW Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$ <p>Where:</p> <ul style="list-style-type: none"> <li>• <b>Margin</b> is the margin determined under the Bookbuild (expected to be in the range of 4.70% to 4.90%; and</li> <li>• <b>Tax Rate</b> is the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30%.</li> </ul>	Section 2.1
Franking	Distributions paid on the Notes are expected to be fully franked. The effect of the Distributions being franked is to reduce the cash amount received by Holders on each Distribution Payment Date by an amount equal to the relevant level of franking. If a Distribution is not fully franked, ANZ will pay an additional amount in cash to compensate the Holder for the unfranked component.	Section 2.1
Payment of Distributions	<p>Payments of Distributions are at the absolute discretion of ANZ, which means ANZ does not have to pay them. Distributions are also only payable if the Payment Conditions are satisfied.</p> <p>Distributions are non-cumulative which means that unpaid Distributions do not accumulate and Holders will not have any right to compensation if ANZ does not pay a Distribution. Failure to pay a Distribution when scheduled will not constitute an event of default.</p> <p>If a Distribution is not paid in full on a Distribution Payment Date, subject to certain exceptions, ANZ cannot pay or resolve to pay any Ordinary Share Dividend, or undertake any Buy-Back or Capital Reduction, until and including the next Distribution Payment Date (unless the Distribution is paid in full within 3 Business Days of the Distribution Payment Date).</p>	Section 2.1.6
Distribution Payment Dates	<p>The Distribution Payment Dates are, generally, 20 March, 20 June, 20 September and 20 December.</p> <p>The first Distribution is scheduled to be paid on 20 December 2016. You should note that the first Distribution Period is shorter than the normal Distribution Period.</p>	Section 2.1.5
Do ANZ Capital Notes 4 have a maturity date?	<p>Holders should be aware that the Notes do not have a fixed maturity date. While the Notes are scheduled to Convert into Ordinary Shares on 20 March 2026, that Conversion is subject to conditions which may never be met. Accordingly, if the Notes are not Exchanged (via Conversion, Redemption or Resale), they could remain on issue indefinitely. Holders have no right to request or require an Exchange.</p> <p>It is expected that the Notes will be quoted on ASX. Unless an Exchange occurs, Holders would need to sell their Notes on ASX at the prevailing market price to realise their investment. That market price may be less than the Face Value, or there may be no liquid market in the Notes which may result in the Holders suffering a loss.</p>	Section 2.2 – 2.5

## 1.2 SUMMARY OF CERTAIN EVENTS THAT MAY OCCUR WHILE THE ANZ CAPITAL NOTES 4 ARE ON ISSUE

The diagram and table below summarise certain events that may occur while the ANZ Capital Notes 4 are on issue, and what Holders may receive if those events occur. The events depend on a number of factors including ANZ's share price, the occurrence of contingencies and in some cases election by ANZ. As a result the events may not occur.



What can happen?	When does this happen?	Is APRA approval needed? <sup>5</sup>	Do conditions apply?	What value will you receive for each Note if this happens?	In what form will that value be provided?
Mandatory Conversion	On 20 March 2026 (if the Mandatory Conversion Conditions are satisfied on that date) or the first Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied	No	Yes	Approximately \$101 <sup>6</sup>	Variable number of Ordinary Shares
Optional Conversion	20 March 2024	Yes	Yes	Approximately \$101 <sup>6</sup>	Variable number of Ordinary Shares
Optional Redemption	20 March 2024	Yes	Yes	\$100	Cash
Optional Resale	20 March 2024	Yes	No	\$100	Cash
Conversion in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	Yes	Approximately \$101 <sup>6, 7</sup>	Variable number of Ordinary Shares
	If a Change of Control Event occurs	No	Yes	Approximately \$101 <sup>6, 7</sup>	Variable number of Ordinary Shares
	If a Trigger Event occurs	No	No	Depending on the market price of the Ordinary Shares, Holders are likely to receive significantly less than approximately \$101 <sup>8, 9</sup>	Variable number of Ordinary Shares, capped at the Maximum Conversion Number <sup>10</sup>
Redemption in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	Yes	\$100 <sup>7</sup>	Cash
Resale in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	No	\$100 <sup>7</sup>	Cash

5. Holders should not expect that APRA's approval will be given if requested.
6. On the basis of the Conversion calculations, the value of Ordinary Shares received on Conversion may be worth more or less than approximately \$101. The number of Ordinary Shares that Holders will receive will not be greater than the Maximum Conversion Number.
7. If an Exchange occurs on a day that is not a scheduled quarterly Distribution Payment Date, Holders whose Notes are being Exchanged will also receive a Distribution in respect of these Notes for the period from the immediately preceding Distribution Payment Date to (but excluding) the date on which the Exchange occurs (at ANZ's discretion and provided the conditions to payment are met).
8. Section 6.1.10 provides further detail on the circumstances in which Holders are likely to receive significantly less than \$101 following Conversion due to a Trigger Event.
9. If a Note is Written Off, that Note will not be Converted or Exchanged, all rights (including to Distributions) in respect of that Note will be terminated, and the Holder will not have their capital repaid.
10. However, if the Notes are not Converted for any reason (including an Inability Event) into Ordinary Shares within 5 Business Days after a Trigger Event Conversion Date, the Notes will be Written Off, meaning the Notes will never Convert or be Exchanged, all rights (including to Distributions) in respect of the Notes will be terminated and the Holder will not have their capital repaid.

### 1.3 RANKING OF NOTES IN A WINDING-UP OF ANZ

In a winding-up of ANZ, Notes rank ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including ANZ Capital Securities) and behind all Senior Creditors of ANZ, including depositors, as shown in Table 2. However, the ranking of Holders in a winding-up will be adversely affected if a Trigger Event occurs. If, following a Trigger Event, Notes are Converted into Ordinary Shares, Holders will have a claim as an Ordinary Shareholder. If, following a Trigger Event, Notes are Written Off, those Notes will never Convert or be Exchanged, all rights in relation to those Notes will be terminated, and Holders will not have their capital repaid.

The table below illustrates how the Notes would rank upon a winding-up of ANZ, if they are on issue at the time. In the table, a 'higher ranking' obligation is one which will be paid out of ANZ's available assets in a winding-up before obligations with a lower ranking. It may be that lower ranking securityholders, including Holders, will only have part or none of their obligations paid (in the case of Holders, the claim for the Face Value), as there may be insufficient assets remaining to do so after higher ranking obligations have been paid.

		Examples	Examples of existing ANZ obligations and securities <sup>11,12</sup>
Higher ranking/ earlier priority	Senior creditors	Liabilities preferred by law and secured debt	Liabilities in Australia in relation to protected accounts under the Banking Act (generally, savings accounts and term deposits) and other liabilities preferred by law including employee entitlements and secured creditors
		Unsubordinated unsecured debt	Bonds and notes, trade and general creditors. This includes covered bonds which are an unsecured claim on ANZ, though they are secured over assets that form part of the Group
		Subordinated unsecured debt	ANZ Subordinated Notes and other subordinated unsecured debt obligations ranking senior to preference shares
		Equal ranking obligations	<b>ANZ Capital Notes 4<sup>12</sup>, ANZ Capital Securities</b>
Lower ranking/ later priority	Lower ranking obligations	Ordinary Shares	Ordinary Shares

### 1.4 DIFFERENCES BETWEEN THE NOTES AND OTHER TYPES OF INVESTMENTS IN ANZ

ANZ Capital Notes 4 are different from and higher risk than term deposits. They are also different from ANZ Capital Securities and Ordinary Shares. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for Notes.

11. This is a very simplified capital structure of ANZ and does not include every type of security or other obligation issued by ANZ. ANZ has the right to issue further debt, deposits or other obligations or securities of any kind at any time. ANZ Capital Notes 4 do not limit the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by ANZ at any time.
12. This is the ranking of Notes prior to Conversion (if the securities are on issue at the time). If a Note is Written Off, that Note will not be Converted or Exchanged, all rights (including to Distributions) in respect of that Note will be terminated, and the Holder will not have their money repaid. If a Note is Converted, the Ordinary Shares that a Holder receives on Conversion will rank equally with other Ordinary Shares in a winding-up of ANZ.

	Term deposit	CN3	ANZ Capital Notes 4	Ordinary Shares
Protected under the Financial Claims Scheme	Yes <sup>13</sup>	No	No	No
Margin	Varies from product to product	3.6%	4.70% to 4.90% to be determined under the Bookbuild	N/A
Distribution/dividend rate	Fixed	Floating	Floating	Variable – as determined by ANZ
Distribution/dividend payment dates	Often at the end of term or per annum	Half-yearly	Quarterly	Half-yearly
Conditions to payment of distributions/dividends	None, subject to applicable laws and any specific conditions	Yes, subject to ANZ's absolute discretion and payment conditions	Yes, subject to ANZ's absolute discretion and Payment Conditions	Yes, subject to ANZ's absolute discretion and applicable laws and regulations
Distribution/dividend restriction if distribution/dividend not paid	N/A	Yes, applies to Ordinary Shares until the next six-monthly distribution payment date	Yes, applies to Ordinary Shares until the next quarterly Distribution Payment Date	No
Franking of distribution/dividend	N/A – interest payments are not franked	Frankable and grossed up for a non franked portion	Frankable and grossed up for a non franked portion	Frankable
Quoted on ASX	No	Yes, under the ticker "ANZPF"	Yes, ANZ Capital Notes 4 are expected to be quoted as "ANZPG"	Yes – under the ticker "ANZ"
Term	Often between 1 month and 5 years	Perpetual, subject to mandatory conversion into Ordinary Shares after approximately 10 years	Perpetual, subject to mandatory Conversion into Ordinary Shares after approximately 9.5 years	Perpetual
Mandatory conversion into Ordinary Shares	No	Yes	Yes See Section 2.2	N/A
APRA written approval required for conversion, redemption or resale (if applicable)	No	Yes	Yes <sup>14</sup>	N/A
ANZ's early conversion option	No	Yes	Yes See Section 2.3	N/A
ANZ's early redemption option	No	Yes	Yes See Section 2.3	No

13. This is subject to a limit, currently fixed at \$250,000 for the aggregate of the customer's accounts with an ADI declared subject to the Financial Claims Scheme.

14. Except for Conversion on a Mandatory Conversion Date, Common Equity Capital Trigger Event, Non-Viability Trigger Event or Change of Control Event.

	Term deposit	CN3	ANZ Capital Notes 4	Ordinary Shares
ANZ's resale rights	No	Yes	Yes See Section 2.3	No
Other ANZ early redemption options	No	Yes	Yes See Section 2.3	No
Trigger Event	No	Yes	Yes See Section 2.5	N/A
Voting rights	N/A	No right to vote at general meeting of holders of Ordinary Shares	No right to vote at general meeting of holders of Ordinary Shares	Right to vote at general meeting of holders of Ordinary Shares
Ranking			Refer to Section 1.3	

A table highlighting the key differences between the Notes and CPS2 is set out in Section 3.2.

## 1.5 KEY RISKS OF ANZ CAPITAL NOTES 4

Before deciding whether to apply for Notes, you should consider whether the Notes are a suitable investment for you. There are risks associated with investing in Notes and in ANZ. Many of those risks are outside the control of ANZ and its Directors. The key risks are detailed in Section 6 and you should read that section in full before deciding to invest. The section below outlines the key risks associated with an investment in the Notes.

Topic	Summary	Where to find more information
ANZ Capital Notes 4 are not deposit liabilities or protected accounts	ANZ Capital Notes 4 are not deposit liabilities of ANZ, are not protected accounts for the purposes of the Banking Act or any other accounts with ANZ and are not guaranteed or insured by any person.	Section 6.1.15
Financial market conditions and liquidity	<p>The market price of the Notes may move up or down due to various factors that affect financial market conditions. It is possible that the Notes may trade at a market price below their Face Value of \$100. This means that Holders who seek to sell their Notes at that time may do so at a loss.</p> <p>The liquidity of the Notes may be low and the market for the Notes may be volatile. This means that Holders may not be able to sell their Notes at an acceptable price, at or above Face Value or at all. The market for the Notes may be less liquid and/or more volatile than the market for Ordinary Shares or other securities issued by ANZ or other entities.</p>	Sections 6.1.1 and 6.1.2
Distributions may not be paid	<p>There is a risk that Distributions may not be paid.</p> <p>If a Distribution is not paid in full on a Distribution Payment Date, Holders have no claim or entitlement in respect of non-payment nor any right to receive that Distribution at any later time. Non-payment is not an event of default.</p>	Section 6.1.5

Topic	Summary	Where to find more information
Changes in Distribution Rate	<p>The Distribution Rate will move up or down over time as a result of movements in the BBSW Rate. There is a risk that the Distribution Rate may become less attractive when compared to the rates of return available on other investments.</p>	Section 6.1.7
Mandatory Conversion may not occur on the Mandatory Conversion Date	<p>ANZ Capital Notes 4 have no fixed maturity date but will Convert into Ordinary Shares on 20 March 2026 if the Mandatory Conversion Conditions are satisfied, unless Notes are otherwise Exchanged on or before that date. If these conditions are not met on 20 March 2026, Conversion will occur on the next Distribution Payment Date on which they are satisfied. There is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied.</p> <p>If the Mandatory Conversion Conditions are never satisfied there is a risk that the Notes may never Convert and could remain on issue indefinitely.</p>	Sections 2.2.2 and 6.1.9
Holders have no right to request early Exchange	<p>Holders have no right to request that their Notes be Exchanged. Unless their Notes are Exchanged, to realise their investment, Holders would need to sell their Notes on the ASX at the prevailing market price. That price may be less than the Face Value, and there may be no liquid market in the Notes. The Note Terms contain no events of default.</p>	Section 6.1.11
Mandatory Conversion or Write Off following a Trigger Event	<p>If a Trigger Event occurs and Notes are Converted, the number of Ordinary Shares a Holder will receive for each Note is limited to the Maximum Conversion Number. This means that, depending on the market price of Ordinary Shares at the time, Holders are likely to receive significantly less than approximately \$101 worth of Ordinary Shares per Note and may suffer loss as a consequence. Where Conversion is not effected within five Business Days after the Trigger Event Conversion Date for any reason (including an Inability Event), the Notes will be Written Off. This means that those Notes will never Convert or be Exchanged and all rights (including to Distributions and to Face Value in respect of those Notes) will be terminated with effect on and from the Trigger Event Conversion Date. A Holder's investment will lose all of its value, they will not have their capital repaid and they will not receive any compensation.</p> <p>A Trigger Event may occur at any time.</p>	Sections 2.5 and 6.1.10
Ranking in a winding-up of ANZ	<p>On a winding-up of ANZ, the Notes rank for payment ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including ANZ Capital Securities), and behind all Senior Creditors, including depositors. This means that, on a winding-up, there is a risk that Holders will lose all or some of their investment. If the Notes have been Converted into Ordinary Shares prior to a winding-up of ANZ, the Ordinary Shares received on Conversion will rank equally with other Ordinary Shares and a holder's claim in a winding-up of ANZ will therefore rank lower than it would have if the Notes had not been Converted. If Notes are Written Off, those Notes will never Convert or be Exchanged and Holders will not have their capital repaid at all.</p>	Section 6.1.15

Topic	Summary	Where to find more information
ANZ may issue further securities	There is no limit on the amount of senior debt, deposits or other obligations or securities that may be incurred or issued by ANZ at any time, which may affect a Holder's ability to be repaid on a winding-up of ANZ.	Section 6.1.20
Fluctuation in Ordinary Share price	The market price of Ordinary Shares will move up or down due to various factors, including investor perceptions, domestic and worldwide economic conditions, ANZ's financial performance and position, and transactions affecting the share capital of ANZ. As a result, the price used to calculate the number of Ordinary Shares received by Holders upon Conversion may be different to the market price of the Ordinary Shares when they are issued or thereafter.	Sections 6.1.2, 6.1.3, 6.1.4 and 6.1.9
ANZ's financial performance and position	<p>The market price of the Notes (and the Ordinary Shares into which they can Convert) may be affected by ANZ's financial performance and position. For specific risks associated with an investment in ANZ, see Section 6.2.</p> <p>ANZ's financial performance and position may also affect the credit rating associated with ANZ's securities, which may impact the market price and liquidity of the Notes. ANZ's credit rating may be revised, withdrawn or suspended by ratings agencies at any time.</p>	Section 6.2

## 1.6 WHAT IS THE OFFER AND HOW DO I APPLY

Topic	Summary	Where to find more information
Offer Structure	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• an ANZ Securityholder Offer;</li> <li>• a Reinvestment Offer;</li> <li>• a Broker Firm Offer; and</li> <li>• an Institutional Offer.</li> </ul> <p>Information about the different types of offers and how to apply is set out in Section 4.</p>	Sections 3 and 4
Reinvestment Offer	<p>Under the Reinvestment Offer, ANZ is proposing to buy-back CPS2 from Eligible CPS2 Holders for \$100 per CPS2. Eligible CPS2 Holders who successfully participate in the Reinvestment Offer will not receive the buy-back proceeds from ANZ, instead the buy-back proceeds will be applied to the Application Payment for ANZ Capital Notes 4. Eligible CPS2 Holders will also receive a Pro Rata Dividend for those CPS2 that are reinvested (subject to the conditions to payment in the CPS2 terms).</p> <p>Eligible CPS2 Holders are persons who are:</p> <ul style="list-style-type: none"> <li>• registered as a holder of CPS2 at 7:00pm AET on 8 August 2016;</li> <li>• shown on the CPS2 register as having an address in Australia; and</li> <li>• not in the United States or acting as a nominee for, or for the account or benefit of, a US Person or not otherwise prevented from receiving the Reinvestment Offer or ANZ Capital Notes 4 under the laws of any jurisdiction.</li> </ul> <p>The options available to Eligible CPS2 Holders are detailed in Section 3.</p>	Section 3

Topic	Summary	Where to find more information
How to Apply	<p>To apply for Notes, you must complete an Application Form and follow the instructions in Section 4 "About the Offer and How to Apply". If you are applying under the Reinvestment Offer, you should also read Section 3 "About the Reinvestment Offer".</p>	Section 4
Minimum Application	<p>50 Notes (\$5,000) and thereafter in multiples of 10 Notes (\$1,000).</p> <p>If you are an Eligible CPS2 Holder and own less than 50 CPS2, you can still apply to participate in the Reinvestment Offer but you must apply to reinvest all of your CPS2.</p>	Sections 3 and 4
Allocation policy	<p><b>Institutional Offer and Broker Firm Offer</b></p> <ul style="list-style-type: none"> <li>• Allocations to Institutional Investors will be determined by ANZ and ANZ Securities following completion of the Bookbuild.</li> <li>• Allocations to Syndicate Brokers will be determined by ANZ in consultation with the Joint Lead Managers following completion of the Bookbuild.</li> <li>• Allocations to Broker Firm Applicants by a Syndicate Broker (including in respect of the Reinvestment Offer) are at the discretion of that Syndicate Broker. It is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. ANZ takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.</li> </ul> <p><b>ANZ Securityholder Offer and Reinvestment Offer</b></p> <ul style="list-style-type: none"> <li>• Allocations to ANZ Securityholder Applicants and CPS2 Reinvestment Applicants will be determined by ANZ in consultation with the Joint Lead Managers.</li> <li>• Applications from ANZ Securityholder Applicants and CPS2 Reinvestment Applicants may be scaled back if there is excess demand for the Offer. In the event of excess demand, ANZ's current intention is to give preference to CPS2 Reinvestment Applicants over ANZ Securityholder Applicants while still providing for a proportion of the available Notes to be allocated to ANZ Securityholder Applicants. How ANZ scales back applications will depend on the extent of applications from ANZ Securityholder Applicants and CPS2 Reinvestment Applicants.</li> <li>• In the event of excess demand, it is possible that the proportionate scale back applied to ANZ Securityholder Applicants will be greater than that applied to CPS2 Reinvestment Applicants.</li> </ul>	Sections 4.4.3
More information	<p>If you have any questions about the Offer or how to apply for the Notes, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AET) or contact your Syndicate Broker or other professional adviser who is licensed by ASIC to give such advice.</p>	

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## **SECTION 2**

# **ABOUT ANZ CAPITAL NOTES 4**

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**THIS SECTION IS AN OVERVIEW OF THE KEY FEATURES  
OF ANZ CAPITAL NOTES 4.**

**WHERE INDICATED, MORE DETAILED INFORMATION IS  
PROVIDED IN OTHER SECTIONS OF THIS PROSPECTUS AND  
THE NOTE TERMS.**

**IF YOU WISH TO APPLY FOR NOTES, IT IS IMPORTANT THAT  
YOU FIRST READ THIS PROSPECTUS IN FULL AND  
IT IS RECOMMENDED THAT YOU SEEK PROFESSIONAL  
GUIDANCE WHICH TAKES INTO ACCOUNT YOUR  
PARTICULAR INVESTMENT OBJECTIVES, FINANCIAL SITUATION  
AND NEEDS FROM A PROFESSIONAL ADVISER  
WHO IS LICENSED BY ASIC TO GIVE SUCH ADVICE.**

## KEY QUESTIONS ABOUT ANZ CAPITAL NOTES 4

### 2.1. DISTRIBUTIONS

- 2.1.1. How will the Distribution Rate be calculated?
- 2.1.2. How will the Distribution be calculated for each Distribution Period?
- 2.1.3. What is the impact of franking credits?
- 2.1.4. What is the BBSW Rate?
- 2.1.5. When are the Distribution Payment Dates?
- 2.1.6. What are the Payment Conditions?
- 2.1.7. What is the Distribution Restriction and when will it apply?
- 2.1.8. Are any deductions made on the Distributions?
- 2.1.9. How will Distributions be paid?

### 2.2. MANDATORY CONVERSION

- 2.2.1. When is the Mandatory Conversion Date?
- 2.2.2. What are the Mandatory Conversion Conditions?
- 2.2.3. What are the reasons for the Mandatory Conversion Conditions?
- 2.2.4. Until when is Mandatory Conversion deferred if the Mandatory Conversion Conditions are not satisfied?
- 2.2.5. How many Ordinary Shares will Holders receive on Mandatory Conversion?
- 2.2.6. What is the Issue Date VWAP?
- 2.2.7. What adjustments to the Issue Date VWAP are made to account for changes to ANZ's capital and what is their effect?

### 2.3. OPTIONAL EXCHANGE BY ANZ

- 2.3.1. What does Exchange mean?
- 2.3.2. When is the Optional Exchange Date?
- 2.3.3. What is a Tax Event?
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- 2.3.5. Are there restrictions on which Exchange method ANZ may choose?
- 2.3.6. What are the conditions or restrictions on Conversion as the Exchange method?
- 2.3.7. How many Ordinary Shares will Holders receive if Conversion is the Exchange Method?
- 2.3.8. Are there any restrictions on Redemption?
- 2.3.9. What happens on Resale?
- 2.3.10. What factors will influence ANZ's decision to Exchange the Notes?
- 2.3.11. Can Holders request Exchange?

### 2.4. CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT

- 2.4.1. When will a Change of Control Event occur?
- 2.4.2. What happens on a Change of Control Event?
- 2.4.3. What are the restrictions on Conversion on a Change of Control Conversion Date?
- 2.4.4. What happens if Conversion does not occur on a Change of Control Conversion Date?

### 2.5. AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT

- 2.5.1. What is a Trigger Event?
- 2.5.2. What happens following a Trigger Event?
- 2.5.3. How many Ordinary Shares will Holders receive if Notes are Converted on a Trigger Event Conversion Date?
- 2.5.4. What is the Maximum Conversion Number?
- 2.5.5. Is there a worked example?
- 2.5.6. How many Notes need to be Converted or Written Off on the occurrence of a Trigger Event?

### 2.6. OTHER

- 2.6.1. Can ANZ issue further Notes or other instruments?
- 2.6.2. What voting rights do Notes carry?
- 2.6.3. Can ANZ amend the Note Terms?
- 2.6.4. What is an Approved NOHC Event?
- 2.6.5. What is the ANZ Capital Notes 4 Deed Poll?
- 2.6.6. What if a Holder is not resident in Australia?
- 2.6.7. What happens if FATCA Withholding is required to be made?

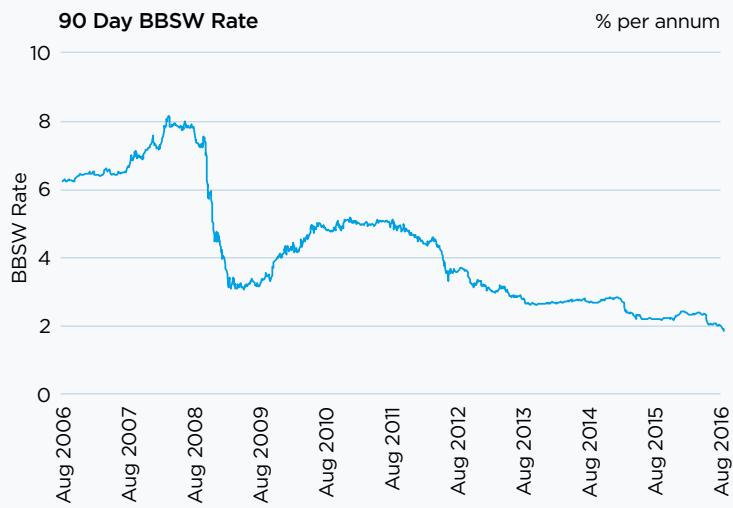
Topic	Summary	Where to find more information										
<b>2.1 DISTRIBUTIONS</b>												
2.1.1 How will the Distribution Rate be calculated?	<p>ANZ Capital Notes 4 are expected to pay quarterly floating rate non-cumulative Distributions, which are expected to be fully franked and accordingly Holders are expected to receive a combination of cash Distributions and franking credits until all Notes are Converted, Redeemed or Written Off. Payment of the Distributions is at ANZ's discretion and subject to the payment not resulting in ANZ breaching APRA's capital adequacy requirements or becoming (or being likely to become) insolvent, or APRA objecting to the payment (the <b>Payment Conditions</b>). The Payment Conditions are described in Section 2.1.6 below.</p> <p>Distributions on Notes are based on a floating rate and are non-cumulative. This means that if a Distribution or part of a Distribution is not paid on a Distribution Payment Date, Holders have no claim or entitlement in respect of non-payment nor any right to receive that Distribution at any later time. All payments of Distributions are subject to applicable law.</p> <p>The Distribution Rate for each Distribution Period will be set on the first Business Day of each Distribution Period and will be calculated using the following formula:</p> <p><b>Distribution Rate</b> = (BBSW Rate + Margin) x (1 – Tax Rate) where:</p> <p><b>BBSW Rate</b> means the BBSW Rate on the first Business Day of the Distribution Period – see Section 2.1.4;</p> <p><b>Margin</b> is the margin as determined under the Bookbuild (expected to be in the range of 4.70% to 4.90%); and</p> <p><b>Tax Rate</b> is the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30%.</p> <p>For example, assuming the BBSW Rate on the first Business Day of the Distribution Period is 1.80% per annum and the Margin is 4.70% per annum, then the Distribution Rate for that Distribution Period would be calculated as follows:</p> <table border="0" data-bbox="409 1320 1156 1536"> <tbody> <tr> <td>BBSW Rate</td> <td>1.80% per annum</td> </tr> <tr> <td>Plus the Margin</td> <td>+ 4.70% per annum</td> </tr> <tr> <td>Equivalent unfranked distribution rate</td> <td>6.50% per annum</td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td>x 0.70</td> </tr> <tr> <td><b>Indicative Distribution Rate</b></td> <td><b>4.55% per annum</b></td> </tr> </tbody> </table>	BBSW Rate	1.80% per annum	Plus the Margin	+ 4.70% per annum	Equivalent unfranked distribution rate	6.50% per annum	Multiplied by (1 – Tax Rate)	x 0.70	<b>Indicative Distribution Rate</b>	<b>4.55% per annum</b>	Clause 3.1 of the Note Terms
BBSW Rate	1.80% per annum											
Plus the Margin	+ 4.70% per annum											
Equivalent unfranked distribution rate	6.50% per annum											
Multiplied by (1 – Tax Rate)	x 0.70											
<b>Indicative Distribution Rate</b>	<b>4.55% per annum</b>											

Topic	Summary	Where to find more information								
<b>2.1 DISTRIBUTIONS (CONT)</b>										
2.1.2 How will the Distribution be calculated for each Distribution Period?	<p>Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula:</p> $\text{Distribution} = \frac{\text{Face Value} \times \text{Distribution Rate} \times N}{365}$ <p>where:</p> <p><b>Face Value</b> means \$100 per Note;</p> <p><b>Distribution Rate</b> means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.1; and</p> <p><b>N</b> means the number of days in the Distribution Period calculated as set out in the Note Terms.</p> <p>For example, if the Distribution Rate was 4.55% per annum and assuming Distributions on the Notes are fully franked, then the cash Distribution on each Note for that Distribution Period (if the Distribution Period was for 91 days) would be calculated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Indicative Distribution Rate</td> <td style="width: 60%;">4.55% per annum</td> </tr> <tr> <td>Multiplied by the Face Value</td> <td>x \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period<sup>15</sup></td> <td>x 91</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> </table> <p><b>Indicative fully franked cash Distribution payment for the Distribution Period per Note</b> \$1.1344</p> <p>Where Distributions are not fully franked, an additional cash payment is made to compensate for the unfranked component. Details of the additional payment are set out in Section 2.1.3.</p> <p>The above example is for illustrative purposes only. Actual Distributions may be higher or lower than this example.</p> <p>The Distribution Rate for the first Distribution Period will be set on the Issue Date and will include the Margin determined under the Bookbuild. You should note that the Distribution Period for the first Distribution is a shorter period of 83 days and Distribution Periods will otherwise generally be 90 to 92 days.</p>	Indicative Distribution Rate	4.55% per annum	Multiplied by the Face Value	x \$100.00	Multiplied by the number of days in the Distribution Period <sup>15</sup>	x 91	Divided by 365	÷ 365	Clauses 3.1, 13 and 17.2 of the Note Terms
Indicative Distribution Rate	4.55% per annum									
Multiplied by the Face Value	x \$100.00									
Multiplied by the number of days in the Distribution Period <sup>15</sup>	x 91									
Divided by 365	÷ 365									

15. Distribution Periods will otherwise generally contain 90 to 92 days.

Topic	Summary	Where to find more information														
<b>2.1 DISTRIBUTIONS (CONT)</b>																
<p>2.1.3 What is the impact of franking credits?</p>	<p>Distributions are expected to be fully franked and, accordingly, Holders are expected to receive a combination of cash Distributions and franking credits.</p> <p>If the potential value of the franking credits is taken into account in full, the Distribution Rate of 4.55% per annum in the example in Section 2.1.2 would be equivalent to an unfranked distribution rate of approximately 6.50% per annum.</p> <p>If any Distribution is not franked or only partially franked, the amount of the cash Distribution will be increased to compensate for the unfranked component, subject to the Payment Conditions. Clause 3.2 of the Note Terms sets out the method of calculation for the additional payment.</p> <p>For example, if the franking rate applicable to the Distribution was only 90%, then the cash Distribution on each Note for that Distribution Period (if the Distribution Period was for 91 days) would be calculated as follows:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">Indicative Distribution Rate</td> <td style="width: 40%; text-align: right;">4.55% per annum</td> </tr> <tr> <td>Multiplied by the Face Value</td> <td style="text-align: right;">x \$100.00</td> </tr> <tr> <td>Multiplied by the number of days in the Distribution Period<sup>15</sup></td> <td style="text-align: right;">x 91</td> </tr> <tr> <td>Divided by 365</td> <td style="text-align: right;">÷ 365</td> </tr> <tr> <td><b>Sub total</b></td> <td style="text-align: right;"><b>\$1.1344</b></td> </tr> <tr> <td>Divided by 1 – (Tax Rate x (1 – Franking Rate))</td> <td style="text-align: right;">0.97</td> </tr> <tr> <td><b>Indicative partially franked cash Distribution payment for the Distribution Period per Note</b></td> <td style="text-align: right;"><b>\$1.1695</b></td> </tr> </table> <p>The above example is for illustrative purposes only. Actual Distributions may be higher or lower than this example.</p> <p>Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution and will depend on the individual tax position of each Holder.</p> <p>If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change.</p> <p>Holders should refer to the Taxation Summary in Section 7 and seek professional advice in relation to their tax position.</p>	Indicative Distribution Rate	4.55% per annum	Multiplied by the Face Value	x \$100.00	Multiplied by the number of days in the Distribution Period <sup>15</sup>	x 91	Divided by 365	÷ 365	<b>Sub total</b>	<b>\$1.1344</b>	Divided by 1 – (Tax Rate x (1 – Franking Rate))	0.97	<b>Indicative partially franked cash Distribution payment for the Distribution Period per Note</b>	<b>\$1.1695</b>	<p>Sections 6 and 7 Clause 3.2 of the Note Terms</p>
Indicative Distribution Rate	4.55% per annum															
Multiplied by the Face Value	x \$100.00															
Multiplied by the number of days in the Distribution Period <sup>15</sup>	x 91															
Divided by 365	÷ 365															
<b>Sub total</b>	<b>\$1.1344</b>															
Divided by 1 – (Tax Rate x (1 – Franking Rate))	0.97															
<b>Indicative partially franked cash Distribution payment for the Distribution Period per Note</b>	<b>\$1.1695</b>															

Topic	Summary	Where to find more information
<b>2.1 DISTRIBUTIONS (CONT)</b>		
2.1.4 What is the BBSW Rate?	<p>The BBSW Rate is a benchmark floating interest rate for the Australian money market.</p> <p>The graph below illustrates the movement in the BBSW Rate over the last 10 years. The rate on 3 August 2016 was 1.8% per annum.</p>	Clause 3.1 of the Note Terms



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

Topic	Summary	Where to find more information
<b>2.1 DISTRIBUTIONS (CONT)</b>		
2.1.5 When are the Distribution Payment Dates?	<p>Subject to ANZ's absolute discretion and the Payment Conditions, Distributions are payable quarterly in arrears on the Distribution Payment Dates. The first Distribution Payment Date is 20 December 2016.</p> <p>Subsequent Distribution Payment Dates occur on 20 March, 20 June, 20 September and 20 December each year. If any of these dates are not Business Days, then the Distribution Payment Date will occur on the next Business Day.</p> <p>In addition, if Exchange occurs on a day that is not a scheduled Distribution Payment Date (other than as a result of a Trigger Event where Holders have no right to a Distribution), subject to ANZ's absolute discretion and the Payment Conditions, Holders that are being Exchanged will also receive a Distribution in respect of those Notes for the period from the immediately preceding Distribution Payment Date to (but excluding) the date on which Exchange occurs.</p>	Clauses 3.3, 3.5 and 17.2 of the Note Terms
2.1.6 What are the Payment Conditions?	<p>Distributions may not always be paid. The payment of each Distribution is subject to ANZ's absolute discretion and no Payment Condition existing in respect of the relevant Distribution Payment Date.</p> <p>A Payment Condition will exist where:</p> <ul style="list-style-type: none"> <li>the payment of Distributions will result in ANZ (on a Level 1 basis) or the ANZ Group (on a Level 2 basis or, if applicable, a Level 3 basis) not complying with APRA's then current capital adequacy requirements;</li> <li>the payment of Distributions would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or</li> <li>APRA objects to the payment of the Distribution.</li> </ul> <p>All payments are subject to applicable law.</p>	Clauses 3.3, 13.9 and 17.2 of the Note Terms
2.1.7 What is the Distribution Restriction and when will it apply?	<p>If for any reason a Distribution has not been paid in full on a Distribution Payment Date (the <b>Relevant Distribution Payment Date</b>), ANZ must not, subject to certain exceptions, without approval of a Special Resolution, until and including the next Distribution Payment Date:</p> <ul style="list-style-type: none"> <li>resolve to pay or pay any Ordinary Share Dividend; or</li> <li>undertake any Buy-Back or Capital Reduction,</li> </ul> <p>unless the Distribution is paid in full within 3 Business Days of the Relevant Distribution Payment Date.</p>	Clauses 3.8 and 3.9 of the Note Terms
2.1.8 Are any deductions made on the Distributions?	<p>ANZ may deduct from any Distribution payable in accordance with the Note Terms the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount (<b>Tax</b>).</p> <p>ANZ may also make a deduction on account of FATCA and is not required to pay an additional amount (or take any further action) where it has made a deduction on account of Tax or FATCA.</p>	Clauses 3.7, 13.10 and 17.2 of the Note Terms
2.1.9 How will Distributions be paid?	<p>Distributions are scheduled to be paid to Holders whose details are recorded with the Registry on the relevant Record Date.</p> <p>Distributions and any other amount payable will be paid by:</p> <ul style="list-style-type: none"> <li>electronic transfer to a bank account maintained in Australia with a financial institution nominated by the Holder; or</li> <li>at ANZ's option, if no such account is nominated, sending a cheque to the address of the Holder.</li> </ul>	

Topic	Summary	Where to find more information
<b>2.2 MANDATORY CONVERSION</b>		
ANZ Capital Notes 4 do not have a maturity date but are scheduled to be Converted into Ordinary Shares on 20 March 2026 if the Notes have not been Exchanged prior to that date, provided that certain conditions are met. These conditions may never be satisfied and therefore Notes may never Convert into Ordinary Shares.		
2.2.1 When is the Mandatory Conversion Date?	The Mandatory Conversion Date is 20 March 2026 or if the Mandatory Conversion Conditions are not satisfied on that date, the first Distribution Payment Date on which the Mandatory Conversion Conditions are satisfied.	Clause 4 of the Note Terms
2.2.2 What are the Mandatory Conversion Conditions?	<p>Conversion will not occur unless all the Mandatory Conversion Conditions are satisfied.</p> <p>The Mandatory Conversion Conditions are:</p> <ul style="list-style-type: none"> <li><b>First Mandatory Conversion Condition:</b> the VWAP on the 25th Business Day before a potential Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP.</li> <li><b>Second Mandatory Conversion Condition:</b> the VWAP during the period of 20 Business Days in which trading in Ordinary Shares took place before a potential Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP.</li> <li><b>Third Mandatory Conversion Condition:</b> no Delisting Event applies to Ordinary Shares in respect of the possible Mandatory Conversion Date. Broadly, a Delisting Event occurs when ANZ is delisted, its Ordinary Shares have been suspended from trading for a certain period, or ANZ is prevented by applicable law or any other reason from Converting Notes.</li> </ul>	Clauses 4.3, 6.1 and 17.2 of the Note Terms
The following diagram illustrates the operation of the conditions.		
<p>The diagram illustrates the timeline for the three mandatory conversion conditions. It shows a sequence of days: 25, 21, 1, and 0, leading to the 'Mandatory conversion Date'. The '20 Day VWAP Period' is indicated between the 21st and 1st days. Three conditions are defined based on the performance of the Ordinary Shares during these periods:</p> <ul style="list-style-type: none"> <li><b>First Mandatory Conversion Condition:</b> VWAP &gt; 56% of Issue Date VWAP (covering days 25-21).</li> <li><b>Second Mandatory Conversion Condition:</b> VWAP &gt; 50.51% of Issue Date VWAP (covering days 21-1).</li> <li><b>Third Mandatory Conversion Condition:</b> Ordinary Shares are listed on ASX (covering day 0).</li> </ul>		
<p><b>Note:</b> These dates are subject to adjustments to account for any days where trading in Ordinary Shares does not occur.</p>		

Topic	Summary	Where to find more information
<b>2.2 MANDATORY CONVERSION (CONT)</b>		
<b>2.2.3</b> What are the reasons for the Mandatory Conversion Conditions?	<p>It is intended that upon a Mandatory Conversion, the Holder receives Ordinary Shares worth approximately \$101 that are capable of being sold on ASX.</p> <p>There is a cap on the maximum number of shares that Holders can be issued on conversion of an instrument such as ANZ Capital Notes 4 due to Prudential Standards and ratings agency requirements. The maximum number is based on the Issue Date VWAP of Ordinary Shares and, in the case of Mandatory Conversion, is set by dividing the Face Value of the Notes by 50% of the Issue Date VWAP.</p> <p>If the price of Ordinary Shares were to fall significantly and there were no Mandatory Conversion conditions, the number of Ordinary Shares that you would receive might be limited by that cap and in that case the value of those Ordinary Shares would be likely to be less than \$101. In order to give Holders some protection against receiving Ordinary Shares worth less than approximately \$101, the First and Second Mandatory Conversion Conditions have been included, so that where the VWAP of Ordinary Shares has fallen to less than the specified percentage of the Issue Date VWAP, Mandatory Conversion is deferred.</p> <p>So that Holders receive Ordinary Shares on Conversion that are capable of being sold on ASX, the Third Mandatory Conversion Condition has been included. Essentially, it provides that if Ordinary Shares are not listed, Mandatory Conversion is deferred.</p>	
<b>2.2.4</b> Until when is Mandatory Conversion deferred if the Mandatory Conversion Conditions are not satisfied?	<p>If any of the Mandatory Conversion Conditions are not satisfied, Mandatory Conversion is deferred until the next Distribution Payment Date on which all of the Mandatory Conversion Conditions are satisfied. Since the Mandatory Conversion Conditions may never be satisfied, Mandatory Conversion may never occur.</p>	Clauses 4.2 and 4.4 of the Note Terms

Topic	Summary	Where to find more information						
<b>2.2 MANDATORY CONVERSION (CONT)</b>								
2.2.5 How many Ordinary Shares will Holders receive on Mandatory Conversion?	<p>If Notes are Converted on the Mandatory Conversion Date, Holders will receive a number of Ordinary Shares per Note that is equivalent to the number calculated using the following formula:</p> $\frac{\text{Face Value}}{99\% \times \text{VWAP}}$ <p>The VWAP for this purpose is the VWAP during the 20 Business Days on which trading in Ordinary Shares took place before the Mandatory Conversion Date.</p> <p>In the above calculation there is a small Conversion discount since selling costs are likely to apply to the sale of Ordinary Shares on ASX.</p> <p>For example, assuming the VWAP is \$25.00, the number of Ordinary Shares a Holder would receive following Conversion on a Mandatory Conversion Date would be calculated as follows:</p> <table border="1" data-bbox="462 916 1224 1019"> <tr> <td>Face Value</td> <td>\$100.00</td> </tr> <tr> <td>Divided by VWAP x 0.99</td> <td>÷ \$24.75</td> </tr> <tr> <td>Ordinary Shares per Note</td> <td>4.0404</td> </tr> </table> <p>Assuming the price of those Ordinary Shares on the Mandatory Conversion Date is also \$25.00, the aggregate value of those Ordinary Shares (calculated by multiplying 4.0404 by 25.00) would be approximately \$101.</p> <p>The above example is for illustrative purposes only. The actual VWAP and the number of Ordinary Shares Holders might receive on Conversion on the Mandatory Conversion Date may be higher or lower than in this example.</p>	Face Value	\$100.00	Divided by VWAP x 0.99	÷ \$24.75	Ordinary Shares per Note	4.0404	Clauses 6 and 17.2 of the Note Terms
Face Value	\$100.00							
Divided by VWAP x 0.99	÷ \$24.75							
Ordinary Shares per Note	4.0404							
2.2.6 What is the Issue Date VWAP?	The Issue Date VWAP is the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which Notes were issued, subject to certain adjustments (described in Section 2.2.7 below).	Clause 17.2 of the Note Terms						
2.2.7 What adjustments to the Issue Date VWAP are made to account for changes to ANZ's capital and what is their effect?	<p>The Issue Date VWAP may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues as set out in the Note Terms (but not other transactions, including rights issues, which may affect the capital of ANZ). Since the First Mandatory Conversion Condition and Second Mandatory Conversion Condition are expressed in terms of percentages of the Issue Date VWAP, an adjustment alters the VWAP of Ordinary Shares at which those conditions would be satisfied.</p> <p>However, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one per cent of the Issue Date VWAP then in effect.</p>	Clauses 6.2 to 6.8 of the Note Terms						

Topic	Summary	Where to find more information
<b>2.3 OPTIONAL EXCHANGE BY ANZ</b>		
	ANZ Capital Notes 4 have no fixed maturity but ANZ may choose to Exchange all or some ANZ Capital Notes 4 on the Optional Exchange Date or after a Tax Event or Regulatory Event occurs, in each case if APRA has given its approval and certain conditions are met.	
2.3.1 What does Exchange mean?	<p>Exchange means:</p> <ul style="list-style-type: none"> <li>• Notes are Converted into a variable number of Ordinary Shares with a value<sup>16</sup> of approximately \$101 per Note;</li> <li>• Notes are Redeemed for \$100 per Note;</li> <li>• Notes are Resold to a purchaser nominated by ANZ (that cannot be ANZ or a Related Entity of ANZ) for \$100 per Note; or</li> <li>• a combination of the above.</li> </ul> <p>No Exchange elected by ANZ will occur without APRA's prior written approval and unless certain conditions are met. Holders should not expect that APRA will give its approval for any Exchange.</p>	Clauses 5 and 17.2 of the Note Terms
2.3.2 When is the Optional Exchange Date?	20 March 2024, which is 2 years before the Mandatory Conversion Date.	Clause 17.2 of the Note Terms
2.3.3 What is a Tax Event?	<p>Broadly, a Tax Event will occur if ANZ receives professional advice that, as a result of:</p> <ul style="list-style-type: none"> <li>• a change in the tax law in Australia; or</li> <li>• an administrative pronouncement or ruling affecting taxation in Australia, on or after the Issue Date (and which on the Issue Date was not expected by ANZ to occur), there is more than an insubstantial risk which the Directors determine to be unacceptable that ANZ would be exposed to more than an insignificant adverse tax consequence in relation to Notes being on issue or any Distribution would not be a frankable distribution for tax purposes.</li> </ul>	Clauses 5.1 and 17.2 of the Note Terms
2.3.4 What is a Regulatory Event?	<p>Broadly, a Regulatory Event will occur if ANZ receives legal advice that, as a result of a change of Australian law or regulation or any statement of APRA on or after the Issue Date (and which on the Issue Date was not expected by ANZ to occur) (<b>a Regulatory Change</b>), additional requirements would be imposed on ANZ in relation to Notes which the Directors determine to be unacceptable, or the Directors determine that, as a result of a Regulatory Change, ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital.</p>	Clauses 5.1 and 17.2 of the Note Terms
2.3.5 Are there restrictions on which Exchange method ANZ may choose?	Yes. Please see Sections 2.3.6, 2.3.7 and 2.3.8 below. In addition, where there is an Exchange on the Optional Exchange Date and the Exchange Method is Conversion, the Exchange Notice must be given no earlier than 25 Business Days before the Optional Exchange Date. Where the Exchange Method is Redemption or Resale, the notice period is only 5 Business Days.	Clause 5.2 of the Note Terms

16. Based on the VWAP during a period, being 20 Business Days, on which trading in Ordinary Shares took place immediately preceding the Exchange Date. The VWAP of Ordinary Shares during the relevant period before the Exchange Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Exchange Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

Topic	Summary	Where to find more information
<b>2.3 OPTIONAL EXCHANGE BY ANZ (CONT)</b>		
2.3.6 What are the conditions or restrictions on Conversion as the Exchange method?	<p>If ANZ wishes to Exchange Notes by Converting them, there are two types of restrictions which apply:</p> <ul style="list-style-type: none"> <li>• <b>Restrictions on choosing to Convert</b> ANZ may not choose to Convert Notes if on the second Business Day before the date on which an Exchange Notice is to be sent:           <ul style="list-style-type: none"> <li>– the VWAP is less than or equal to 22.50% of the Issue Date VWAP; or</li> <li>– a Delisting Event has occurred (see Section 2.2.2).</li> </ul> </li> <li>• <b>Restrictions on completing the Conversion</b> If ANZ has sent an Exchange Notice, ANZ must not Convert the Notes if the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Exchange Date. This restriction is tested as if the Exchange Date were a possible Mandatory Conversion Date and as if the Second Mandatory Conversion Condition referred to 20.21% of the Issue Date VWAP.  If that occurs, ANZ will notify Holders and the Conversion will be deferred until the next Distribution Payment Date on which the Mandatory Conversion Conditions would be satisfied (applied on the same bases).</li> </ul> <p>The percentages used in the above conditions are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued in these circumstances under the Prudential Standards and ratings agency requirements. The cap in the case of Conversion in these circumstances is set by dividing the Face Value of the Notes by 20% of the Issue Date VWAP.</p>	Clauses 5.2, 5.4 and 5.5 of the Note Terms
2.3.7 How many Ordinary Shares will Holders receive if Conversion is the Exchange method?	If the Notes are Converted on the Optional Exchange Date or following a Tax Event or Regulatory Event, Holders will receive a variable number of Ordinary Shares with a value of approximately \$101 (based on a VWAP during a period of 20 Business Days in which trading in Ordinary Shares took place before the Conversion date).	Clauses 5 and 6 of the Note Terms
2.3.8 Are there any restrictions on Redemption?	ANZ may only elect to Redeem Notes with APRA's prior written approval. ANZ is not permitted to Redeem any Note at any time unless those Notes being Redeemed are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality as the Notes and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity, or APRA is satisfied that the capital position of the ANZ Level 1 Group and ANZ Level 2 Group is well above its minimum capital requirements after ANZ elects to Redeem the Notes.	Clauses 5.2(c) and 7 of the Note Terms
2.3.9 What happens on Resale?	ANZ may only elect to Resell Notes with APRA's prior written approval. If ANZ elects for Notes to be Resold, subject to payment by the purchaser nominated by ANZ of the Face Value of those Notes, the Holder's Notes will be transferred to the purchaser on the Exchange Date. If the purchaser does not pay the Face Value of any Notes, these Notes will not be transferred and the Holder has no claim against ANZ as a result of the non-payment.	Clause 8 of the Note Terms

Topic	Summary	Where to find more information
<b>2.3 OPTIONAL EXCHANGE BY ANZ (CONT)</b>		
2.3.10 What factors will influence ANZ's decision to Exchange the Notes?	ANZ will consider a number of factors when determining whether to Exchange all or some Notes on the Optional Exchange Date or after a Tax Event or Regulatory Event occurs. Those factors will include, among other things, ANZ's regulatory capital requirements and financial condition at the time, the market conditions prevailing at the time and the cost to ANZ of replacing the Notes with another form of Additional Tier 1 Capital.	
2.3.11 Can Holders request Exchange?	Holders do not have a right to request Exchange.	Clause 9.10(g) of the Note Terms

Topic	Summary	Where to find more information
<b>2.4 CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT</b>		
2.4.1 When will a Change of Control Event occur?	Broadly, a Change of Control Event occurs if steps are taken to acquire control of ANZ by a takeover bid or a scheme of arrangement and certain further approvals or conditions needed for the acquisition to occur or be implemented have been met.	Clauses 4.10 and 17.2 of the Note Terms
2.4.2 What happens on a Change of Control Event?	If a Change of Control Event occurs, ANZ must, subject to certain further restrictions, give a Change of Control Conversion Notice to Convert each Note into a number of Ordinary Shares with a value of approximately \$101 (based on the VWAP during a period, usually 20 Business Days, on which trading in Ordinary Shares took place immediately preceding (but not including) the Business Day before the Change of Control Conversion Date), provided certain conditions are satisfied (see below). <sup>17</sup>	Clauses 4.10 and 17.2 of the Note Terms

17. If Conversion occurs as a result of a Change of Control Event, the period for calculating the VWAP may be less than 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Business Day before the Change of Control Conversion Date. See clause 17.2 (definition of "VWAP Period") of the Note Terms. The VWAP during the relevant period before the Change of Control Conversion Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Change of Control Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

Topic	Summary	Where to find more information
<b>2.4 CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT (CONT)</b>		
2.4.3 What are the restrictions on Conversion on a Change of Control Conversion Date?	<p>Following the occurrence of a Change of Control Event, ANZ may not proceed to Convert Notes if, on the date on which Conversion is to occur (<b>Change of Control Conversion Date</b>), certain further restrictions apply.</p> <p>These Conversion restrictions on the Change of Control Conversion Date apply if the Second Mandatory Conversion Condition (applied as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of the Change of Control Conversion Date as if the Change of Control Conversion Date were a possible Mandatory Conversion Date.</p> <p>The percentages used in the above conditions are derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued in these circumstances under the Prudential Standards and ratings agency requirements.</p>	Clause 4.10 of the Note Terms
2.4.4 What happens if Conversion does not occur on a Change of Control Conversion Date?	<p>If ANZ has given a Change of Control Conversion Notice but the restrictions prevent Conversion, ANZ will give a new Change of Control Conversion Notice to Convert the Notes on the next Distribution Payment Date (under clause 3.5(a) of the Note Terms). Conversion will not occur if the restrictions described in Section 2.4.3 apply on that date. This process will be repeated until a Conversion occurs.</p>	Section 2.4.3 Clause 4.10 of the Note Terms

## 2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT

ANZ Capital Notes 4 are required to be Converted following the occurrence of a Trigger Event.

The Mandatory Conversion Conditions do not apply to a Conversion following a Trigger Event. The number of Ordinary Shares that Holders will receive on a Conversion in these circumstances will not be greater than the Maximum Conversion Number.

A Trigger Event may occur where ANZ encounters severe financial difficulty. In the event of a Conversion following a Trigger Event, depending on the market price of Ordinary Shares at the relevant time, Holders are likely to receive Ordinary Shares that are worth significantly less than approximately \$101 for each Note they hold and may suffer loss as a consequence. If the Notes are not Converted for any reason (including an Inability Event) they will be Written Off, which means those Notes will never be Converted or Exchanged, all rights in relation to those Notes will be terminated, and Holders will not have their capital repaid.

Topic	Summary	Where to find more information
<b>2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)</b>		
2.5.1 What is a Trigger Event?	<p>There are two types of Trigger Events:</p> <ul style="list-style-type: none"> <li>• a Common Equity Capital Trigger Event; and</li> <li>• a Non-Viability Trigger Event.</li> </ul> <p><b>Common Equity Capital Trigger Event</b></p> <p>A Common Equity Capital Trigger Event will occur if, at any time ANZ determines, or APRA has notified ANZ in writing that it believes, that a Common Equity Capital Ratio is equal to or less than 5.125%.</p> <p>ANZ must immediately notify APRA in writing if it makes such a determination.</p> <p>The Common Equity Capital Ratio is the ratio of Common Equity Tier 1 Capital of the ANZ Level 1 Group or the ANZ Level 2 Group (as applicable) (including Ordinary Shares, retained earnings and certain reserves but net of Common Equity Tier 1 Capital Deductions) to the risk weighted assets of the ANZ Level 1 Group or the ANZ Level 2 Group respectively, as prescribed by APRA.</p> <p>See Sections 5.4.8 and 5.4.9 for more information about ANZ's Common Equity Capital Ratio.</p> <p><b>A Non-Viability Trigger Event</b></p> <p>A Non-Viability Trigger Event will occur if, at any time:</p> <ul style="list-style-type: none"> <li>• APRA notifies ANZ in writing that conversion or write off of Relevant Securities is necessary because, without it, APRA considers that ANZ would become non-viable; or</li> <li>• APRA notifies ANZ in writing that it has determined that without a public sector injection of capital (or equivalent support) ANZ would become non-viable.</li> </ul> <p>APRA has not provided guidance on when it will consider an entity to be non-viable. However, it is likely that APRA will consider an entity to be non-viable when, for example, the entity is suffering from significant financial stress, is insolvent or cannot raise money in the public or private market.</p>	Sections 5.4 and 6.1.10  Clauses 4.5, 4.6, 4.9 and 17.2 of the Note Terms

Topic	Summary	Where to find more information
<b>2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)</b>		
2.5.2 What happens following a Trigger Event?	<p>ANZ may be required to Convert a number of Notes into Ordinary Shares following the occurrence of a Trigger Event. If a Trigger Event occurs, ANZ must Convert the Notes immediately on that day. ANZ must notify Holders as soon as practicable of that event occurring, but the Conversion occurs whether or not that notice is given. Conversion in these circumstances is not subject to the Mandatory Conversion Conditions (or any other conditions) and so cannot be stopped for those reasons.</p> <p>If Conversion has not been effected within 5 Business Days after the Trigger Event Conversion Date for any reason (including an Inability Event), the Notes will be Written Off with effect on and from the Trigger Event Conversion Date and a Holder will suffer loss as a consequence.</p> <p>If a Note is Written Off:</p> <ul style="list-style-type: none"> <li>the Note will not be Converted on that date and will not be Exchanged on any other date; and</li> <li>the relevant Holder's rights (including to payment of Distributions and Face Value) in relation to such Note are immediately and irrevocably terminated and Written Off.</li> </ul>	Clauses 4.7, 4.8, 4.9, 6.1 and 6.13 of the Note Terms
2.5.3 How many Ordinary Shares will Holders receive if Notes are Converted on a Trigger Event Conversion Date?	<p>If Notes are Converted on a Trigger Event Conversion Date, Holders will receive a number of Ordinary Shares per Note that is equivalent to the number calculated using the following formula, being subject to a cap so that the number of Ordinary Shares received is limited to the Maximum Conversion Number:</p> $\frac{\text{Face Value}}{99\% \times \text{VWAP}}$ <p>The cap imposed by the Maximum Conversion Number is likely to mean that fewer, and possibly significantly fewer, Ordinary Shares would be received by a Holder than if this cap did not exist. This is explained further in Section 2.5.4.</p> <p>The VWAP for this purpose is the VWAP during the 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Conversion Date (when the price of Ordinary Shares may be low).</p> <p>In the above calculation there is a small Conversion discount since selling costs are likely to apply to the sale of Ordinary Shares on ASX.</p>	Clauses 6.1 to 6.7 of the Note Terms

Topic	Summary	Where to find more information												
<b>2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)</b>														
2.5.4 What is the Maximum Conversion Number?	<p>The Maximum Conversion Number in the case of a Trigger Event is determined using the following formula:</p> $\frac{\text{Face Value}}{\text{Issue Date VWAP} \times 0.2}$ <p>This formula is derived from market precedents and the cap on the number of Ordinary Shares that are permitted to be issued in these circumstances under the Prudential Standards and ratings agency requirements.</p> <p>This means that, depending on the market price of Ordinary Shares at the relevant time, a Holder is likely to receive significantly less than approximately \$101 worth of Ordinary Shares per Note and is likely to suffer a loss as a consequence.</p>													
2.5.5 Is there a worked example?	<p>This example illustrates how many Ordinary Shares a holder will receive per Note following Conversion on a Trigger Event Conversion Date assuming the VWAP is \$4.00 and the Issue Date VWAP is \$25.00.</p> <p>This example is for illustrative purposes only. The actual VWAP, Issue Date VWAP and Maximum Conversion Number may be higher or lower than in this example and Issue Date VWAP may be adjusted after the Issue Date in limited circumstances (see Section 2.2.7).</p> <p><b>Step 1 – Calculate the indicative number of Ordinary Shares using the Conversion mechanics</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Face Value</td> <td style="width: 70%;">\$100.00</td> </tr> <tr> <td>Divided by VWAP x 0.99</td> <td style="border-top: none;">÷ \$3.96</td> </tr> <tr> <td>Ordinary Shares per Note</td> <td style="border-top: none; border-bottom: 1px solid black;">25.2525</td> </tr> </table> <p><b>Step 2 – Calculate the Maximum Conversion Number</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Face Value</td> <td style="width: 70%;">\$100.00</td> </tr> <tr> <td>Divided by Issue Date VWAP × 0.2</td> <td style="border-top: none;">÷ \$5</td> </tr> <tr> <td>Ordinary Shares per Note</td> <td style="border-top: none; border-bottom: 1px solid black;">= 20.0000</td> </tr> </table> <p><b>Step 3 – Assess the effect of the Maximum Conversion Number</b></p> <p>In this example, the Maximum Conversion Number is lower than the indicative number of Ordinary Shares a Holder would receive per Note calculated using the Conversion formula. As a result, the Maximum Conversion Number would cap the number of Ordinary Shares a Holder would receive per Note at 20.0000 Ordinary Shares. If those Ordinary Shares were sold on ASX at the same price as the VWAP (being \$4), the Holder would receive \$80 and have suffered a loss on their investment of \$20.</p>	Face Value	\$100.00	Divided by VWAP x 0.99	÷ \$3.96	Ordinary Shares per Note	25.2525	Face Value	\$100.00	Divided by Issue Date VWAP × 0.2	÷ \$5	Ordinary Shares per Note	= 20.0000	
Face Value	\$100.00													
Divided by VWAP x 0.99	÷ \$3.96													
Ordinary Shares per Note	25.2525													
Face Value	\$100.00													
Divided by Issue Date VWAP × 0.2	÷ \$5													
Ordinary Shares per Note	= 20.0000													

Topic	Summary	Where to find more information
<b>2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)</b>		
2.5.6 How many Notes need to be Converted or Written Off on the occurrence of a Trigger Event?	<p>If a Trigger Event occurs, ANZ must convert or write off sufficient Relevant Securities (including some or all Notes) to restore the Common Equity Capital Ratio to a percentage above 5.125%, or to satisfy APRA that ANZ is viable without further conversion or write off (as applicable).</p> <p>If ANZ is required to Convert some Notes, ANZ must treat Holders on an approximately pro-rata basis among themselves and other Relevant Securities or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable. This is subject to such adjustment as ANZ may determine to take account of the effect on marketable parcels of Notes and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue. In addition, where the Relevant Securities are in different currencies, ANZ may treat them as if converted into a single currency at rates of exchange it considers reasonable. However, this determination must not impede the immediate Conversion of the relevant number of Notes.</p> <p>Holders should be aware that:</p> <ul style="list-style-type: none"> <li>Relevant Securities such as Notes, CN1, CN2 and CN3 will be converted or written off before any Tier 2 Capital instruments are converted or written off;</li> <li>CPS2 are not Relevant Securities (and will not be converted or written off before or pro rata with Notes);</li> <li>CPS3 are Relevant Securities only in the case where the Trigger Event is a Common Equity Capital Trigger Event where the Common Equity Capital Ratio of the ANZ Level 2 Group is at or below 5.125% and not in the case of any other Trigger Event. Where the CPS3 are a Relevant Security, the terms of the CPS3 require that they be converted in full. The terms of the CPS3 do not permit or require the CPS3 to be written off if an Inability Event exists. As such, if the Notes are not Converted within 5 Business Days for any reason (including an Inability Event) in accordance with the Note Terms, the Notes may be Written Off in circumstances where CPS3 are not also written off;</li> <li>ANZ has no obligation to maintain on issue CPS3 or any Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be converted or written off before Notes or in full; and</li> <li>where a Non-Viability Trigger Event occurs because APRA determines that, without a public sector injection of capital or equivalent support, ANZ would become non-viable, all the Notes will be Converted.</li> </ul> <p>The Conversion of Notes into Ordinary Shares on the Trigger Event Conversion Date following the occurrence of a Trigger Event is not subject to the Mandatory Conversion Conditions described in Section 2.2.2 being satisfied. This means that, due to the application of the Maximum Conversion Number, depending on the market price of Ordinary Shares at the time, Holders are likely to receive significantly less than approximately \$101 worth of Ordinary Shares per Note and may suffer loss as a consequence.</p>	Clauses 4.8, 4.9 and 9.11 of the Note Terms

Topic	Summary	Where to find more information
<b>2.6 OTHER</b>		
2.6.1 Can ANZ issue further Notes or other instruments?	<p>ANZ reserves the right to issue further securities of any kind without the consent of the Holders.</p> <p>Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of shares in ANZ's capital.</p>	Clause 9.11 of the Note Terms
2.6.2 What voting rights do Notes carry?	Holders do not have voting rights at a meeting of members of ANZ.	Clause 10.2 of the Note Terms
2.6.3 Can ANZ amend the Note Terms?	<p>Subject to complying with all applicable laws, ANZ may amend the Note Terms without the consent of Holders in certain circumstances.</p> <p>ANZ may also amend the Note Terms if the amendment has been approved by a Special Resolution.</p> <p>No amendment to the Note Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis.</p>	Clause 14 of the Note Terms
2.6.4 What is an Approved NOHC Event?	<p>An Approved NOHC Event is an event initiated by the Directors which would result in ANZ having an ultimate holding company which is a "non-operating holding company" within the meaning of the Banking Act (NOHC) and where, following the occurrence of that event:</p> <ul style="list-style-type: none"> <li>• the ordinary shares of the NOHC are listed on ASX; and</li> <li>• the NOHC agrees to Convert the Notes into Ordinary Shares in the NOHC in place of ANZ's obligation to Convert the Notes into Ordinary Shares.</li> </ul> <p>If an Approved NOHC Event occurs, the Note Terms may be amended to enable the substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including following the Mandatory Conversion Date). The Approved NOHC will use all reasonable endeavours to procure quotation on ASX of all these shares at the time of Conversion.</p> <p>The occurrence of an Approved NOHC Event does not allow ANZ to elect to Exchange Notes nor does it entitle Holders to Exchange their Notes.</p> <p>Holders do not have any right to vote on an Approved NOHC Event and Holders have no rights to require ANZ to give an Approved NOHC Substitution Notice.</p> <p>Following the substitution of an Approved NOHC as issuer of the Ordinary Shares on Conversion, prior to Conversion, Holders continue to hold a security in ANZ which ranks in a winding-up of ANZ as described in the table in Section 1.3 and which is convertible into ordinary shares in the Approved NOHC in the same circumstances in which it would have otherwise been converted into Ordinary Shares in ANZ. Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.</p> <p>There is no restriction on an Approved NOHC declaring or paying a dividend on, or buying back or reducing capital on its ordinary shares if ANZ does not pay a Distribution on a Note.</p>	Clauses 9.10, 11, 14.2 and 17.2 of the Note Terms

Topic	Summary	Where to find more information
<b>2.6 OTHER (CONT)</b>		
2.6.5 What is the ANZ Capital Notes 4 Deed Poll?	<p>A trustee has not been appointed for ANZ Capital Notes 4. Instead, there is an ANZ Capital Notes 4 Deed Poll made by ANZ in favour of each person who is from time to time a Holder. The ANZ Capital Notes 4 Deed Poll gives legal effect to ANZ's obligations in the Note Terms.</p> <p>Under the ANZ Capital Notes 4 Deed Poll, ANZ also undertakes to appoint the Registry and procure the Registry to establish and maintain a principal Register.</p> <p>The ANZ Capital Notes 4 Deed Poll also includes provisions for meetings of Holders.</p> <p>Holders will be bound by the terms of the ANZ Capital Notes 4 Deed Poll, the Note Terms and this Prospectus when ANZ Capital Notes 4 are issued or transferred to them or they purchase ANZ Capital Notes 4.</p> <p>Each Holder can enforce ANZ's obligations under the ANZ Capital Notes 4 Deed Poll, including the Note Terms and the provisions for meetings, independently of the Registry and each other.</p> <p>A copy of the ANZ Capital Notes 4 Deed Poll can be obtained from <a href="http://capitalnotes4.anz.com">capitalnotes4.anz.com</a>.</p>	ANZ Capital Notes 4 Deed Poll
2.6.6 What if a Holder is not resident in Australia?	<p>If the Register indicates that a Holder's address is outside of Australia (or ANZ believes that a Holder may not be a resident of Australia) (such a Holder, a <b>Foreign Holder</b>) and that Foreign Holder's Notes are to be Converted, ANZ is entitled in certain circumstances to issue the relevant Ordinary Shares to a nominee (who may not be ANZ or a Related Entity of ANZ) who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds to the Foreign Holder.</p>	Clauses 6.10 and 17.2 of the Note Terms
2.6.7 What happens if FATCA Withholding is required to be made?	<p>Where a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of Notes, the Ordinary Shares which the Holder is obliged to accept will be issued to the Holder of the Note only to the extent (if at all) that the issue is net of FATCA Withholding. ANZ will issue the balance of the Ordinary Shares, if any, to a nominee who will sell those Ordinary Shares, deal with any proceeds of their disposal in accordance with FATCA and pay a cash amount equal to the Proceeds net of any FATCA Withholding to the Holder.</p>	Clause 6.11 of the Note Terms

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## SECTION 3

# ABOUT THE REINVESTMENT OFFER

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THIS SECTION SETS OUT:

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THE DIFFERENCE BETWEEN CPS2 AND  
ANZ CAPITAL NOTES 4;

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THE OPTIONS AVAILABLE TO CPS2 HOLDERS;

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THE RISKS ASSOCIATED WITH PARTICIPATING  
IN THE REINVESTMENT OFFER; AND

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FURTHER INFORMATION ABOUT CPS2 AND  
PARTICIPATING IN THE REINVESTMENT OFFER.

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## 3.1 OVERVIEW

Eligible CPS2 Holders have the opportunity to apply to reinvest their CPS2 in ANZ Capital Notes 4 under the Reinvestment Offer described in this section.

### 3.1.1 WHAT ARE CPS2?

CPS2 are fully paid preference shares issued by ANZ in 2009 that trade on ASX under code "ANZPA".

### 3.1.2 AM I ELIGIBLE TO PARTICIPATE IN THE REINVESTMENT OFFER?

To participate in the Reinvestment Offer, you must have been a registered holder of CPS2 at 7:00pm AET on 8 August 2016 and shown on the CPS2 register as having an address in Australia, and must not be in the United States or acting as a nominee for a person in the United States.

### 3.1.3 ARE CPS2 BEING BOUGHT BACK, REDEEMED OR RESOLD?

Under the CPS2 terms, on the scheduled mandatory conversion date for CPS2, 15 December 2016, any of the following may occur:

- where the mandatory conversion conditions are satisfied, CPS2 may convert into Ordinary Shares;
- where the mandatory conversion conditions are not satisfied, ANZ may buy-back, cancel or redeem CPS2 for their face value of \$100 (subject to APRA's prior written approval); or
- whether or not the mandatory conversion conditions are satisfied, ANZ may resell all of the CPS2 to the Nominated Purchaser (subject to APRA's prior written approval).

ANZ expects to issue a CPS2 resale notice so that the Nominated Purchaser mandatorily purchases all of the CPS2 held by a CPS2 holder for their face value (\$100) on 15 December 2016. The resale may be subject to conditions. If the CPS2 are purchased by the Nominated Purchaser, ANZ currently intends to buy-back the CPS2 from the Nominated Purchaser. ANZ obtained approval from its shareholders on 17 December 2015 to buy-back the CPS2 directly from Holders or from a Nominated Purchaser.

The appointment of the Nominated Purchaser and the issue of the CPS2 resale notice are subject to APRA approval. ANZ intends to appoint a wholly-owned subsidiary as the Nominated Purchaser. If APRA approval is not obtained, and an appropriate Nominated Purchaser cannot be identified or any of the conditions to resale are not met, the resale may not occur. If a resale notice is not given, where the mandatory conversion conditions are satisfied on 15 December 2016, the CPS2 will convert into Ordinary Shares. If the mandatory conversion conditions are not satisfied on that date, the CPS2 will remain on issue until the first CPS2 dividend payment date on which the conditions are satisfied unless otherwise dealt with in accordance with their terms.

### 3.1.4 WHAT IS THE REINVESTMENT OFFER?

Under the Reinvestment Offer, Eligible CPS2 Holders may elect for some or all of their CPS2 registered at 7:00pm AET on 8 August 2016 to be bought back early for \$100 each on 27 September 2016 and to have the buy-back proceeds applied to the Application Payment for ANZ Capital Notes 4. This means that if an Eligible CPS2 Holder applies to reinvest some or all of their CPS2 under the Reinvestment Offer and does not apply for more ANZ Capital Notes 4 under the ANZ Securityholder Offer, they will not be required to make an Application Payment. Eligible CPS2 Holders will also receive any Pro Rata Dividend for any Reinvestment CPS2, subject to the payment tests in the CPS2 terms (including that the Board resolves to pay the dividend), but this will not form part of the buy-back proceeds.

The buy-back agreement for the Reinvestment CPS2 will be formed immediately after payment of any Pro Rata Dividend. Completion of the buy-back of CPS2 will take place on 27 September 2016, on the issue of ANZ Capital Notes 4.

By submitting a Reinvestment Offer Application Form, Eligible CPS2 Holders will be taken to:

- irrevocably agree to have their Reinvestment CPS2 bought-back under the Reinvestment Offer, on the terms set out in this Prospectus and the Application Form;
- warrant, among other things, that their Reinvestment CPS2 are free and clear of any encumbrances;
- offer to sell their Reinvestment CPS2 for A\$100 per CPS2;
- apply to ANZ for a corresponding number of Notes, at \$A100 per Note;
- direct A\$100 per CPS2 accepted under the Reinvestment Offer to be paid to ANZ as the Applications Payment for the Notes;
- agree not to transfer their Reinvestment CPS2 and authorise ANZ and its related bodies corporate and their respective officers to request the application of a holding lock to those CPS2;
- appoint ANZ (or its officers) as their attorney and agent to execute a master transfer form in the form, and to such transferee, as ANZ (or its officers) determines, and to transfer the Reinvestment CPS2; and
- authorise ANZ to take all necessary steps to give effect to the reinvestment of their Reinvestment CPS2.

An Eligible CPS2 Holder's Application will be effective so long as the Offer proceeds. Once an Eligible CPS2 Holder has submitted an application to reinvest their CPS2, they will not be able to successfully deal with those CPS2 until those CPS2 are released from the holding lock. The holding lock will be released from those CPS2 not successfully reinvested into ANZ Capital Notes 4 (including as a result of any scale back) as soon as practicable after the Issue Date for the Offer.

ANZ and its officers are authorized under the terms of the CPS2 (as amended effective as of 16 August 2016) to take necessary steps and to sign documents on behalf of Eligible CPS2 Holders to complete the buy-back of CPS2.

Eligible CPS2 Holders may apply online at [capitalnotes4.anz.com](http://capitalnotes4.anz.com) or can request a copy of this Prospectus with a personalised Reinvestment Offer Application Form by contacting the ANZ Information Line.

Eligible CPS2 Holders have a number of other options, in addition to reinvesting CPS2 in ANZ Capital Notes 4, which are set out in further detail in Section 3.3.

### **3.1.5 WHAT IS THE PURPOSE OF THE REINVESTMENT OFFER?**

The Reinvestment Offer will be used by ANZ to refinance CPS2 as well as to offer Eligible CPS2 Holders the opportunity to reinvest in ANZ Capital Notes 4 and maintain an ongoing investment in securities issued by ANZ.

### **3.1.6 DO YOU NEED TO APPLY FOR A MINIMUM NUMBER OF ANZ CAPITAL NOTES 4?**

There is no minimum number of CPS2 that you must hold to be able to participate in the Reinvestment Offer.

However, if you are an Eligible CPS2 Holder and hold 50 CPS2 or fewer, you must apply to reinvest all your CPS2 in ANZ Capital Notes 4 if you wish to participate in the Reinvestment Offer.

If you are an Eligible CPS2 Holder and own more than 50 CPS2, you must apply for a minimum number of 50 ANZ Capital Notes 4 (\$5,000) and increments of 10 ANZ Capital Notes 4 (\$1,000) thereafter.

### **3.1.7 CAN YOU SELL YOUR CPS2 AFTER YOU HAVE COMPLETED AND RETURNED YOUR APPLICATION FORM?**

If you apply to have your CPS2 reinvested in ANZ Capital Notes 4, it is your responsibility to ensure that you do not sell or dispose of any of those CPS2 that you wish to reinvest, other than as part of the Reinvestment Offer. An Application to participate in the Reinvestment Offer is irrevocable once submitted but will only be effective so long as the Offer proceeds.

### **3.1.8 IF I ELECT TO PARTICIPATE IN THE REINVESTMENT OFFER, WHAT DIVIDENDS WILL I RECEIVE ON CPS2?**

If you are an Eligible CPS2 Holder and you elect for some or all of the CPS2 registered in your name at 7:00pm AET on 8 August 2016 to be reinvested in ANZ Capital Notes 4, you will receive any Pro Rata Dividend on the Reinvestment CPS2 on 27 September 2016, subject to the payment tests in the CPS2 terms (including that the Board resolves

to pay the relevant dividend). You will receive the Pro Rata Dividend, subject to the payment tests in the CPS2 terms, because dividends will continue to accrue on your Reinvestment CPS2 until they are bought back.

The Pro Rata Dividend will be calculated in accordance with the CPS2 terms and will be paid for the period from 15 September 2016 to (but excluding) the Reinvestment CPS2 Buy-back Date, being 27 September 2016, via direct credit or cheque on the Reinvestment CPS2 Buy-back Date, or in accordance with your existing CPS2 payment instructions. If you wish to change your CPS2 payment instructions for the payment of any Pro Rata Dividend you must provide updated instructions to the Registry by 5:00pm AET on 19 September 2016.

You will not receive a Pro Rata Dividend on any CPS2 that you do not reinvest in ANZ Capital Notes 4. A dividend is scheduled to be paid on CPS2 on 15 December 2016, subject to the terms of issue of the CPS2.

### **3.1.9 WILL I RECEIVE A PRIORITY ALLOCATION OF ANZ CAPITAL NOTES 4?**

Details on the Allocation policy are set out in Section 4.4.3.

### **3.1.10 WHAT ARE THE TAX IMPLICATIONS OF HAVING YOUR CPS2 BOUGHT BACK OR RESOLD AND WILL ANY BROKERAGE OR STAMP DUTY BE PAYABLE?**

A general outline of the taxation implications for certain investors who are Australian residents for tax purposes participating in the Offer can be found in the Australian taxation summary in Section 7.

No brokerage or stamp duty is payable on the buy-back of your CPS2 or your Application for ANZ Capital Notes 4.

CPS2 holders who choose to sell their CPS2 on market through their broker may be required to pay applicable brokerage.

### **3.1.11 WHAT HAPPENS IF THE ANZ CAPITAL NOTES 4 OFFER DOES NOT PROCEED?**

If you have elected to reinvest some or all of your CPS2 in ANZ Capital Notes 4 and the Offer does not proceed, your CPS2 will not be bought back on 27 September 2016, you will not receive any ANZ Capital Notes 4 and you will continue to hold CPS2. Any Application Payment in respect of additional ANZ Capital Notes 4 will be refunded to you as soon as practicable. No interest will be payable on any additional Application Payment.

If the ANZ Capital Notes 4 offer does not proceed, ANZ will separately notify CPS2 holders of their options and whether ANZ will redeem, buy back, resell or convert CPS2 on the mandatory conversion date for CPS2, 15 December 2016.

## 3.2 WHAT ARE THE KEY DIFFERENCES BETWEEN CPS2 AND ANZ CAPITAL NOTES 4?

There are a number of differences between ANZ Capital Notes 4 and CPS2 which you should be aware of before deciding to reinvest your CPS2 under the Reinvestment Offer. The following table describes the key features of the Notes and CPS2 and highlights the main differences between them. You should consider these differences in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) before deciding to apply for Notes.

	CPS2	ANZ Capital Notes 4
Protected under the Financial Claims Scheme	No	No
Term	Perpetual, subject to mandatory conversion into Ordinary Shares after approximately 7 years	Perpetual, subject to mandatory conversion into Ordinary Shares after approximately 9.5 years <sup>18</sup>
Margin	3.10%	4.70% to 4.90% determined under the Bookbuild
Distribution rate	Floating	Floating
Distribution payment dates	Quarterly	Quarterly
Rights if distributions not fully franked	Franked, subject to gross up for a non-franked portion	Franked, subject to gross up for a non-franked portion
Conditions to payment of distributions	Yes, subject to absolute director discretion and certain payment conditions	Yes, subject to ANZ's absolute discretion and Payment Conditions
Distribution restriction if distribution not paid	Yes, if a dividend is not paid ANZ must not pay certain distributions on equal or junior ranking instruments, unless consecutive dividends have been paid for 12 months or an optional dividend is paid equal to 12 months of unpaid dividends	Yes, applies to Ordinary Shares until the next Distribution Payment Date – see Section 2.1
Transferable	Yes – quoted on ASX as "ANZPA"	Yes – ANZ Capital Notes 4 are expected to be quoted on ASX as "ANZPG"
Mandatory Conversion into Ordinary Shares	Yes	Yes
ANZ's early conversion option	Yes, with APRA's prior written approval for tax, regulatory and acquisition events	Yes, with APRA's prior written approval – see Section 2.3
ANZ's early redemption option	Yes, on 15 December 2016, with APRA's prior written approval if the mandatory conversion conditions are not satisfied	Yes, with APRA's prior written approval – see Section 2.3

18. ANZ Capital Notes 4 may also be Converted, Redeemed, Resold or Written Off in a number of other circumstances as described in this Prospectus.

	CPS2	ANZ Capital Notes 4
ANZ resale rights	Yes, on 15 December 2016, if ANZ elects. ANZ expects to issue a resale notice for a Nominated Purchaser to purchase all of the CPS2 held by a CPS2 holder for their face value (\$100) on 15 December 2016. The resale may be subject to conditions and is subject to APRA's prior written approval	Yes, with APRA's prior written approval – see Section 2.3
Other ANZ early redemption options	Tax, regulatory and acquisition events with APRA's prior written approval	Tax and regulatory events with APRA's prior written approval – see Section 2.3
Trigger event	No	Yes, Common Equity Capital Trigger Event in respect of the ANZ Level 1 Group and the ANZ Level 2 Group and Non-Viability Trigger Event – see Section 2.5
Capital classification	Additional Tier 1 Capital <sup>19</sup>	Additional Tier 1 Capital
Voting rights	No right to vote at general meeting of holders of Ordinary Shares, except in limited circumstances	No right to vote at general meeting of holders of Ordinary Shares
Ranking	Equal to ANZ Capital Securities, Senior to Ordinary Shares	Equal to ANZ Capital Securities, senior to Ordinary Shares

### 3.3 WHAT ARE THE OPTIONS AVAILABLE TO CPS2 HOLDERS?

#### 3.3.1 Overview

If you are a CPS2 holder, your ability to participate in the Reinvestment Offer is dependent on whether you qualify as an Eligible CPS2 Holder. The options available to both Eligible CPS2 Holders and ineligible CPS2 holders are set out in the table below. For further information, see Section 3.3.2.

Question	Possible answers	Consequences of answer
Are you an Eligible CPS2 Holder?	Yes	You are an Eligible CPS2 Holder and you can: <ol style="list-style-type: none"> <li>apply to reinvest all or some of your CPS2 in ANZ Capital Notes 4;</li> <li>apply for more ANZ Capital Notes 4 than the number of CPS2 that you have applied to be reinvested;</li> <li>sell your CPS2 on market through your broker or otherwise (if you have not elected for the CPS2 to be reinvested); or</li> <li>take no action and potentially have your CPS2 resold for \$100 each on 15 December 2016.</li> </ol>
	No	You are ineligible to apply under the Reinvestment Offer. In this circumstance, you can: <ol style="list-style-type: none"> <li>take no action. ANZ expects to resell all remaining CPS2 on 15 December 2016. If this occurs you will receive the face value (\$100) for each CPS2 you hold on 15 December 2016 and a CPS2 dividend, subject to the CPS2 terms;</li> <li>sell CPS2 on market through your broker before the last trading day for the CPS2, which is expected to be 28 November 2016; or</li> <li>if you are eligible, participate in the ANZ Securityholder Offer.</li> </ol>

19. CPS2 have been classified as Additional Tier 1 Capital under the Prudential Standards on the Basel III transitional basis.

If you are an Eligible CPS2 Holder and elect to apply under the Reinvestment Offer you must hold the required number of CPS2 that you have applied to be reinvested. See Sections 1.3 and 4 for further information.

CPS2 holders may also apply for ANZ Capital Notes 4 under the ANZ Securityholder Offer. See Section 4 for further information.

### **3.3.2 WHAT ARE THE OPTIONS AVAILABLE TO ELIGIBLE CPS2 HOLDERS?**

<b>Option</b>	<b>What should Eligible CPS2 Holders do?</b>
Option 1 – apply under the Reinvestment Offer for your CPS2 to be reinvested in ANZ Capital Notes 4	<ul style="list-style-type: none"> <li>Eligible CPS2 Holders may apply to participate in the Reinvestment Offer by completing an Application Form that must be received online or by the Registry by 5:00pm AET on the Closing Date for the Reinvestment Offer which is expected to be 19 September 2016. See Section 4.2 for further information on how to make an Application.</li> <li>If Eligible CPS2 Holders make an application under the Reinvestment Offer, they will not be required to make an Application Payment in respect of that Application, as the CPS2 buy-back proceeds will be applied to the ANZ Capital Notes 4 Application Payment.</li> <li>If Eligible CPS2 Holders apply to have their CPS2 reinvested in ANZ Capital Notes 4, it is their responsibility to ensure that the CPS2 that are to be reinvested in ANZ Capital Notes 4 are not disposed of. If CPS2 that are intended to be reinvested in ANZ Capital Notes 4 are disposed of prior to the Closing Date for the Reinvestment Offer, the number of ANZ Capital Notes 4 that may be allocated will be reduced to equal the number of CPS2 available on the Closing Date for the Reinvestment Offer, which is expected to be 5:00pm AET on 19 September 2016.</li> <li>Applications may be scaled back if there is excess demand for the Offer. Details on the Allocation policy are set out in Section 4.4.3.</li> <li>Once you have submitted an application to reinvest your CPS2, you will not be able to successfully deal with those CPS2 until they are released from the holding lock which is placed on them. The holding lock will be released from those CPS2 not successfully reinvested into ANZ Capital Notes 4 (including as a result of any scale back) as soon as practicable after the Issue Date.</li> <li>If, on the Closing Date for the Reinvestment Offer (which is expected to be at 5:00pm AET on 19 September 2016), an Eligible CPS2 Holder holds a greater or lesser number of CPS2 than they elect to reinvest on their Reinvestment Offer Application Form, the Eligible CPS2 Holder will be taken to have applied for reinvestment of the lesser of the number of CPS2 specified on their Reinvestment Offer Application Form and the number of CPS2 registered in their name on the Closing Date for the Reinvestment Offer.</li> </ul> <p><b>Alternative A. Reinvest all CPS2 in ANZ Capital Notes 4</b></p> <ul style="list-style-type: none"> <li>Eligible CPS2 Holders may apply to reinvest all of the CPS2 registered in their name at 7:00pm AET on 8 August 2016 in ANZ Capital Notes 4.</li> <li>To choose this option, Eligible CPS2 Holders must indicate "Reinvest ALL CPS2 in ANZ Capital Notes 4" on their Reinvestment Offer Application Form.</li> </ul>

Option	What should Eligible CPS2 Holders do?
Option 1 – (Cont) apply under the Reinvestment Offer for your CPS2 to be reinvested in ANZ Capital Notes 4	<p><b>Alternative B. Reinvest some CPS2 held in ANZ Capital Notes 4</b></p> <ul style="list-style-type: none"> <li>Eligible CPS2 Holders may apply to have only some of the CPS2 registered in their name at 7:00pm AET on 8 August 2016 reinvested in ANZ Capital Notes 4.</li> <li>To choose this option, Eligible CPS2 Holders must specify the number of CPS2 to be reinvested on their Reinvestment Offer Application Form. Eligible CPS2 Holders who wish to participate in the Reinvestment Offer and who own 50 CPS2 or fewer must apply to reinvest all CPS2 in Notes.</li> </ul> <p><b>Alternative C. Apply for additional ANZ Capital Notes 4</b></p> <ul style="list-style-type: none"> <li>Eligible CPS2 Holders may also apply for more ANZ Capital Notes 4 than the number of CPS2 registered in their name at 7:00pm AET on 8 August 2016. Such an application will be made under the ANZ Securityholder Offer.</li> <li>To choose this option, Eligible CPS2 Holders must specify the number of additional ANZ Capital Notes 4 they wish to apply for under the ANZ Securityholder Offer on their Reinvestment Offer Application Form.</li> <li>Eligible CPS2 Holders are required to enclose an Application Payment for the additional ANZ Capital Notes 4 applied for under the ANZ Securityholder Offer. Application Payments must be made by cheque, money order or BPAY® – see Section 4.2 for further details.</li> </ul>
Option 2 – apply under the Broker Firm Offer to reinvest your CPS2 in ANZ Capital Notes 4	<ul style="list-style-type: none"> <li>If you are an Eligible CPS2 Holder and are an Australian resident client of a Syndicate Broker, you may apply for ANZ Capital Notes 4 under the Broker Firm Offer.</li> <li>You may apply to reinvest all or some of the CPS2 registered in your name at 7:00pm AET on 8 August 2016 in ANZ Capital Notes 4. You may also choose to apply for more ANZ Capital Notes 4.</li> <li>Your application must be for a minimum of 50 Notes (\$5,000).</li> <li>If you hold 50 CPS2 or fewer you must apply to reinvest all your CPS2 in Notes.</li> <li>Eligible CPS2 Holders will not be required to make a separate Application Payment unless more ANZ Capital Notes 4 than the number of CPS2 registered in their name at 7:00pm AET on 8 August 2016 are applied for.</li> <li>Eligible CPS2 Holders should contact their Syndicate Broker for instructions on how to submit an Application Form and, if applicable, an Application Payment.</li> </ul>
Option 3 – sell your CPS2 on market through your broker	<ul style="list-style-type: none"> <li>You may choose to sell your CPS2 on market through your broker or otherwise at the prevailing market price.</li> <li>If selling through your broker, you should contact your broker before the last trading day for CPS2.</li> <li>ANZ expects to issue a CPS2 resale notice to resell CPS2 on 15 December 2016, and if so the last trading day for the CPS2 is expected to be 28 November 2016.</li> <li>Under this option, you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per CPS2.</li> <li>If you choose this option, you will not be entitled to receive any CPS2 dividend on the CPS2 you sell if you are not a CPS2 holder on the relevant record date for the dividend. In respect of the CPS2 you sell, if eligible, you have the option to use the sale proceeds to subscribe for ANZ Capital Notes 4 under the Offer before the Closing Date.</li> </ul>

\* Registered to BPAY Pty Ltd ABN 69 079 137 518.

Option	What should Eligible CPS2 Holders do?
Option 4 – take no action – your CPS2 may be resold for \$100 per CPS2 on 15 December 2016	<ul style="list-style-type: none"> <li>• Eligible CPS2 Holders are not required to participate in the Reinvestment Offer and as such are not required to take any action.</li> <li>• ANZ expects to resell all remaining CPS2 on issue on 15 December 2016. If this occurs, you will receive the face value (\$100) for each CPS2 that you hold on 15 December 2016 for CPS2 and a CPS2 dividend, subject to the terms of issue of the CPS2.</li> <li>• Payments are expected to be made on the mandatory conversion date for CPS2 which is 15 December 2016.</li> <li>• ANZ intends to provide details to CPS2 holders in a CPS2 resale notice. The resale may be subject to conditions.</li> </ul>

### 3.4 WHAT ARE THE RISKS ASSOCIATED WITH PARTICIPATING IN THE REINVESTMENT OFFER?

If you are an Eligible CPS2 Holder and you apply under the Reinvestment Offer, you may receive an allocation of ANZ Capital Notes 4. As such, you will be subject to the risks associated with an investment in ANZ Capital Notes 4 and in ANZ, many of which are outside the control of ANZ and its Directors. These risks are outlined in Section 6 and should be considered before you apply under the Reinvestment Offer.

The Reinvestment Offer is not a simple rollover into a similar investment. ANZ Capital Notes 4 and CPS2 have different benefits and risks, which must be evaluated separately (see Section 3.2).

The buy-back proceeds paid to an Eligible CPS2 Holder for a Reinvestment CPS2 may be less than the ASX trading price of CPS2. Rather than participating in the Reinvestment Offer, Eligible CPS2 Holders may obtain a better financial outcome by selling their CPS2 on market and investing the proceeds in ANZ Capital Notes 4.

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## **SECTION 4**

# **ABOUT THE OFFER AND HOW TO APPLY**

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**THIS SECTION SETS OUT:**

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**WHO THE OFFER IS MADE TO;**

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**WHAT YOU MUST DO IF YOU WISH TO APPLY FOR NOTES;**

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**DETAILS OF ASX QUOTATION AND TRADING; AND**

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**OTHER INFORMATION RELEVANT TO THE OFFER  
AND YOUR APPLICATION**

## 4.1 OFFER

### 4.1.1 OVERVIEW

The Offer is for the issue of ANZ Capital Notes 4 to raise \$1 billion with the ability to raise more or less. There is no minimum amount to be raised by the Offer.

The Offer comprises:

- an ANZ Securityholder Offer made to ANZ Securityholder Applicants;
- a Reinvestment Offer made to Eligible CPS2 Holders;
- a Broker Firm Offer made to Broker Firm Applicants; and
- an Institutional Offer made to certain Institutional Investors.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify Notes or the Offer or to otherwise permit a public offering of Notes outside of Australia. This Prospectus does not constitute an offer of securities in the United States or to any US Persons, or to any person acting for the account or benefit of a US Person. Notes may be offered in a jurisdiction outside of Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 8.9.

For details of how to apply for Notes under the Offer see Section 4.2.

### 4.1.2 OBTAINING A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at [capitalnotes4.anz.com](http://capitalnotes4.anz.com). Application Forms will not be available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at [capitalnotes4.anz.com](http://capitalnotes4.anz.com) and may be available through your Syndicate Broker. If you access an electronic copy of this Prospectus, then you should read the paragraphs below and the "Electronic access to Prospectus" paragraph in the "Important Notices" section at the start of this Prospectus.

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

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

Your Application will only be considered where you have applied using an Application Form (either electronic or paper) that was attached to, or accompanied by, a copy of this Prospectus and, if applicable, the Registry has received your Application Payment.

## 4.2 APPLYING FOR ANZ CAPITAL NOTES 4<sup>20</sup>

### 4.2.1 INSTRUCTIONS FOR ANZ SECURITYHOLDER, CPS2 REINVESTMENT AND BROKER FIRM APPLICANTS

#### ANZ SECURITYHOLDER APPLICANT

<b>Who may apply</b>	An ANZ Securityholder Applicant – that is, a holder of Ordinary Shares, CPS2, CPS3, CN1, CN2, CN3 or ANZ Subordinated Notes shown on the Register at 7:00pm AET on 8 August 2016 with an address in Australia applying through the ANZ Securityholder Offer.
<b>When to apply</b>	Applications may be made from the Offer Opening Date which is expected to be 24 August 2016. Completed Applications must be received online or by the Registry by the Closing Date for the ANZ Securityholder Offer, which is expected to be 5:00pm AET on 19 September 2016.
<b>How to apply online</b>	<p>You can apply online at <a href="http://capitalnotes4.anz.com">capitalnotes4.anz.com</a>.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>You will need your SRN or HIN which can be found on your Confirmation Statement, payment advice and certain materials sent to you by ANZ in relation to the offer.</p> <p>When applying online, you will be required to pay for Notes using BPAY.</p>
<b>How to apply using a paper Application Form</b>	<p>You can request a paper copy of the Prospectus and your personalised blue paper ANZ Securityholder Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AET).</p> <p>Instructions on how to complete your personalised blue paper ANZ Securityholder Application Form are set out on the Application Form.</p> <p>You will be required to post your completed personalised blue paper ANZ Securityholder Application Form with the accompanying Application Payment to the Registry so it is received by the Closing Date for the ANZ Securityholder Offer, which is expected to be 5:00pm AET on 19 September 2016 – see Section 4.2.2.</p> <p>You should allow sufficient time for your Application to be received prior to the Closing Date. If you have any doubts that your Application may not be received in time, please consider applying online.</p> <p>If you wish to pay by BPAY you need to make an online Application.</p>
<b>Minimum application amount</b>	<p>Your Application must be for a minimum of 50 Notes (\$5,000) and after that in multiples of 10 Notes (\$1,000).</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any ANZ Securityholder Applicant a lesser number of Notes than that applied for.</p>

#### CPS2 REINVESTMENT APPLICANT

<b>Who may apply</b>	A CPS2 Reinvestment Applicant – that is, an Eligible CPS2 Holder who is applying through the Reinvestment Offer. Subject to applicable law, an Application to participate in the Reinvestment Offer is irrevocable once submitted. The options available to Eligible CPS2 Holders under the Reinvestment Offer are outlined in Section 3.3.2. If you are only applying to invest your CPS2 under the Reinvestment Offer, an Application Payment is not necessary as the CPS2 buy-back proceeds will be applied to the ANZ Capital Notes 4 Application Payment.
<b>When to apply</b>	Applications may be made from the offer Opening Date which is expected to be 24 August 2016. Completed Applications must be received online or by the Registry by the Closing Date for the Reinvestment Offer, which is expected to be 5:00pm AET on 19 September 2016.

20. The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before ANZ Capital Notes 4 are issued.

## CPS2 REINVESTMENT APPLICANT (CONT)

<b>How to apply online</b>	<p>Eligible CPS2 Holders who wish to reinvest their CPS2, or apply for additional Notes under the ANZ Securityholder Offer using BPAY, may apply online. You can apply online at <a href="http://capitalnotes4.anz.com">capitalnotes4.anz.com</a>. Instructions on how to complete your Application are provided online. You will need your SRN or HIN which can be found on your Confirmation Statement, payment advice and certain materials sent to you by ANZ in relation to the offer.</p> <p>When applying online, if you are required to make an Application Payment because you are applying for Notes under the ANZ Securityholder Offer you must pay for Notes using BPAY.</p> <p>CHESS sponsored holders may also seek instructions from their broker or controlling participant as to how to reinvest their CPS2.</p>
<b>How to apply using a paper Application Form</b>	<p>You can request a paper copy of the Prospectus and your personalised white paper Reinvestment Offer Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AET). Instructions on how to complete your personalised white paper Reinvestment Offer Application Form are set out on the Application Form.</p> <p>You will be required to post your completed personalised white paper Reinvestment Offer Application Form with the accompanying Application Payment (if applicable) to the Registry so it is received by the Closing Date for the Reinvestment Offer and ANZ Securityholder Offer, which is expected to be 5:00pm AET on 19 September 2016 – see Section 4.2.2.</p> <p>You should allow sufficient time for your Application to be received prior to the Closing Date. If you have any doubts that your Application may not be received in time, please consider applying online.</p> <p>If you need to make an Application Payment because you are applying for Notes under the ANZ Securityholder Offer and wish to pay by BPAY, you need to make an online Application.</p>
<b>Minimum application amount</b>	<p>Your application under the Reinvestment Offer must be for a minimum of 50 Notes (\$5,000) (unless you hold less than that amount of CPS2).</p> <p>CPS2 Reinvestment Applicants who wish to participate in the Reinvestment Offer and who own 50 CPS2 or fewer must apply to reinvest all their CPS2 in Notes.</p> <p>You may wish to apply for more Notes than the number of CPS2 that you hold under the ANZ Securityholder Offer. Applications for additional Notes from Eligible CPS2 Holders under the ANZ Securityholder Offer must be for a minimum of 50 Notes (\$5,000) and after that in multiples of 10 Notes (\$1,000).</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any CPS2 Reinvestment Applicant or ANZ Securityholder Applicant a lesser number of Notes than that applied for.</p>

## BROKER FIRM APPLICANT

<b>Who may apply</b>	A Broker Firm Applicant – that is, a retail client of a Syndicate Broker invited to participate through the Broker Firm Offer. Eligible CPS2 Holders who wish to reinvest their CPS2 under the Broker Firm Offer should refer to Option 2 in Section 3.3.2.
<b>When to apply<sup>21</sup></b>	Completed Application Forms for the Broker Firm Offer must be received by your Syndicate Broker in sufficient time for your Syndicate Broker to process your Application on your behalf by the Closing Date for the Broker Firm Offer, which is expected to be 10:00am AET on 26 September 2016.
<b>How to apply</b>	Contact your Syndicate Broker for instructions on how to apply.
<b>Minimum application amount</b>	<p>Your Application must be for a minimum of 50 Notes (\$5,000), and after that, in incremental multiples of 10 Notes (\$1,000).</p> <p>Your Syndicate Broker will inform you of your Allocation.</p>

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

#### **4.2.2 LODGING YOUR APPLICATION (IF NOT APPLYING ONLINE)**

##### **A) WHERE TO SEND PAPER APPLICATIONS**

You must return your completed paper Application Form and Application Payment (if applicable) to the address below so that they are received by the Registry before the Closing Date, which is expected to be 5:00pm AET on 19 September 2016.

ANZ Capital Notes 4 Offer  
c/Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 3001  
Australia

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

A reply paid envelope will be sent to all Applicants who request a free paper copy of the Prospectus and Application Form once the Offer opens by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AET).

##### **(B) HOW TO MAKE AN APPLICATION PAYMENT**

Application Payments must be in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ Capital Notes 4 Offer'. Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.

#### **4.2.3 BROKERAGE AND STAMP DUTY**

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

#### **4.2.4 APPLICATION PAYMENTS HELD ON TRUST**

All Application Payments received before Notes are issued will be held by ANZ on trust in an account established solely for the purposes of depositing Application Payments received. Any interest that accrues in that account will be retained by ANZ. After Notes are issued to successful Applicants, the Application Payments held on trust will be payable to ANZ.

#### **4.2.5 REFUNDS**

If you are not allotted any Notes or you are allotted fewer Notes than the number that you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

In the event that the Offer does not proceed for any reason, all Applicants will have their Application Payments refunded (without interest) as soon as practicable.

### **4.3 PROVISION OF PERSONAL INFORMATION**

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your Notes. For information about the acknowledgements and privacy statement in relation to personal information that you provide to ANZ by completing an Application Form – see Section 8.10.

## 4.4 BOOKBUILD AND ALLOCATION POLICY

### 4.4.1 BOOKBUILD

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

ANZ Securities may by agreement with ANZ and the other Joint Lead Managers increase the size of its Allocation following the close of the Bookbuild, in order to meet demand for Allocation from its clients and from ANZ customers.

### 4.4.2 SETTLEMENT

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

The Offer Management Agreement may be terminated by the Joint Lead Managers in certain circumstances. If the Offer Management Agreement is terminated, Bookbuild participants can withdraw their firm Allocations. For details of the fees payable under the Offer Management Agreement – see Section 8.6.

### 4.4.3 ALLOCATION POLICY

Institutional Offer	Allocations to Institutional Investors will be agreed by ANZ Securities and ANZ following completion of the Bookbuild.
Broker Firm Offer	Allocations to Syndicate Brokers will be determined by ANZ in consultation with the Joint Lead Managers following completion of the Bookbuild. Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. It is possible for Applications from Broker Firm Applicants to be scaled back by a Syndicate Broker. ANZ takes no responsibility for any allocation, scale back or rejection that is decided by a Syndicate Broker.
ANZ Securityholder Offer and Reinvestment Offer	<p>Allocations to ANZ Securityholder Applicants and CPS2 Reinvestment Applicants will be determined by ANZ in consultation with the Joint Lead Managers.</p> <p>Applications from ANZ Securityholder Applicants and CPS2 Reinvestment Applicants may be scaled back if there is excess demand for the Offer.</p> <p>In the event of excess demand, ANZ's current intention is to give preference to CPS2 Reinvestment Applicants over ANZ Securityholder Applicants while still providing for a proportion of the available Notes to be allocated to ANZ Securityholder Applicants. How ANZ scales back applications will depend on the extent of applications from ANZ Securityholder Applicants and CPS2 Reinvestment Applicants. In the event of excess demand, it is possible that the proportionate scale back applied to ANZ Securityholder Applicants will be greater than that applied to CPS2 Reinvestment Applicants.</p> <p>Any scale back and the basis of Allocation will be announced on 27 September 2016 on ASX and through advertisements in The Australian and Australian Financial Review newspapers.</p> <p>ANZ, at its discretion and in consultation with the Joint Lead Managers, reserves the right to:</p> <ul style="list-style-type: none"> <li>• allocate to any ANZ Securityholder Applicant or CPS2 Reinvestment Applicant all Notes for which they have applied;</li> <li>• reject any Application by an ANZ Securityholder Applicant or a CPS2 Reinvestment Applicant; or</li> <li>• allocate to any ANZ Securityholder Applicant or CPS2 Reinvestment Applicant a lesser number of Notes than that applied for, including less than the minimum Application of Notes or none at all.</li> </ul> <p>No assurance is given that any ANZ Securityholder Applicant or CPS2 Reinvestment Applicant will receive an Allocation.</p>

## 4.5 ASX QUOTATION, CONFIRMATION STATEMENTS AND OTHER INFORMATION

### 4.5.1 ASX QUOTATION

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

It is expected that Notes will begin trading on ASX on a deferred settlement basis on 28 September 2016 under ASX code "ANZPG". Trading is expected to continue on that basis until 5 October 2016, when it is anticipated that trading of Notes will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before Confirmation Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in Notes. If you are a successful Applicant and sell your Notes before receiving your Confirmation Statement, you do so at your own risk.

You may call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AET) or your Syndicate Broker, after the Issue Date to enquire about your Allocation. Alternatively, if you are an ANZ Securityholder, you can check your holding online at [www.investorcentre.com](http://www.investorcentre.com). To use this facility, you will need internet access and your HIN or SRN to pass the security features on the website.

### 4.5.2 CONFIRMATION STATEMENTS

ANZ has applied for Notes to participate in CHESS. No certificates will be issued for Notes. ANZ expects that Confirmation Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 4 October 2016.

### 4.5.3 PROVISION OF BANK ACCOUNT DETAILS FOR DISTRIBUTIONS

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

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

If you are an ANZ Securityholder Applicant or CPS2 Reinvestment Applicant who has not already quoted your TFN or ABN and you are issued any Notes, then you may be contacted in relation to quoting your TFN, ABN or both.

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

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, in respect of Holders, ANZ may be required to withhold Australian tax at the maximum marginal tax rate (currently 49% including the Medicare levy and the Temporary Budget Repair levy of 2% which applies until the end of the 2016/2017 income year) on the unfranked part of any Distribution unless you provide one of the following:

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

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

## 4.6 ENQUIRIES

### 4.6.1 ANZ SECURITYHOLDER APPLICANTS AND CPS2 REINVESTMENT APPLICANTS

If you wish to apply for Notes, it is recommended that you seek professional guidance which takes into account your particular investment objectives, financial situation and needs from a professional adviser who is licensed by ASIC to give such advice.

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

- have further questions on how to apply for ANZ Capital Notes 4;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

### 4.6.2 BROKER FIRM APPLICANTS

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

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## **SECTION 5**

# **ABOUT ANZ**

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**THIS SECTION SETS OUT:**

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**A DESCRIPTION OF ANZ'S BUSINESS INCLUDING  
SUMMARY FINANCIAL INFORMATION;**

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**FINANCIAL INFORMATION DEMONSTRATING THE EFFECT  
OF THE OFFER ON ANZ; AND**

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**A DESCRIPTION OF ANZ'S CAPITAL MANAGEMENT  
AND CAPITAL RATIOS, FUNDING AND LIQUIDITY.**

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## 5.1 OVERVIEW OF ANZ

The ANZ Group began its Australian operations in 1835 and its New Zealand operations in 1840. ANZ is headquartered in Australia. ANZ is a public company limited by shares incorporated in Australia and was registered in the State of Victoria on 14 July 1977. ANZ's registered office is located at Level 9, 833 Collins Street, Docklands, Victoria, 3008, Australia and the telephone number is +61 3 9683 9999. Its Australian Company Number is ACN 005 357 522.

As at 31 March 2016, the ANZ Group had total assets of approximately A\$895 billion, and shareholders' equity of approximately A\$56 billion. By total assets, the ANZ Group ranked in the top three banking groups in Australia as at 31 March 2016 and first in New Zealand as at 31 December 2015. ANZ's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange (NZX). At the close of trading on 31 March 2016, ANZ had a market capitalisation of approximately A\$68.4 billion.

### PRINCIPAL ACTIVITIES OF THE ANZ GROUP

The principal activities of the six reporting divisions are:

#### 5.1.1 AUSTRALIA

The Australia division comprises the Retail and Corporate & Commercial Banking (C&CB) business units.

- (a) Retail provides products and services to consumer customers via the branch network, mortgage specialists, the call centre and a variety of self-service channels (internet banking, phone banking, ATMs, website and mobile phone banking).
- (b) C&CB provides a full range of banking services including traditional relationship banking and sophisticated financial solutions including asset financing through dedicated managers focusing on privately owned small, medium and large enterprises as well as the agricultural business segment.

#### 5.1.2 INSTITUTIONAL

The Institutional division services global institutional and business customers across three product sets: Transaction Banking, Loans & Specialised Finance and Markets.

- (a) Transaction Banking provides working capital and liquidity solutions including documentary trade, supply chain financing, structured trade finance as well as cash management solutions, deposits, payments and clearing.
- (b) Loans & Specialised Finance provides specialised loan structuring and execution, loan syndication, project and export finance, debt structuring and acquisition finance, structured asset finance and corporate advisory.
- (c) Markets provides risk management services on foreign exchange, interest rates, credit, commodities, debt capital markets and wealth solutions in addition to its role in managing the ANZ Group's interest rate exposure and liquidity position.

#### 5.1.3 NEW ZEALAND

The New Zealand division comprises the Retail and Commercial business units.

- (a) Retail provides products and services to consumer and small business banking customers via the branch network, mortgage specialists, business managers, the call centre and a variety of self-service channels (internet banking, phone banking, ATMs, website and mobile phone banking).
- (b) Commercial provides a full range of banking services including traditional relationship banking and sophisticated financial solutions including asset financing through dedicated managers focusing on privately owned medium to large enterprises and the agricultural business segment.

#### 5.1.4 WEALTH

The Wealth division comprises Insurance, Funds Management and Private Wealth business units which provide insurance, investment, superannuation and private banking solutions to customers across Australia, New Zealand and Asia to make it easier for them to connect with, protect and grow their wealth.

- (a) Insurance includes life insurance, general insurance and ANZ lenders mortgage insurance.
- (b) Funds Management includes the pensions and investments business and ANZ Share Investing.
- (c) Private Wealth includes private banking business which specialises in assisting individuals and families to manage, grow and preserve their wealth.

### 5.1.5 ASIA RETAIL AND PACIFIC

The Asia Retail & Pacific division comprises the Asia Retail and Pacific business units, connecting customers to specialists for their banking needs.

- (a) Asia Retail provides general banking and wealth management services to affluent and emerging affluent retail customers across nine Asian countries via relationship managers, branches, contact centres and a variety of self-service digital channels (internet and mobile banking, phone and ATMs). Core products offered include deposits, credit cards, loans, investments and insurance.
- (b) Pacific provides products and services to retail customers and small to medium sized enterprises located in the Pacific Islands (excluding Papua New Guinea). Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

### 5.1.6 TECHNOLOGY, SERVICES AND OPERATIONS (TSO) AND GROUP CENTRE

TSO and Group Centre provide support to the operating divisions, including technology, operations, shared services, property, risk management, financial management, strategy, marketing, human resources and corporate affairs. The Group Centre includes Group Treasury, Shareholder Functions and the management of minority investments in Asia. Minority investments in Asia comprise AMMB Holdings Berhad in Malaysia, PT Bank Pan Indonesia in Indonesia, Shanghai Rural Commercial Bank in China and Bank of Tianjin in China.

## 5.2 ANZ GROUP STRATEGY UPDATE

The ANZ Group's strategy is based on the strength of its Australian and New Zealand foundations, regional connectivity and a focus on providing market-leading service and insights. The strategy involves rebalancing the Group's businesses to bring greater focus to what the Group does uniquely well for Australian and New Zealand home owners and small businesses, and for clients driven by trade and capital flows between Australia, New Zealand and Asia. ANZ's medium term priorities include:

- Delivering value for customers through more innovative, convenient and engaging financial services;
- Being Australia's only truly regional bank by delivering solutions for customers through a more focused, better connected international network;
- Continuing to build a strong, cohesive culture known for ethics, values and fairness; and
- Delivering consistently strong financial results for investors balancing growth and return.

### 5.2.1. KEY PRIORITIES

The ANZ four medium term strategic goals are to:

Create a simpler, better capitalised, better balanced and more agile bank	Reduce operating costs and risks by exiting low return and non-core businesses, reducing ANZ's reliance on low-returning aspects of Institutional banking and reducing product and management complexity
Build a superior experience for our people and customers in order to compete in the Digital Age	With more convenient and more engaging banking solutions designed to simplify the lives of our customers and people, by attracting and developing more curious, service-focussed, adaptive, technology-literate and empathic people, by building a more innovative and experimental culture, and by recognising, valuing and supporting the social contract ANZ has with its staff
Redouble our efforts in attractive areas where we can carve out a winning position	Notably the Consumer and Small Business segments in Australia and New Zealand, and institutional clients driven by trade and capital flows across the region
Drive a purpose and values led transformation of the Bank	Create a stronger and more cohesive culture built around ethics, humility and a clearer sense of ANZ's core purpose, investing in leaders who can help ANZ sense and navigate the changing environment, live the values and care for their own people, and amend products, policies and services to embed fairness as a core consideration in everything that ANZ does

### **5.2.2. PROGRESS**

The ANZ Group made good progress against these objectives during the year to date 2016, including:

- Adjusting the ordinary share dividend payout ratio to a more conservative and sustainable level;
- Taking steps to reduce absolute operating costs;
- Exiting low return Institutional lending assets;
- Completing the sale of the Esanda Dealer Finance business and Wealth Oasis platform;
- Aligning the Retail and Wealth distribution channels;
- Establishing a dedicated Digital Banking Division to support growth in priority areas;
- Commencing a strategic review of the Wealth, Asia Retail and NZ Asset Finance (UDC) businesses which may result in either the restructure or sale of some or all of these businesses;
- Repositioning minority investments in Asia as Group assets, and possibly exiting some or all of these investments over time; and
- Announcing the exploration of strategic options for ANZ Share Investing that may include a sale of its share trading platform and continuing to review other assets in the portfolio.

## **5.3 FINANCIAL INFORMATION ABOUT ANZ**

### **5.3.1 2015 FINANCIAL YEAR**

ANZ's statutory profit after tax for the year ended 30 September 2015 was \$7,493 million, compared to \$7,271 million for the year ended 30 September 2014, an increase of 3%. The dividend for the year ended 30 September 2015 was 181 cents per Ordinary Share (fully franked) compared to 178 cents per Ordinary Share (fully franked) for the year ended 30 September 2014.

### **5.3.2 2016 INTERIM RESULTS**

ANZ's statutory profit after tax for the half year ended 31 March 2016 was \$2,738 million compared to \$3,506 million for the half-year ended 31 March 2015, a decrease of 22%. The 2016 interim dividend of 80 cents per Ordinary Share (fully franked) represented a decrease of 7% on the 2015 interim dividend of 86 cents.

The decrease in statutory profit was largely attributable to an after tax net charge of \$717 million attributable to a number of items collectively referred to as 'specified items' as follows:

- a \$441 million charge relating to a change in the application of the Group's software capitalisation policy;
- a \$260 million reduction in the carrying value of the Group's equity investment in AMMB Holdings Berhad;
- a \$29 million gain on the cessation of equity investment accounting of the Group's investment in the Bank of Tianjin;
- a \$101 million restructuring charge relating to reshaping of the Group's workforce and other simplification initiatives; and
- a \$56 million reduction in earnings relating to the sale of the Esanda Dealer Finance portfolio during the half year.

### **5.3.3 ANZ TRADING UPDATE FOR 9 MONTHS TO 30 JUNE 2016**

ANZ released its trading update for the 9 months to 30 June 2016 on 9 August 2016. ANZ's statutory profit after tax was \$4.3 billion compared to \$5.6 billion for the 9 months to 30 June 2015, a decrease of 23%. The decrease is largely a result of the specified items included in the result for the six months ended 31 March 2016, detailed above.

Further information is available at [shareholder.anz.com/announcements](http://shareholder.anz.com/announcements).

### **5.3.4 HISTORICAL RESULTS**

The profit information in Sections 5.3.1, 5.3.2 and 5.3.3 is historical information and is not a forecast of results to be expected in future periods.

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

The issue of the Notes will increase ANZ's subordinated debt and cash by \$985 million (\$1 billion gross proceeds of the Offer, less approximately \$15 million Offer costs) with no impact on ANZ's net assets or shareholders' equity.

If ANZ buy-back all of the CPS2 as a result of the Reinvestment Offer or, subject to APRA approval, following the transfer to a Nominated Purchaser, ANZ's subordinated debt and cash would reduce by \$1,969 million, with no impact on ANZ's net assets or shareholders' equity. On a net basis, ANZ's subordinated debt and cash would reduce by approximately \$984 million, although this reduction was funded through the issue of ANZ Perpetual Subordinated Contingent Convertible Securities in June 2016. The full impact of any buy-back of CPS2 will not occur at the same time, as the buy-back of any CPS2 under the Reinvestment Offer is expected to occur on 27 September 2016 and any buy-back following transfer to a Nominated Purchaser is expected to occur on 15 December 2016.

The Offer of the Notes and the Reinvestment Offer will not have a material impact on ANZ's financial position.

The impact has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards and other mandatory reporting requirements in Australia.

ANZ may raise more or less than \$1 billion under the Offer and these figures will be impacted accordingly.

## 5.4 CAPITAL ADEQUACY

### 5.4.1 PRUDENTIAL REGULATION

APRA is the prudential regulator of the Australian financial services industry.

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

To ensure that ADIs are adequately capitalised on both a standalone and group basis, APRA adopts a tiered approach to the measurement of an ADI's capital adequacy by assessing the ADI's financial strength at three levels:

- **Level 1** – the ADI on a standalone basis (i.e. ANZ and a limited number of APRA approved subsidiaries). This is the ANZ Level 1 Group;
- **Level 2** – the consolidated banking group (i.e. the consolidated financial group less certain subsidiaries and associates excluded under APRA's Prudential Standards, principally the insurance subsidiaries and ANZ's associated offshore financial institutions). This is the ANZ Level 2 Group; and
- **Level 3** – the conglomerate group at its widest level (although minimum capital requirements at this level are not expected to be implemented before 2019).

ANZ must also comply with a common framework issued by the Basel Committee for the calculation of capital adequacy for banks worldwide (the **Basel Framework**). The objective of the Basel Framework is to develop capital adequacy guidelines that are more accurately aligned with the individual risk profile of banks.

For more information on ANZ's capital ratios as at 30 June 2016 and the effect of the Offer, see Sections 5.4.8 and 5.4.9.

### 5.4.2 BASEL III FRAMEWORK

For calculation of minimum capital requirements under the Basel Framework, the ANZ Group has been accredited by APRA to use the Advanced Internal Ratings Based (IRB) methodology for credit risk weighted assets and Advanced Measurement Approach for the operational risk weighted asset equivalent.

APRA views Basel III requirements as a minimum standard and has accordingly set higher requirements in some areas. As a result, Australian banks' reported capital ratios are not directly comparable with international peers. In particular APRA's prudential standards:

- increase the minimum level of capital, with new minimum capital ratio requirements for Common Equity Tier 1 Capital (4.5%), Tier 1 Capital (6.0%) and Total Capital (8.0%), although APRA may set higher targets for individual ADIs;
- increase the prescribed Common Equity Tier 1 Combined Capital Buffers that ADIs are required to hold for stress scenarios and to dampen the impact of pro-cyclical elements of the previous prudential regulations. The application of this to ANZ is discussed in Section 5.4.7;
- increase Common Equity Tier 1 Capital Deductions;
- increase the focus on Common Equity Tier 1 Capital and tighten the regulations for Additional Tier 1 Capital and Tier 2 Capital instruments, including that, at the time of "non-viability" of an ADI, these instruments will be either converted to ordinary shares or written off. Existing Tier 1 Capital and Tier 2 Capital instruments that do not have these requirements will be phased out between 2013 and 2022; and
- increase the capital requirements for traded market risk, credit risk and securitisation transactions.

### 5.4.3 PRUDENTIAL REGULATORY CHANGES

APRA's prudential standards may be supplemented by yet to be finalised proposals from the Basel Committee and APRA aimed at:

- supplementing the risk-adjusted capital ratio requirements with the introduction of a minimum leverage ratio. APRA has maintained the Basel Committee calculation of the leverage ratio of Tier 1 Capital expressed as a percentage of ANZ's total exposure (on and off balance sheet assets). However, APRA has not committed to implementing a minimum leverage ratio requirement at this stage, pending the Basel Committee's intentions to further analyse and calibrate the requirements before introducing the leverage ratio as a Pillar 1 requirement in 2018. The current Basel Committee minimum requirement is 3%;
- introducing measures to address the impact of systematic risk and inter-connectedness risk; and
- resolution and recovery planning, including the potential for this to include a minimum total loss absorption capital requirement where certain debt could be "bailed in" to recapitalise a stressed financial institution to avoid government support of that financial institution.

### 5.4.4 FINANCIAL SYSTEM INQUIRY

The Australian Government conducted a comprehensive inquiry into Australia's financial system and released a final report (the **FSI Final Report**) on December 7, 2014. The contents of the FSI Final Report are wide-ranging. Key recommendations from the FSI Final Report that may have an impact on regulatory capital levels include:

- setting capital standards such that ADIs' capital ratios are "unquestionably strong";
- raising the average IRB mortgage risk weight to narrow the difference between average mortgage risk-weight for ADIs using IRB models and those using standardized risk weights in order to increase competition in mortgage lending;
- implementing a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice;
- developing a common reporting template that improves the transparency and comparability of capital ratios of Australian ADIs; and
- introducing a leverage ratio that acts as a backstop to ADIs' risk-based capital requirements, in line with the Basel Framework.

APRA supported the FSI's recommendation that the capital ratios of ADIs should be unquestionably strong and, with effect from 1 July 2016, increased the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach to credit risk (including ANZ). See Section 5.4.8 for more information on the impact of these additional capital requirements.

Apart from the July 2015 announcements, APRA has not made any of the other key recommendations in the FSI Final Report to date. Therefore, the final outcome of the FSI, including any impacts and the timing of these impacts on ANZ, remain uncertain. In addition, there are several ongoing Government enquiries and proposals for new enquiries which may affect ANZ and its business, the impact of which is indeterminate at this stage.

### 5.4.5 PRUDENTIAL CAPITAL CLASSIFICATION

APRA currently classifies an ADI's regulatory capital into three tiers for its level 1 and level 2 supervisory purposes – referred to as Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital. Level 3 regulatory capital is only measured as to Common Equity Tier 1 Capital.

**Common Equity Tier 1 Capital** comprises the highest quality components of capital and includes paid up ordinary shares, certain reserves and retained earnings (excluding of subsidiaries that are not consolidated for level 2 capital adequacy purposes), together with minority interests, less Common Equity Tier 1 Capital Deductions such as intangible assets (including goodwill), investments in insurance subsidiaries and financial institutions, the excess of expected losses over eligible provisions, capitalised expenses and software, and net deferred tax assets. The ratio of Common Equity Tier 1 Capital to risk weighted assets is called the Common Equity Capital Ratio.

**Additional Tier 1 Capital** comprises high quality components of capital and consists of certain securities not classified as Common Equity Tier 1 Capital but with loss absorbing characteristics (such as ANZ Capital Securities and the ANZ Capital Notes 4). Additional Tier 1 Capital together with Common Equity Tier 1 Capital constitutes Tier 1 Capital and the ratio of Tier 1 Capital to risk weighted assets is called the Tier 1 Capital Ratio.

**Tier 2 Capital** consists of subordinated instruments and, whilst a lesser form of capital than Tier 1 Capital, still has a capacity to absorb losses and contributes to the overall capital framework. Tier 2 Capital together with Tier 1 Capital constitutes Total Capital and the ratio of Total Capital to risk weighted assets is called the Total Capital Ratio.

APRA has provided confirmation that Notes will, once issued, constitute Additional Tier 1 Capital.

## 5.4.6 CAPITAL MANAGEMENT STRATEGY

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

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

## 5.4.7 APRA'S COMMON EQUITY CAPITAL RATIO REQUIREMENTS

### Minimum Capital Ratios

APRA's Basel III Prudential Standards require a minimum Common Equity Capital Ratio of 4.5% from 1 January 2013, although APRA may require ADIs, such as ANZ, to maintain a higher capital ratio which may not be disclosed (**Prudential Capital Ratio or PCR**). From 1 January 2016, APRA also requires ADIs to hold Common Equity Tier 1 Capital buffers (**Combined Capital Buffers**) consisting of:

- a capital conservation buffer (CCB) of 2.5%, unless APRA determines otherwise; plus
- an additional capital buffer of 1.0% given APRA has determined that ANZ is a D-SIB; plus
- a counter-cyclical capital buffer which from 1 January 2016 in respect of Australian exposures is 0.0%, although it may vary over time up to 2.5% in response to market conditions. Regulators in jurisdictions in which ANZ operates may set counter-cyclical capital buffers that apply to exposures in that jurisdiction, and as such apply to ANZ, however, as at 30 June 2016 this did not increase the total weighted counter-cyclical capital buffer applicable to ANZ at Level 1 and Level 2 from 0.0%.

Volatility in the Common Equity Capital Ratio can be expected to arise in the future reflecting the buildup of current year earnings in normal conditions which increase the ratio and the subsequent payment of Ordinary Share dividends (generally in July and December of each year) which decreases the ratio.

References to the Minimum Capital Ratio applicable under APRA's Prudential Standards are to general minima applying under the APRA Prudential Standards, rather than specific minima applying to ANZ.

The differences between the Common Equity Capital Ratios for the ANZ Level 1 Group and ANZ Level 2 Group relate principally to the capital held within offshore banking subsidiaries and the treatment of insurance subsidiaries at Level 1. ANZ expects that those capital ratios will move in a similar way based on the application of ANZ's capital management strategy to its offshore banking subsidiaries (which includes a reliance on a repatriation of dividends by those subsidiaries subject to regulatory approval).

### Restrictions on the Payment of Distributions

If the Common Equity Capital Ratio for an ADI on a Level 1 or Level 2 basis falls below the aggregate of the PCR and the Combined Capital Buffers (**Minimum Capital Ratio**), which is currently 8% under APRA's Prudential Standards (although it may be higher for individual ADIs), then the ADI is limited in the amount of relevant current year post-tax earnings (adjusted to add back expenses for Tier 1 Capital Distributions (as defined below) paid in the immediately preceding 12 months) that it can pay as discretionary bonuses to staff; coupons on Additional Tier 1 Capital (AT1) instruments (including the Notes) and dividends and share buy-backs on ordinary shares (**Tier 1 Capital Distributions**). The amount of adjusted current year post tax earnings that can be paid as Tier 1 Capital Distributions (including Distributions on the Notes) (**Maximum Distributable Amount**) is limited in accordance with the table below, after taking into account other Tier 1 Capital Distributions paid in the 12-month period immediately preceding the relevant payment date and actual and forecast capital raisings agreed with APRA.

The Combined Capital Buffer is divided into four quartiles for determining the maximum percentage of adjusted current year post-tax earnings that an ADI is able to distribute when its Common Equity Capital Ratio falls within the relevant quartile:

Common Equity Capital Ratio	Maximum Distributable Amount
Above the top of the Combined Capital Buffers (>PCR + Combined Capital Buffers)	100%
Within the fourth quartile of the Combined Capital Buffers (>PCR +0.75% of the Combined Capital Buffers to ≤PCR + Combined Capital Buffers)	60%
Within the third quartile of the Combined Capital Buffers (>PCR +0.50% of the Combined Capital Buffers to ≤PCR + 0.75% of the Combined Capital Buffers)	40%
Within the second quartile of the Combined Capital Buffers (>PCR +0.25% of the Combined Capital Buffers to ≤PCR + 0.50% of the Combined Capital Buffers)	20%
Within the first quartile of the Combined Capital Buffers (PCR to ≤PCR + 0.25% of the Combined Capital Buffers)	0%

An ADI may apply to APRA to make payments in excess of the constraints imposed by the Capital Conservation Buffer regime. APRA will only grant approval where it is satisfied that an ADI has established measures to raise capital equal to or greater than the amount above the constraint that it wishes to distribute. Australian Corporations law does not limit the sources of payment of interest on the Notes to the profits of a particular year or period.

#### 5.4.8 THE ANZ GROUP'S COMMON EQUITY CAPITAL RATIO

The Common Equity Capital Ratios of both the ANZ Level 1 and Level 2 Groups were 9.7% at 30 June 2016, which take into account the 2016 interim dividend paid on 1 July 2016.

On 5 August 2016, APRA provided an update on discussions and reviews it is conducting with ADIs accredited to use the IRB approach for credit risk, such as ANZ, regarding refinements to risk models. APRA announced that it is recalibrating the impact of refinements to risk models on the required risk weighting for residential mortgages.

This follows APRA's previous announcement which advised changes to capital requirements for Australian residential mortgage exposures for IRB accredited ADIs in response to a recommendation from the FSI. The outcome of those changes was, from 1 July 2016, an increase in the average credit risk weighting applied to ANZ's Australian residential mortgage lending from approximately 15% to approximately 25%.

The exact increase for ANZ will not be confirmed until ANZ has submitted its new mortgage capital model to APRA and APRA has completed its recalibration. This is expected to be in the first quarter of the 2017 financial year. On a proforma basis as at 30 June 2016, based on a credit risk weighting at the mid-point of the 25%-30% range recommended by the FSI, the ANZ Level 2 Group's Common Equity Capital Ratio would be approximately 9.0% and the aggregate capital impact would have been offset by the equity raisings totaling \$3.2 billion undertaken by ANZ in August and September 2015.

A further 1% increase or decrease to the credit risk weighting from the mid-point would have an impact on the Common Equity Capital Ratio for the ANZ Level 2 Group of approximately 0.06% and on Common Equity Tier 1 Capital of approximately \$250 million.

Subject to APRA imposing any additional capital requirements, ANZ will target an operating range for the Common Equity Capital Ratio around 9.0% during normal conditions. However, ANZ gives no assurance as to what its Common Equity Capital Ratio for the ANZ Level 1 Group or ANZ Level 2 Group will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

Assuming the increased credit risk weighting on ANZ's Australian residential mortgage lending referred to above had come into effect, a Common Equity Capital Ratio of 9.0%, as at 30 June 2016, would equate to:

- approximately \$16 billion and \$15 billion of surplus Common Equity Tier 1 Capital for the ANZ Level 2 Group and ANZ Level 1 Group respectively in excess of a Common Equity Capital Ratio of 5.125% which is the point at which a Common Equity Capital Trigger Event would occur; and
- approximately \$4 billion surplus Common Equity Tier 1 Capital for both the ANZ Level 2 Group and ANZ Level 1 Group in excess of a Common Equity Capital Ratio of 8.0% which is the current APRA Minimum Capital Ratio applying under the Prudential Standards.

#### **5.4.9 PROFORMA CONSOLIDATED CAPITAL ADEQUACY POSITION AS AT 30 JUNE 2016**

The purpose of the proforma capital adequacy ratios set out in the table below is to present the regulatory capital adequacy position of the ANZ Level 2 Group as at 30 June 2016 adjusted for the effect of the proposed issue of Notes under the Offer net of any buy-back of CPS2 as a result of the Reinvestment Offer or following a transfer to a Nominated Purchaser. These adjustments have a similar effect on the ANZ Level 1 Group ratios as at 30 June 2016 on a proforma basis.

#### **ANZ's SUMMARISED CONSOLIDATED CAPITAL ADEQUACY RATIOS AS AT 30 JUNE 2016**

ANZ Level 2 Group	ANZ 30 March 2016 <sup>1</sup>	ANZ 30 June 2016 <sup>2</sup>	Proforma adjustment: CN4 issue and CPS2 buy-back <sup>3</sup>	Proforma ANZ 30 June 2016 <sup>4</sup>
Common Equity Capital Ratio	9.8%	9.7%	0.0%	9.7%
Additional Tier 1 Capital Ratio	1.8%	2.1%	-0.2%	1.9%
Tier 1 Capital	11.6%	11.8%	-0.2%	11.6%
Tier 2 Capital Ratio	2.1%	2.6%	0.0%	2.6%
<b>TOTAL CAPITAL RATIO</b>	<b>13.7%</b>	<b>14.4%</b>	<b>-0.2%</b>	<b>14.2%</b>

- The summarised consolidated capital adequacy ratios of the ANZ Level 2 Group as at 31 March 2016 are extracted from the financial statements for the half-year ended 31 March 2016 (which are not subject to KPMG's audit or review processes).
- The summarised consolidated capital adequacy ratios of the ANZ Level 2 Group as at 30 June 2016 are derived from ANZ's Pillar III disclosure released on 9 August 2016 (which are not subject to KPMG's audit or review processes). The reduction in the Common Equity Capital Ratio over the period from 31 March 2016 includes a provision for the payment of the 2016 interim dividend on 1 July 2016.
- This adjustment assumes (i) an Additional Tier 1 Capital raising under the Offer of \$1 billion less Common Equity Tier 1 Capital Deductions of \$15 million, being the estimated costs of the Offer, net of (ii) a buy-back by ANZ of all CPS2 (\$1.969 billion). Any buy-back of CPS2 as a result of the Reinvestment Offer will occur on 27 September 2016 and any buy-back following a transfer to a Nominated Purchaser will occur on 15 December 2016. If there is over or under-subscription for ANZ Capital Notes 4, the Tier 1 Capital Ratio and Total Capital Ratio will be adjusted for the amount of the over or under-subscription and associated transaction costs.
- ANZ's capital adequacy ratios will also be impacted by organic capital growth, changes in provisions and risk weighted assets growth since 30 June 2016.

## 5.5 FUNDING AND LIQUIDITY

### 5.5.1 EXISTING FRAMEWORK

ANZ's liquidity and funding risks are governed by a detailed policy framework that is approved by ANZ's Board Risk Committee. The management of the liquidity and funding positions and risks is overseen by the Group Asset and Liability Committee (**GALCO**). ANZ's liquidity risk appetite is defined by the ability to meet a range of regulatory and internal liquidity metrics mandated by ANZ's Board Risk Committee. The metrics cover a range of scenarios of varying duration and level of severity. This framework helps:

- provide protection against shorter-term but more extreme market dislocations and stresses;
- maintain structural strength in the balance sheet by ensuring that an appropriate amount of longer-term assets are funded with longer-term funding; and
- ensure no undue timing concentrations exist in the Group's funding profile.

A key component of this framework is the Liquidity Coverage Ratio (**LCR**) that was implemented in Australia on 1 January 2015. The LCR is a severe short-term liquidity stress scenario, introduced as part of the Basel III international framework for liquidity-risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZ has a Committed Liquidity Facility (**CLF**) with the RBA. The CLF has been established as a solution to a High Quality Liquid Asset (**HQLA**) shortfall in the Australian marketplace and provides an alternative form of RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set annually by APRA.

ANZ seeks to strictly observe its prudential obligations in relation to liquidity and funding risk as required by APRA Prudential Standard APS 210, as well the prudential requirements of overseas regulators on ANZ's offshore operations.

### 5.5.2 LIQUIDITY RATIOS

The Basel III liquidity changes include the introduction of two liquidity ratios to measure liquidity risk: (i) the LCR that became effective on January 1, 2015 and (ii) the Net Stable Funding Ratio (**NSFR**).

The final Basel III NSFR standard was released in October 2014 which will require banks to maintain a stable funding profile relative to the composition of their assets including off-balance sheet exposures. The NSFR is a ratio of available stable funding relative to the amount of required stable funding and banks have to meet a minimum ratio requirement of 100% on 1 January 2018.

APRA released a consultation paper in March 2016 which confirmed that the NSFR will become a minimum requirement on 1 January 2018. As part of managing future liquidity requirements, ANZ monitors the NSFR in its internal reporting and although consultation is continuing, ANZ believes it is well placed to meet this requirement.

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## SECTION 6

# INVESTMENT RISKS

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THIS SECTION DESCRIBES SOME OF THE POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN ANZ CAPITAL NOTES 4 AND IN ANZ.

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

BEFORE APPLYING FOR NOTES, YOU SHOULD CONSIDER WHETHER NOTES ARE A SUITABLE INVESTMENT FOR YOU.

THERE ARE RISKS ASSOCIATED WITH AN INVESTMENT IN NOTES AND IN ANZ, MANY OF WHICH ARE OUTSIDE THE CONTROL OF ANZ AND ITS DIRECTORS. THESE RISKS INCLUDE THOSE IN THIS SECTION AND OTHER MATTERS REFERRED TO IN THIS PROSPECTUS.

## 6.1 RISKS ASSOCIATED WITH INVESTING IN ANZ CAPITAL NOTES 4

### 6.1.1 LIQUIDITY

There may be no liquid market for Notes. The market for Notes may be less liquid than the market for Ordinary Shares or other securities issued by ANZ or other entities. Holders who wish to sell their Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Notes. If the Notes are traded after they are issued, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of ANZ and the Group. There may be a limited number of buyers when you decide to sell the Notes. This may affect the price you receive for Notes or the ability to sell Notes at all.

Notes are expected to Convert into Ordinary Shares on 20 March 2026 (subject to certain conditions being satisfied) unless Notes are otherwise Exchanged on or before that date. Where Notes are Converted, there may be no liquid market for Ordinary Shares at or after the time of Conversion or the market for Ordinary Shares may be less liquid than that for securities issued by other entities at the time of Conversion.

### 6.1.2 FINANCIAL MARKET CONDITIONS

The market price of Notes may move up or down due to various factors, including investor perceptions, worldwide economic conditions, credit spreads, movements in the market price of Ordinary Shares or senior or subordinated debt, the occurrence or potential occurrence of a Trigger Event or factors resulting in ANZ deciding or not being permitted to make payments on the Notes, the method of calculating the outstanding amount (if any) of the Notes following a Conversion or Write Off, the outstanding amount of Notes, the risk of early redemption following a Tax Event or Regulatory Event, ANZ's financial condition and results of operations, investor confidence and market liquidity, the level, direction and volatility of market interest rates generally and factors that may affect ANZ's financial performance and position. Notes may trade at a market price below the Face Value.

The market price of Notes may be more sensitive than that of Ordinary Shares to changes in interest rates and credit spreads. Increases in relevant interest rates or ANZ's credit spread may adversely affect the market price of Notes. In recent years markets have become more volatile. Volatility risk is the potential for fluctuations in the price of securities, sometimes markedly and over a short period. Investing in volatile conditions implies a greater level of volatility risk for investors than an investment in a more stable market.

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

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

### TRADING PRICES OF SELECTED ANZ CAPITAL SECURITIES COMPARED TO AN ADJUSTED ANZ ORDINARY SHARE PRICE



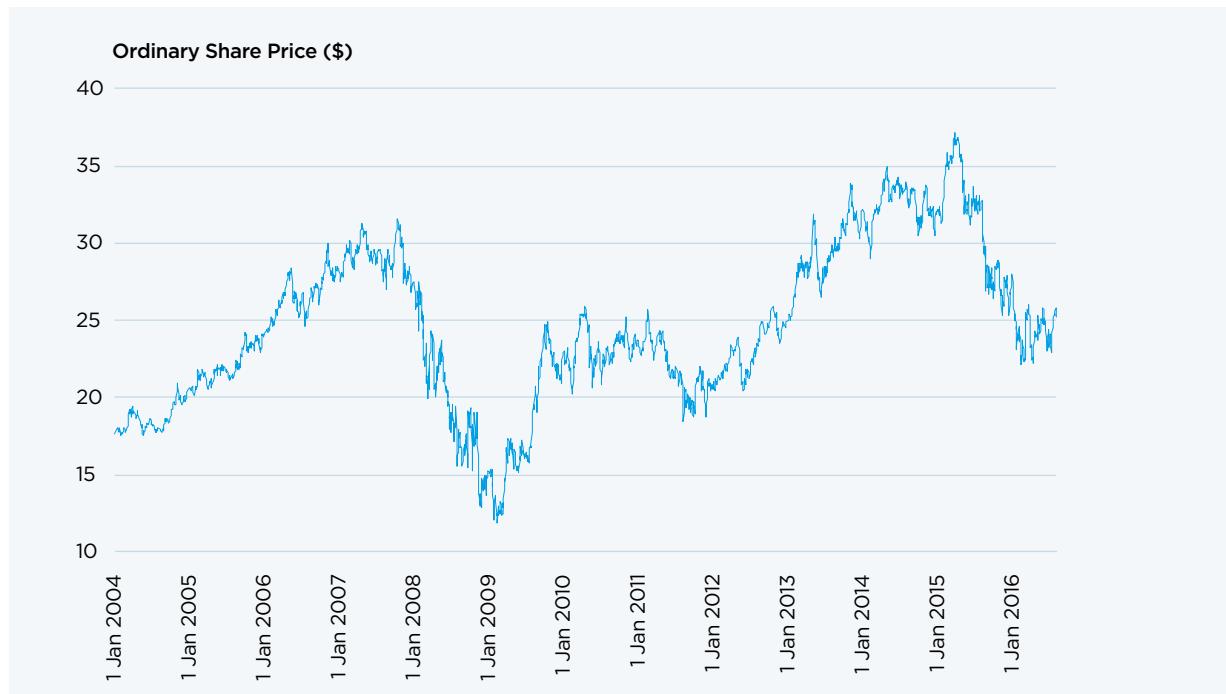
### 6.1.3 EXPOSURE TO ANZ'S FINANCIAL PERFORMANCE AND POSITION

If ANZ's financial performance or position declines, or if market participants anticipate that it may decline, an investment in Notes could decline in value even if Notes have not been Converted. Accordingly, when you evaluate whether to invest in Notes, you should carefully evaluate the investment risks associated with an investment in ANZ – see Section 6.2.

### 6.1.4 FLUCTUATION IN ORDINARY SHARE PRICE

Upon Conversion (other than Conversion resulting from a Trigger Event – see Section 6.1.10), Holders will receive approximately \$101 worth of Ordinary Shares per Note (based on the VWAP during the 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date or other date on which Notes are Converted). The market price of Ordinary Shares will move up or down due to various factors, including investor perceptions, domestic and worldwide economic conditions and ANZ's financial performance and position – see Section 6.1.2. In addition, a Trigger Event is likely to be accompanied by a deterioration in the market price of the Ordinary Shares. The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

### TRADING PRICES OF ANZ ORDINARY SHARES



Other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for listing or any practical issues which affect that listing, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time, or laws of general application, including securities law and laws relating to the holding of shares and other interests in financial institutions, which limit a person's ability to acquire or dispose of Ordinary Shares.

### 6.1.5 DISTRIBUTIONS MAY NOT BE PAID

There is a risk that Distributions will not be paid. There is no obligation for ANZ to pay Distributions. Distributions will only be paid at ANZ's discretion. ANZ could exercise its discretion not to pay interest at any time and for any reason. The payment of Distributions is also subject to the Payment Conditions – see Section 2.1.6. The Payment Conditions require, among other things, that (1) making the payment will not result in ANZ not complying with APRA's current capital adequacy arrangements, (2) making the payment would not result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act and (3) APRA not objecting to the Distribution being paid. There is a risk that one or more elements of the Payment Conditions will not be satisfied, and there is therefore a risk that a Distribution may not be paid in full or at all.

The Prudential Standards also impose restrictions on the proportion of profits that can be paid through ordinary dividends, Additional Tier 1 distributions (including interest on the Notes) and discretionary staff bonuses if ANZ's Common Equity Capital Ratio falls into its Combined Capital Buffers – see Section 5.4.7.

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

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

Distributions are non-cumulative, and therefore if a Distribution is not paid Holders will have no recourse whatsoever to payment from ANZ and will not receive payment of that Distribution.

However, if ANZ does not pay a Distribution in full on a Distribution Payment Date, then the Distribution Restriction applies to ANZ unless the Distribution is paid in full within 3 Business Days of that date – see Section 2.1.7 for more details. Where an Approved NOHC is substituted as the issuer of ordinary shares on Conversion, there is no restriction on the Approved NOHC declaring or paying a dividend on or, buying back or reducing capital on its ordinary shares if ANZ does not pay a Distribution on a Note (see Section 2.6.4).

ANZ may also be prevented from paying Distributions by the terms of other securities (such as CPS2) if a dividend or other distribution has not been paid on those securities. If such a constraint applies, ANZ may not be able to pay Distributions on Notes without the approval of the holders of those other securities – see Section 6.1.8.

Changes in regulations applicable to ANZ may impose additional requirements which prevent ANZ from paying a Distribution in additional circumstances. From 1 January 2016, restrictions on the proportion of profits that can be paid through ordinary dividends, Additional Tier 1 distributions (including Distributions on ANZ Capital Notes 4) and discretionary staff bonuses will apply if ANZ's Common Equity Capital Ratio falls into the Combined Capital Buffer. For further information, see Sections 5.4.2 and 5.4.7.

### **6.1.6 DISTRIBUTIONS MAY NOT BE FULLY FRANKED**

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

If a Distribution is unfranked or partially franked, any Distribution paid on the Distribution Payment Date for that Distribution will be increased to compensate for the unfranked component, subject to the Payment Conditions – see Sections 2.1.3 and 2.1.6.

The value and availability of franking credits to a Holder will differ depending on the Holder's particular tax circumstances. Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Distribution. Holders should also be aware that the ability to use the franking credits, either as an offset to a tax liability or by claiming a refund after the end of the income year, will depend on the individual tax position of each Holder. Holders should also refer to the Taxation Summary in Section 7 and seek professional advice in relation to their tax position.

### **6.1.7 CHANGES IN DISTRIBUTION RATE**

The Distribution Rate is calculated for each Distribution Period by reference to the BBSW Rate, which is influenced by a number of factors and varies over time. The Distribution Rate will move (both increasing and decreasing) over time as a result of movements in the BBSW Rate – see Section 2.1.4.

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

### **6.1.8 DISTRIBUTIONS ON ANZ CAPITAL NOTES 4 MAY BE RESTRICTED BY THE TERMS OF OTHER SIMILAR SECURITIES**

The terms of ANZ's other outstanding and future securities could limit ANZ's ability to make payments on Notes. If ANZ does not make payments on such securities, payments may not be permitted to be made in respect of Notes. At present, CPS2 are the only securities of ANZ which would restrict ANZ from paying Distributions on or Redeeming or buying back the Notes if a dividend had not been paid on that security. Payments of dividends on CPS2 are subject to, among other tests, the availability of distributable profits as defined in the terms of that security.

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

If distribution restrictions for another security apply to payments on Notes, ANZ may not be able to pay Distributions when scheduled to do so under the Note Terms and may not be able to Redeem Notes. ANZ is not restricted from issuing other securities of this kind or agreeing in the terms of issue of other securities additional or different payment tests or distribution restrictions – see also Section 6.1.20.

The distribution restrictions on ANZ's outstanding securities differ from, and in the case of CPS2 are substantially more restrictive than, the Distribution Restriction in Notes. The Distribution Restriction only restricts distributions in respect of Ordinary Shares. The restriction only applies until and including the next quarterly Distribution Payment Date. The dates for distribution with respect to Ordinary Shares are determined by ANZ, generally occur twice a year and do not bear a fixed relation to the Distribution Payment Dates for Notes. Accordingly as soon as the Distribution Restriction ceases to apply (as will be the case if the next scheduled Distribution is paid in full) ANZ will not be restricted from making a distribution on its Ordinary Shares. Where an Approved NOHC is substituted as the issuer of ordinary shares on Conversion, there is no restriction on the Approved NOHC declaring or paying a dividend on or, buying back or reducing capital on its ordinary shares if ANZ does not pay a Distribution on a Note (see Section 2.6.4).

#### **6.1.9 ANZ CAPITAL NOTES 4 ARE PERPETUAL AND MANDATORY CONVERSION MAY NOT OCCUR ON THE SCHEDULED MANDATORY CONVERSION DATE OR AT ALL**

Notes are expected to Convert into Ordinary Shares on 20 March 2026 (subject to certain conditions being satisfied) unless Notes are otherwise Exchanged on or before that date. However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to, for example, a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if Ordinary Shares cease to be quoted on ASX, or have been suspended from trading for at least five consecutive Business Days prior to, and remain suspended on, the Mandatory Conversion Date. The Ordinary Share price may be affected by transactions affecting the share capital of ANZ, such as rights issues, placements, returns of capital, certain buy-backs and other corporate actions. The Issue Date VWAP is adjusted only for transactions by way of the consolidation, division or reclassification of Ordinary Shares and pro rata bonus issues of Ordinary Shares as described in Clause 6 of the Note Terms and not for other transactions, including rights issues, placements, returns of capital, buy-backs or special dividends. The Note Terms do not limit the transactions which ANZ may undertake with respect to its share capital and any such action may affect whether Conversion will occur and may adversely affect the position of Holders.

If Mandatory Conversion does not occur on the Scheduled Mandatory Conversion Date, Mandatory Conversion would then occur on the first Distribution Payment Date following the Scheduled Mandatory Conversion Date on which all of the Mandatory Conversion Conditions are satisfied unless Notes are otherwise Exchanged on or before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date, Distributions may continue to be paid on Notes so long as they are on issue, subject to the Payment Conditions.

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

#### **6.1.10 CONVERSION ON ACCOUNT OF A TRIGGER EVENT**

There are two types of Trigger Events:

- a Common Equity Capital Trigger Event; and
- a Non-Viability Trigger Event.

ANZ must Convert Notes into Ordinary Shares if at any time a Trigger Event occurs. This could be before or after the Scheduled Mandatory Conversion Date. Accordingly, any such Conversion on account of a Trigger Event may occur on dates not previously contemplated by Holders, which may be disadvantageous in light of market conditions or their individual circumstances and may not coincide with their individual preference in terms of timing.

The Common Equity Capital Trigger Event is based on APRA's definition of the Common Equity Capital Ratio which means (i) in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group and (ii) in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group, in each case, as prescribed by APRA from time to time.

The Common Equity Capital Ratio may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of ANZ. Accordingly, there is a risk that ANZ's Common Equity Capital Ratio falls to 5.125% or below and that as a result, Notes Convert into Ordinary Shares before the Scheduled Mandatory Conversion Date.

The Non-Viability Trigger Event means the earlier of:

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

APRA has indicated that at this time it will not provide guidance as to how it would determine non-viability. Non-viability could be expected to include serious impairment of ANZ's financial position and insolvency. However, it is possible that APRA's definition of non-viable may not necessarily be confined to solvency or capital measures, and APRA's position on these matters may change over time. As the occurrence of a Non-Viability Trigger Event is at the discretion of APRA, there can be no assurance given as to the factors and circumstances that might give rise to this event.

Non-viability may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of ANZ. For instance, systemic and non-systemic macroeconomic, environmental and operational factors, globally and in Australia and New Zealand may affect the viability of ANZ.

Conversion resulting from the occurrence of a Trigger Event is not subject to the Mandatory Conversion Conditions or other conditions. This is likely to mean that Holders would receive significantly less than \$101 worth of Ordinary Shares per Note (and suffer loss as a consequence) because:

- the number of Ordinary Shares issued per Note is limited to the Maximum Conversion Number and this number of Ordinary Shares may have a value of less than \$101;
- if the number of Ordinary Shares to be issued is calculated, based on VWAP, to be less than the Maximum Conversion Number, the VWAP may differ from the Ordinary Share price on or after the Trigger Event Conversion Date. In particular, VWAP prices will be based on trading days which occurred before the Trigger Event Conversion Date;
- the Ordinary Shares received on Conversion as well as ANZ's Ordinary Shares generally may not be listed and so may not be able to be sold at prices reflecting their values (calculated based on VWAP) or at all; and/or
- the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of ANZ Ordinary Shares and pro rata bonus issues as set out in the Note Terms. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including for example rights issues, returns of capital, buy-backs or special dividends. The Note Terms do not limit the transactions that ANZ may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number and so may adversely affect the position of Holders.

If, following a Trigger Event, Conversion has not been effected within five Business Days after the Trigger Event Conversion Date for any reason (including where ANZ is prevented from Converting the Notes by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of ANZ) or other reason (an **Inability Event**)), Notes which would otherwise be Converted, will not be Converted, but instead, the rights of the Holder (including to the payment of Distributions and Face Value) in relation to such Notes will be immediately and irrevocably written off and terminated with effect on and from the Trigger Event Conversion Date and Holders will suffer loss as a result.

The laws under which an Inability Event may arise include laws relating to the insolvency, winding-up or other external administration of ANZ. Those laws and the grounds on which a court or government authority may make orders preventing the Conversion of Notes may change and the change may be adverse to the interests of Holders.

Holders should be aware that:

- Relevant Securities such as Notes and ANZ Capital Notes 4 will be converted or written off before any Tier 2 Capital instruments are converted or written off;
- CPS2 are not Relevant Securities (and may not be converted or written off before or pro rata with Notes);

- CPS3 are Relevant Securities only in the case where the Trigger Event is a Common Equity Capital Trigger Event where the Common Equity Capital Ratio of the ANZ Level 2 Group is at or below 5.125% and not in the case of any other Trigger Event. Where the CPS3 are a Relevant Security, the terms of the CPS3 require that they be converted in full. The terms of the CPS3 do not permit or require the CPS3 to be written off if an Inability Event exists to prevent such conversion. As such, if the Notes are not Converted within 5 Business Days of a Trigger Event Conversion Date for any reason (including an Inability Event) in accordance with the Note Terms, the Notes may be Written Off in circumstances where CPS3 are not also written off;
- ANZ has no obligation to maintain on issue CPS3 or any Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be converted or written off before Notes or in full; and
- where a Non-Viability Trigger Event occurs because APRA determines that, without a public sector injection of capital or equivalent support, ANZ would become non-viable, all the Notes will be Converted.

#### **6.1.11 EXCHANGE AND EXCHANGE METHOD MAY BE AT ANZ'S OPTION**

ANZ may (subject to APRA's prior written approval) elect to Exchange some or all Notes on the Optional Exchange Date or on the occurrence of a Tax Event or a Regulatory Event, in accordance with the Note Terms. Holders have no right to request or require an Exchange.

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

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

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

If ANZ elects to Resell Notes but the purchaser does not pay the Face Value of any Notes on the Exchange Date, those Notes will not be transferred and a Holder has no claim on ANZ as a result of that non-payment.

#### **6.1.12 CONVERSION ON CHANGE OF CONTROL EVENT**

If a Change of Control Event occurs, ANZ is required to Convert all Notes in accordance with the Note Terms (see Clause 4.10 of the Note Terms). ANZ must, subject to Clause 4.10 of the Note Terms, give a Change of Control Conversion Notice to Convert the Notes.

The Notes cannot Convert on the occurrence of a Change of Control Event if the restrictions on Conversion described in Section 2.4.3 apply.

If the restrictions prevent Conversion, ANZ will, as noted in Section 2.4.4, give a new Change of Control Conversion Notice which will specify Conversion as the Exchange Method for Conversion on the next Distribution Payment Date (under Clause 3.5(a) of the Note Terms). Conversion will not occur if the restrictions described in Section 2.4.3 apply on that date. This process will be repeated for each Distribution Payment Date (under Clause 3.5(a) of the Note Terms) until a Conversion occurs. If these restrictions continue to apply, there is a risk that the Notes remain on issue following the occurrence of a Change of Control Event.

#### **6.1.13 OPTIONAL EXCHANGE BY ANZ IS SUBJECT TO CERTAIN EVENTS OCCURRING**

If ANZ wishes to Exchange Notes, APRA's prior written approval is required. Holders should not expect that APRA will give its approval to any Exchange.

The choice of Conversion as the Exchange Method is subject to the level of the Ordinary Share price on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in the Ordinary Shares occurred).

If the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP, ANZ is not permitted to choose

Conversion as the Exchange Method. Also if a Delisting Event has occurred in respect of that date, ANZ is not permitted to choose Conversion as the Exchange Method.

The conditions to Conversion on the Exchange Date are that the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) and the Third Mandatory Conversion Condition must both be satisfied in respect of the Exchange Date as if the Exchange Date were a possible Mandatory Conversion Date.

If the conditions to Conversion on the Exchange Date are not satisfied, ANZ will notify Holders and the Conversion will be deferred until the first Distribution Payment Date (under Clause 3.5(a) of the Note Terms) following that Exchange Date on which the Mandatory Conversion Conditions would be satisfied as if that Distribution Payment Date were a possible Mandatory Conversion Date.

The choice of Redemption as the Exchange Method, is subject to the condition that the Notes that are the subject of the Exchange, are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity, or that APRA is satisfied that the capital position of the ANZ Level 1 Group and ANZ Level 2 Group is well above its minimum capital requirements after ANZ elects to Redeem Notes.

#### **6.1.14 CONVERSION CONDITIONS**

The only conditions to Conversion are, in the case of Mandatory Conversion, the Mandatory Conversion Conditions and, in the case of Conversion following a Change of Control Event or an Exchange at ANZ's option, the conditions expressly applicable to such Conversion under Clauses 4.10 or 5 of the Note Terms (as the case may be). No other conditions will affect the Conversion except as expressly provided by the Note Terms – see Clause 9.10(e) of the Note Terms.

Other events and conditions may affect the ability of Holders to trade or dispose of the Ordinary Shares issued on Conversion, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for listing or any practical issues which affect that listing, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time.

Furthermore, as set out in Section 6.1.10, Conversion following a Trigger Event is not subject to any conditions.

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

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

In the event of a winding-up of ANZ, and assuming Notes have not been Converted or Written Off, Holders will be entitled to claim for an amount equal to the Face Value. The claim for this amount ranks ahead of Ordinary Shares, equally with the ANZ Capital Securities and any other Equal Ranking Instruments, but behind all senior ranking securities and instruments and all depositors and other creditors. Claims in respect of Notes are subordinated and, notwithstanding a winding-up of ANZ, rank as Preference Shares as set out in the Note Terms. However, the claim of Holders in a winding-up will be adversely affected if a Trigger Event occurs. If, following a Trigger Event, Notes are Converted into Ordinary Shares, Holders will have a claim as an Ordinary Shareholder. If, following a Trigger Event, Notes are Written Off, those Notes will never be Converted or Exchanged, all rights in relation to those Notes will be terminated and Holders will not have their capital repaid.

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

#### **6.1.16 CHANGES TO CREDIT RATINGS**

ANZ's cost of funds, margins, access to capital markets and competitive position and other aspects of its performance may be affected if it fails to maintain credit ratings (including any long-term credit ratings or the ratings assigned to any class of its securities).

Real or anticipated changes in the credit rating of ANZ will generally affect any trading market for, or trading value of, the Notes.

A credit rating is subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any suspension, reduction or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the Notes or Ordinary Shares received on Conversion of Notes.

#### **6.1.17 REGULATORY CLASSIFICATION**

APRA has provided confirmation that Notes will, once issued, constitute Additional Tier 1 Capital. However, if as a result of a change of Australian law or regulation or any statement of APRA, APRA subsequently determines that all of the Notes are not or will not qualify as Additional Tier 1 Capital, ANZ may decide that a Regulatory Event has occurred. A Regulatory Event will not arise where at the Issue Date ANZ expected the event would occur. A Regulatory Event will allow Exchange of all or some Notes on issue at the option of ANZ (subject to APRA's prior written approval). For the risks attaching to ANZ's discretion to Exchange in certain specified circumstances see Section 6.1.11.

#### **6.1.18 AUSTRALIAN TAX CONSEQUENCES**

A general outline of the tax consequences of investing in Notes for certain potential investors is set out in the Taxation Summary in Section 7. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

Broadly, if a change is made to the Australian tax law or practice and that change leads to a more than insubstantial risk of:

- a significant increase in ANZ's costs in relation to Notes being on issue; or
- a distribution on Notes not being frankable,

ANZ is entitled to Exchange all or some Notes (subject to APRA's prior written approval – see Section 6.1.11). ANZ will not be entitled to Exchange in these circumstances if ANZ expected the event on the Issue Date.

If the corporate tax rate were to change, the cash amount of Distributions and the amount of any franking credits will change. In this regard, as part of the 2016-17 Federal Budget the Coalition Government proposed a staggered reduction of the corporate tax rate to 25% by the 2026-27 income year, with the reduction to take effect on dates dependent on the amount of annual aggregated turnover of the relevant company. In the case of ANZ, the initial reduction from 30% to 27.5% would not be expected to take effect until the 2023-24 income year. ANZ has applied for a class ruling from the Australian Taxation Office for confirmation of certain Australian tax consequences for Holders as discussed in the Taxation Summary in Section 7. The issue of any class ruling is expected in October 2016.

#### **6.1.19 ACCOUNTING STANDARDS**

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

#### **6.1.20 FUTURE ISSUES OR REDEMPTIONS OF SECURITIES BY ANZ**

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

The Notes do not restrict ANZ from issuing securities of any kind. Accordingly, ANZ may in the future issue securities that:

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

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

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

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

Similarly, Notes do not restrict ANZ from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with or junior to Notes (other than to the extent the Distribution Restrictions apply).

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

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

### **6.1.21 IMPOSITION OF NON-OPERATING HOLDING COMPANY**

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

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

ANZ has made no decision to implement a NOHC.

Following an Approved NOHC Event, ANZ would continue to be regulated by APRA. However, depending on the structure of the acquirer following an Approved NOHC Event and the capital framework which APRA determines to apply to it, the composition of ANZ's three capital measurement levels may be affected, which in turn may affect the likelihood of ANZ being able to make Distributions on Notes.

After an Approved NOHC Event Holders will remain noteholders in ANZ with the same rights to Distributions and to payment in a winding-up of ANZ as before the Approved NOHC Event, but on Conversion Holders will receive ordinary shares in the Approved NOHC and not Ordinary Shares in ANZ. However, potential investors should be aware that, although there may be circumstances where a Distribution Restriction applies to ANZ where ANZ does not pay a Distribution on a Note (see Section 2.1.7 and 6.1.5), after an Approved NOHC Event has occurred, the Approved NOHC would not be subject, under the Note Terms, to a restriction on the payment of distributions on its share capital where ANZ fails to pay a Distribution on a Note. Notes will remain quoted on ASX, but ANZ's Ordinary Shares may cease to be quoted.

Where an Approved NOHC Event is accompanied by a transfer of assets from ANZ or a subsidiary to the Approved NOHC or another subsidiary of the Approved NOHC, ANZ may as a result have reduced assets which may affect its credit rating and its ability to meet the claims of its creditors and shareholders (including Holders). Holders do not have any claim on the assets of the Approved NOHC or any other subsidiary of the Approved NOHC other than following Conversion as a holder of ordinary shares in the Approved NOHC.

### **6.1.22 SHAREHOLDING LIMITS**

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

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

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

#### **6.1.23 POWERS OF AN ADI STATUTORY MANAGER AND OF APRA**

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

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

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

APRA may, in certain circumstances, require ANZ to transfer all or part of its business to another entity under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth) (the **FSBT Act**).

A transfer under the FSBT Act overrides anything in any contract or agreement to which ANZ is party and thus may have an adverse effect on ANZ's ability to comply with its obligations under the Notes and the position of Holders.

#### **6.1.24 AMENDMENT OF NOTE TERMS**

ANZ may, in certain circumstances, amend the Note Terms without the consent of Holders. ANZ may also amend the Note Terms if the amendment has been approved by a Special Resolution of Holders. However, no amendment to the Note Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of ANZ Capital Notes 4 as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis. This applies regardless of whether such amendment would require Holder approval. Amendments under these powers are binding on all Holders despite the fact that a Holder may not agree with the amendment.

#### **6.1.25 NO RIGHTS WITH RESPECT TO ORDINARY SHARES**

Holders have no voting or other rights in relation to Ordinary Shares until Ordinary Shares are issued to them. In addition, the Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issue of securities. The rights attaching to Ordinary Shares if Ordinary Shares are issued will be the rights attaching to Ordinary Shares at that time. Holders have no right to vote on or otherwise to approve any changes to ANZ's constitution in relation to the Ordinary Shares that may in the future be issued to them. Therefore, Holders will not be able to influence decisions that may have adverse consequences for them.

## 6.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ

### 6.2.1 INTRODUCTION

The Group's activities are subject to risks that can adversely impact its business, operations and financial condition. Certain risks and uncertainties that the Group may face are summarised below. Further detail relating to those risks and uncertainties and others is set out in the section titled "Principal Risks and Uncertainties" in ANZ's consolidated financial report and dividend statement for the half year ended 31 March 2016. A copy of the consolidated report and dividend statement is available at [asx.com.au](http://asx.com.au) or at [shareholder.anz.com/results-announcement](http://shareholder.anz.com/results-announcement).

Additional risks and uncertainties that the Group is unaware of, or that the Group currently deems to be immaterial, may also become important factors that affect it. If any of the listed or unlisted risks actually occur, the Group's business, operations, financial condition, or reputation could be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investment.

### 6.2.2 RISKS ARISING FROM CHANGES IN GENERAL BUSINESS AND ECONOMIC CONDITIONS

The Group's financial performance is primarily influenced by the economic conditions and level of business activity in the major countries and regions in which it operates or trades, i.e. Australia, New Zealand, the Asia Pacific region, Europe and the United States of America. The economic and business conditions that prevail in those major operating and trading markets are affected by domestic and international economic events, political events and natural disasters, and by movements and events that occur in global financial markets. The Group's business, operations, and financial condition can be negatively affected by changes to those economic and business conditions, including through a reduction in demand for the Group's products and services, an increase in loan and other credit defaults and bad debts, and higher than expected costs (including credit and funding costs).

The Group monitors economic conditions and levels of business activity in its major operating and trading markets and adjusts its businesses to reflect the current and expected conditions. However, it is difficult to predict every development that may have a negative impact on the Group.

### 6.2.3 RISKS TO THE GROUP'S EARNINGS DUE TO CHANGES IN FINANCIAL MARKETS AND THE LEVEL OF COMPETITION IN THE MARKETS IN WHICH THE GROUP OPERATES

The Group is exposed to market risk, which is the risk to its earnings and costs arising from changes in interest rates, foreign exchange rates, credit spreads, volatility, equity prices and indices, prices of commodities, debt securities and other financial contracts including derivatives (which are contracts with a return based on, or derived from one or more of these rates or prices).

The Group is also subject to competition risk as the markets in which the Group operates are highly competitive and could become even more so. The impact on the Group of an increase in competitive market conditions, especially in the Group's main markets and products, would potentially lead to a material reduction in the market share and/or margins of the relevant Group business(es), which would adversely affect the Group's financial performance and position.

### 6.2.4 RISK THAT THE GROUP CANNOT FUND INCREASES IN ASSETS OR MEET ITS PAYMENT OBLIGATIONS

The Group is exposed to the risk that it has insufficient capacity to fund increases in assets, or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing debt. Liquidity risk, which is managed closely by the Group, is part of all banking operations due to the timing mismatch between cash inflows and cash outflows. The Group raises funding from a variety of sources, including customer deposits and wholesale funding in Australia and offshore markets to meet its funding obligations and to maintain or grow its business generally. In times of liquidity stress, if there is damage to market confidence in the Group or if funding inside or outside of Australia is not available or is constrained, the Group's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk. The Group may also experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios.

### **6.2.5 RISK THAT ANZ'S CREDIT RATINGS COULD CHANGE**

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies by which they are determined may also be revised in response to legal or regulatory changes, market developments or for any other reason. A downgrade or potential downgrade to the Group's credit rating may reduce access to capital and wholesale debt markets, leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with it. On 7 July 2016, ANZ announced that Standard & Poor's decision to revise the outlook on the Commonwealth of Australia to ratings watch negative has resulted in a change in the credit rating outlook of ANZ and its strategically important entities, along with other major Australian banks, from stable to negative.

In addition, the ratings of individual securities (including, but not limited to, certain Tier 1 Capital and Tier 2 Capital securities and covered bonds) issued by the Group (and other banks globally) could be impacted from time to time by changes in the ratings methodologies used by rating agencies.

Credit ratings are not a recommendation by the relevant rating agency to invest in securities offered by the Group.

### **6.2.6 RISKS ASSOCIATED WITH LENDING, EXTENDING CREDIT AND PROVIDING INSURANCE PRODUCTS**

As a financial institution, the Group is exposed to the risks associated with lending and extending credit to customers and other parties. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, or external events such as climatic, biological or geological disasters, could expose the Group to increased risk that those customers and other parties will default, causing loss to the Group. Weakening of the real estate markets in Australia, New Zealand or other markets where the Group does business may also adversely affect its business, operations and financial condition. The Group is also exposed to insurance and reinsurance risks through its insurance businesses.

### **6.2.7 RISKS RELATING TO THE OPERATION OF THE GROUP'S BUSINESS**

The Group is exposed to the risk of loss resulting from inadequate or failed internal processes, people and systems (including information security systems), or from external events. This definition includes operational risk, legal risk, and the risk of reputational losses or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

Loss from such risk events could adversely affect the Group's financial results. Such losses can include fines, penalties, loss or theft of funds or assets, legal costs, customer compensation, loss of shareholder value, reputational losses, loss of life or injury to people, and loss of property and/or information.

The Group is highly dependent on information systems and technology. Therefore, there is a risk that these, or services the Group uses or is dependent upon, might fail, including because of unauthorized access or use. Disruption of information technology systems or failure to successfully implement new technology systems or information security risks could significantly interrupt the Group's business, which may adversely affect its business, operations and financial condition.

The Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. If the Group had difficulty retaining or attracting highly qualified people for important roles, this could adversely affect its business, operations and financial condition.

### **6.2.8 RISKS ARISING FROM CHANGES TO LAWS AND REGULATIONS**

The Group and its businesses are subject to extensive regulation by Australian regulators and regulators in other jurisdictions in which it conducts business, particularly relating to capital levels, liquidity levels, provisioning, and insurance policy terms and conditions.

APRA has very wide powers under the Banking Act, including in limited circumstances to direct banks, including ANZ, not to make payments.

The Group's businesses and performance are also affected by the fiscal or other policies (including taxation) that are adopted by the Australian government and governments in other jurisdictions in which it conducts business. For example, in line with other global financial institutions, ANZ has made and is expected to make significant investments to comply with, in all countries that it operates in, the extensive requirements of FATCA and various other in-country tax reporting initiatives.

The Group may also experience changes to accounting policies and the valuation of some of its assets and liabilities which may have a material adverse effect on its earnings and/or equity. Regulation is becoming increasingly extensive and complex. Any change in regulation or policy may adversely affect the performance or financial position of the Group, either on a short-term or long-term basis. The Group may also be adversely affected by the pace or extent of such change.

### **6.2.9 RISKS ARISING FROM LEGAL OR OTHER PROCEEDINGS**

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results. The Group had contingent liabilities as of 31 March 2016 in respect of the matters outlined in Note 20 to the condensed consolidated financial statements for the half year ended 31 March 2016. There is a risk that certain contingent liabilities described in Note 20 may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

Note 20 includes, among other things:

- a description of ASIC's proceedings against ANZ in relation to the setting of the BBSW Rate. For more information relating to those proceedings see also Section 8.3.
- a description of the bank fee class actions against ANZ brought by IMF Bentham Limited. Since the publication of the Group's condensed consolidated financial statements for the half year ended 31 March 2016, the appeals brought by IMF Bentham Limited in respect of credit card late payment fees have been dismissed by the High Court, which held that ANZ was entitled to charge the fees in question.

The Group may be exposed to risks relating to the provision of advice, recommendations or guidance about financial products and services, or behaviours which do not appropriately consider the interests of consumers, the integrity of financial markets and the expectations of the community, in the course of its business activities.

In recent years there have been significant increases in the nature and scale of regulatory investigations and reviews, enforcement actions (whether by court action or otherwise) and the quantum of fines issued by regulators, particularly against financial institutions both in Australia and globally. The nature of those investigations, reviews and enforcement actions can be wide ranging and, in relation to ANZ for example, currently include investigations into a range of matters including responsible lending practices, wealth advice and product suitability, conduct in financial markets and capital market transactions.

Additionally, recent public scrutiny of banking culture has also led to a proposal by the opposition Australian Labor Party for a Royal Commission to investigate Australian banks. Regulatory investigations, fines, penalties or other regulatory imposed conditions could adversely affect the Group's business, reputation, prospects, financial performance or financial condition.

### **6.2.10 RISKS RELATING TO ACQUISITION AND DIVESTMENT OPPORTUNITIES**

The Group regularly examines a range of corporate actions including acquisitions, divestments and restructures that could for a variety of reasons turn out to have a material adverse effect on the Group.

### **6.2.11 RISKS RELATING TO REGULATORY FINES AND SANCTIONS**

Anti-money laundering, counter-terrorist financing, sanctions compliance and market manipulation have been the subject of increasing regulatory change and enforcement in recent years. The increasingly complicated environment in which the Group operates across the Asia Pacific region has heightened these operational and compliance risks. Furthermore, the upward trend in compliance breaches by global banks and the related fines and settlement sums means that these risks continue to be an area of focus for the Group.

The Group maintains appropriate policies, and has invested in procedures and internal controls aimed to detect, prevent and report money laundering, terrorist financing, market manipulation and sanctions breaches. The risk of non-compliance remains high given the scale and complexity of the Group. A failure to operate a robust program to combat money laundering, bribery and terrorist financing or to ensure compliance with economic sanctions and market conduct norms could have serious legal and reputational consequences for the Group and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions.

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## SECTION 7

# TAXATION SUMMARY

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

## 7.1 SUMMARY OF AUSTRALIAN TAX CONSEQUENCES FOR HOLDERS

### 7.1.1 INTRODUCTION

The following is a summary of the Australian tax consequences for certain Resident Holders and Non Resident Holders who subscribe for Notes under the Offer and hold them on capital account for tax purposes.

This summary is not exhaustive and the actual tax consequences of your investment may differ depending on your particular circumstances. You should seek your own professional tax advice regarding the consequences of acquiring, holding or disposing of Notes in your particular circumstances.

In particular, this summary does not consider the consequences for Holders who:

- acquire Notes otherwise than under the Offer;
- hold Notes in their business of share trading, dealing in securities or otherwise hold their Notes on revenue account or as trading stock;
- are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act in relation to their holding of Notes; and/or
- in relation to a Non Resident Holder, hold their Notes through a permanent establishment in Australia.

This summary is not intended to be, nor should it be construed as being, investment, legal or tax advice to any particular Holder.

This summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Prospectus.

### 7.1.2 CLASS RULING SOUGHT ON THE NOTES

ANZ has applied to the ATO for a public class ruling confirming certain Australian tax consequences for Resident Holders. The class ruling will not become operative until it is published in the Government Gazette.

When issued, copies of the class ruling will be available from the ATO's website ([ato.gov.au](http://ato.gov.au)) and ANZ's website ([anz.com](http://anz.com)).

It is expected that, when issued, the class ruling will:

- only be binding on the Commissioner of Taxation if the Offer is carried out in the specific manner described in the class ruling;
- only apply to Resident Holders that are within the class of entities specified in the class ruling, which is expected to be Resident Holders who acquire their Notes through the Offer and hold them on capital account for tax purposes. Therefore, the class ruling will not apply to Resident Holders who hold their Notes as trading stock or on revenue account;
- only rule on tax laws applicable as at the date the class ruling is issued;
- not consider the tax consequences of a Conversion or Write Off of Notes on a Trigger Event occurring;
- not consider the general tax consequences of a Redemption or Resale of Notes;
- not consider the tax treatment of Distributions received by partnerships or trustee investors; and
- not consider the tax consequences for Resident Holders for whom gains and losses from Notes are subject to the “taxation of financial arrangements” provisions in Division 230 of the Tax Act. It is noted that Division 230 will generally not apply to the financial arrangements of individuals, unless an election has been made for those rules to apply.

### 7.1.3 DISTRIBUTIONS ON NOTES

The Notes should be classified as non-share equity interests for Australian income tax purposes.

#### (a) Resident Holders

Distributions should be treated as non-share dividends that are frankable.

Resident Holders should be required to include the amounts of any Distributions in their assessable income.

Generally, provided that a Holder is a “qualified person” and the ATO does not seek to apply any anti-avoidance rules to effectively deny the benefit of franking credits to the Holder, the Holder:

- should include the amount of the Distribution as well as an amount equal to the franking credits attached to the Distribution in their assessable income in the income year in which they received the Distribution; and
- should qualify for a tax offset equal to the franking credits attached to the Distribution.

Where Holders who are individuals or complying superannuation entities are entitled to tax offsets, those offsets should either be applied against their income tax liability for the relevant income year, or give rise to tax refunds to the extent that the tax offsets exceed the tax that is otherwise payable by the Holders. Holders that are companies are not entitled to refunds of excess tax offsets, but should be entitled to a credit in their franking account, subject to the qualifications mentioned above and discussed further below.

A Holder should be a "qualified person" if the "holding period rule" and the "related payments rule" are satisfied. Generally:

- to satisfy the "holding period rule", a Holder must have held their Notes "at risk" for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the day on which they are acquired and ending on the 90th day after they become ex-distribution. To be held "at risk", a Holder must retain 30% or more of the risks and benefits associated with holding their Notes. Where a Holder undertakes risk management strategies in relation to their Notes (e.g. by the use of limited recourse loans, options or other derivatives), the Holder's ability to satisfy the "at risk" requirement of the "holding period rule" may be affected; and
- under the "related payments rule", if a Holder (or an associate) is obliged to make a "related payment" (essentially a payment passing on the benefit of the Distribution) in respect of a Distribution, the Holder must hold the Notes "at risk" for at least 90 days (excluding the days of acquisition and disposal) within each period beginning 90 days before, and ending 90 days after, they become ex-distribution.

A Holder who is an individual is automatically treated as a "qualified person" for these purposes if the total amount of the tax offsets in respect of all franked amounts to which the Holder is entitled in an income year does not exceed \$5,000. This is referred to as the "small shareholder rule". However, a Holder will not be a "qualified person" under the small shareholder rule if "related payments" have been made, or will be made, in respect of such amounts.

There are anti-avoidance rules which can deny the benefit of franking credits to Holders in certain situations, the most significant of which is in section 177EA of the Tax Act. It is anticipated that the Commissioner will not apply any of these anti-avoidance rules to deny the benefit of franking credits to Resident Holders in relation to Distributions payable on the Notes.

#### (b) Non Resident Holders

Distributions should not be subject to Australian non-resident withholding tax to the extent the Distributions are fully franked.

To the extent an unfranked or partially franked Distribution is paid to Non Resident Holders, withholding tax would generally be payable on the unfranked portion. The rate of withholding tax is generally 30%. However, Non Resident Holders may be entitled to a reduction in the rate of withholding tax if they are resident in a country which has a double taxation agreement with Australia.

### **7.1.4 DISPOSAL OF NOTES**

#### (a) Disposal other than through Conversion

##### (1) Resident Holders

The Commissioner's view is expected to be that the Notes are not "traditional securities" for the purposes of the Tax Act. On that basis, any gain or loss for a Holder on disposal of Notes should be taxed under the CGT provisions. Holders should refer to the class ruling on this point.

A disposal of Notes on-market, or through a Redemption or Resale, will be a CGT event.

Resident Holders may make a capital gain or capital loss, depending on whether the capital proceeds from the disposal are more than the cost base for their Notes, or whether the capital proceeds are less than the reduced cost base for their Notes, respectively. Capital losses can generally only be offset against capital gains, but can be carried forward for use in a later year. Holders should seek their own tax advice in relation to whether any such capital loss may be applied to offset capital gains in their particular circumstances.

A Resident Holder's CGT cost base (or reduced cost base) for each Note they acquire should include the \$100 issue price of the Note and should also include certain non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of the Note.

For CGT purposes, each Note should be taken to have been acquired by a Resident Holder on the date that the Notes are allotted and issued to that Resident Holder.

If Notes have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of Notes, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33⅓% for Resident Holders who are individuals, trusts and complying superannuation entities respectively.

Resident Holders who dispose of their Notes within 12 months of acquiring them, or who dispose of Notes under an agreement entered into within 12 months of acquiring them, will not receive CGT discount treatment. Companies are generally not entitled to obtain CGT discount treatment.

#### (2) Non Resident Holders

As the Commissioner's view is expected to be that the Notes are not "traditional securities", Non Resident Holders should generally not be taxable on any gain realised on disposal of their Notes, as the Notes should generally not be "taxable Australian property" for the purposes of the CGT provisions.

#### (b) Disposal through Conversion

Under specific provisions of the Tax Act, any capital gain or capital loss that would arise on Conversion should be disregarded. The consequence of this is that the capital gain or capital loss is effectively deferred, with a Holder's cost base in the Ordinary Shares acquired on Conversion reflecting the Holder's cost base in their Notes. This outcome applies both to Resident Holders and Non Resident Holders.

For CGT purposes, the Ordinary Shares acquired on Conversion will be taken to have been acquired on the date of Conversion, including for the purposes of calculating the 12 month ownership period required for the CGT discount concession.

### **7.1.5 PROVISION OF TFN AND/OR ABN**

ANZ is required to deduct withholding tax from the unfranked part (if any) of Distributions in respect of the Notes, at the highest marginal tax rate plus the Medicare levy, unless a TFN or an ABN has been quoted by a Holder, or a relevant exemption applies (and has been notified to ANZ). The rate of withholding is currently 49%, including a Temporary Budget Repair Levy of 2%, which applies until the end of the 2016/2017 income year, after which it is currently scheduled to decrease to 47%.

### **7.1.6 GST**

Holders should not be liable for GST in respect of the acquisition, sale, Conversion, Redemption or Resale of Notes, other than in respect of brokerage or similar fees.

### **7.1.7 STAMP DUTY**

Holders should not be liable for stamp duty on issue, sale, Conversion, Redemption or Resale of Notes.

## **7.2 SUMMARY OF AUSTRALIAN TAX CONSEQUENCES FOR ELIGIBLE CPS2 HOLDERS WHO PARTICIPATE IN THE REINVESTMENT OFFER**

The following is a summary of the Australian tax consequences for certain Australian tax resident Eligible CPS2 Holders who are subject to Class Ruling CR 2009/70, hold their CPS2 on capital account and who participate in the Reinvestment Offer.

This summary is not exhaustive, the actual tax consequences may differ depending on your particular circumstances, and you should seek your own professional tax advice. In particular, this summary does not consider the consequences for Eligible CPS2 Holders who:

- acquired CPS2 otherwise than under the initial offering;
- hold CPS2 in their business of share trading, dealing in securities or otherwise hold their CPS2 on revenue account or as trading stock; and/or
- are or will be subject to the "taxation of financial arrangements" provisions in Division 230 of the Tax Act in relation to their holding of CPS2 or the Notes that they will acquire under the Reinvestment Offer.

### 7.2.1 Pro Rata Dividend on CPS2

Eligible CPS2 Holders who participate in the Reinvestment Offer may receive a Pro Rata Dividend on their CPS2, subject to the payment tests in the CPS2 terms.

Provided that an Eligible CPS2 Holder is a “qualified person” (see the general comments in section 1.3), an Eligible CPS2 Holder should generally include the amount of the distribution as well as an amount equal to any franking credits attached to the distribution in their assessable income and should qualify for a tax offset equal to the franking credits.

### 7.2.2 Disposal of CPS2

For CGT purposes, Eligible CPS2 Holders who participate in the Reinvestment Offer will be taken to have disposed of their CPS2. The capital proceeds from the disposal should be \$100 per CPS2 (which will then be used to subscribe for Notes).

Eligible CPS2 Holders may make a capital gain or capital loss, depending on whether the capital proceeds from the disposal are more than the cost base for their CPS2, or whether the capital proceeds are less than the reduced cost base for their CPS2, respectively. Capital losses can generally only be offset against capital gains, but can be carried forward for use in a later year.

An Eligible CPS2 Holder’s CGT cost base (or reduced cost base) for each CPS2 should include the amount they paid to acquire the CPS2 and may also include certain other non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of the CPS2. If CPS2 have been owned for at least 12 months prior to the disposal (excluding the days of acquisition and disposal), an Eligible CPS2 Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of CPS2, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33½% for Eligible CPS2 Holders who are individuals, trusts and complying superannuation entities respectively. Companies are generally not entitled to obtain CGT discount treatment.

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## SECTION 8

# ADDITIONAL INFORMATION

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

## **8.1 REPORTING AND DISCLOSURE OBLIGATIONS**

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

Copies of these and other documents lodged with ASIC which are publicly available may be obtained from ASIC's website [asic.gov.au](http://asic.gov.au) (a fee may apply).

ANZ must ensure that ASX is continuously notified of information about specific events and matters as they arise for the purposes of ASX making the information available to the Australian securities market. In this regard, ANZ has an obligation under the Listing Rules (subject to certain exceptions) to notify ASX immediately of any information concerning it of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of its quoted securities.

## **8.2 AVAILABILITY OF DOCUMENTS**

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

- the annual financial report for the year ended 30 September 2015;
- the consolidated financial report and dividend announcement for the half year ended 31 March 2016;
- any continuous disclosure notices given by ANZ in the period after the lodgement of the annual financial report of ANZ for the year ended 30 September 2015 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

The financial reports for the year ended 30 September 2015 and the half year ended 31 March 2016, together with copies of continuous disclosure notices lodged with ASX, are available at [asx.com.au](http://asx.com.au) or at [shareholder.anz.com/announcements](http://shareholder.anz.com/announcements).

The Constitution is available at [anz.com/about-us/our-company/corporate-governance/](http://anz.com/about-us/our-company/corporate-governance/). All written requests for copies of the above documents should be addressed to:

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

## **8.3 ASIC PROCEEDINGS IN RELATION TO THE BBSW RATE**

As part of ASIC's ongoing industry-wide investigations in the setting of the BBSW Rate, on 4 March 2016, ASIC initiated proceedings against ANZ seeking declarations and civil penalties for alleged market manipulation, unconscionable conduct, misleading and deceptive conduct and alleged breaches by ANZ of certain statutory obligations as a financial services licensee. ASIC has subsequently initiated similar proceedings against two other Australian banks. ASIC's case against ANZ concerns transactions in the bank bill swap rate market in the period from March 2010 to May 2012. ANZ is defending the proceedings. The potential civil penalty or other financial impact is uncertain.

## 8.4 INCORPORATION BY REFERENCE

The following documents are incorporated by reference into this Prospectus:

- A summary of the principal provisions of the OMA ANZ has entered into with the Joint Lead Managers under which the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and Allocation process in relation to the Offer, for certain fees which are described in Section 8.6 ("OMA Summary"). The OMA Summary contains information on ANZ's obligations in relation to the conduct of the Offer, the representations, warranties and undertakings provided by ANZ under the OMA and the circumstances in which a Joint Lead Manager may terminate the OMA.
- A non-exhaustive summary of the key rights attaching to Ordinary Shares ("Ordinary Share Summary"). The Ordinary Share Summary contains, among other things, information on the rights of Ordinary Share holders to:
  - receive dividends;
  - participate in ANZ's dividend reinvestment plan or bonus option plan;
  - participate in or vote at ANZ's general meetings; and
  - transfer Ordinary Shares.

The OMA Summary and the Ordinary Share Summary can be obtained free of charge during the Offer Period from [capitalnotes4.anz.com](http://capitalnotes4.anz.com) or by making a written request addressed to:

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

## 8.5 CONSENTS

### 8.5.1. DIRECTORS

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

### 8.5.2 OTHER CONSENTING PARTIES

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

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

Role	Consenting Parties
Joint Lead Managers	<ul style="list-style-type: none"> <li>• ANZ Securities<sup>22</sup></li> <li>• Commonwealth Bank of Australia</li> <li>• J.P. Morgan</li> <li>• Morgans</li> <li>• Morgan Stanley</li> <li>• UBS</li> <li>• Westpac</li> </ul>
Co-Managers	<ul style="list-style-type: none"> <li>• Crestone Wealth Management</li> <li>• Ord Minnett</li> </ul>
Online Broker	ANZ Share Investing
Australian accounting adviser	KPMG Transaction Services
Australian legal advisers	King & Wood Mallesons
Australian tax adviser	Greenwoods & Herbert Smith Freehills
Registry	Computershare Investor Services Pty Limited
Auditor	KPMG

## 8.6 INTERESTS OF ADVISERS

ANZ Securities, Commonwealth Bank of Australia, J.P. Morgan, Morgans, Morgan Stanley, UBS and Westpac have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from ANZ. The fees received will be as follows:

- each Joint Lead Manager (other than ANZ Securities) will receive a selling fee of 1.0% of valid Applications received in respect of their Broker Firm Amount (and in respect of which they have assumed obligations of another Joint Lead Manager (if any)) (**JLM Selling Fee**);
- ANZ Securities will receive a selling fee of 1.0% of valid Applications received in respect of its Broker Firm Amount other than in respect of certain institutional investors, plus a selling fee of 0.5% of valid Applications received in respect of allocations to certain institutional investors; and
- each Joint Lead Manager will also receive a base fee of 0.5% of that Joint Lead Manager's Broker Firm Amount (and in respect of which they have assumed obligations of another Joint Lead Manager (if any)) and in respect of which valid Applications are received, provided that their commitment into the Bookbuild is equal to or exceeds \$75 million.

Crestone Wealth Management and Ord Minnett have acted as Co-Managers to the Offer, in respect of which they will receive fees from the Joint Lead Managers on behalf of ANZ. The fees received will be a selling fee of up to 1% of valid Applications received in respect of their Broker Firm Amount.

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

Under the terms of the OMA, the Joint Lead Managers may pay fees on behalf of ANZ to financial services licensees and representatives (**Brokers**) for procuring subscriptions of ANZ Capital Notes 4 by their clients, among other things.

Under the OMA, the amount of the fee payable to a Broker by a Joint Lead Manager may not exceed the amount of the JLM Selling Fee (i.e. 1.0% of valid applications received), unless that Broker is an Affiliate of the Joint Lead Manager or a Broker approved by ANZ, in which case the amount of the fee payable to that Broker by a Joint Lead Manager may not exceed the aggregate of the amount of the JLM Selling Fee and the base fee received by the Joint Lead Manager from ANZ as described above (i.e. 1.5% of valid applications received).

Brokers may in turn rebate fees to other Brokers for procuring applications for ANZ Capital Notes 4 by their clients, among other things. The amount of the fee paid to a Broker by another Broker may not exceed the amount of the JLM Selling Fee (i.e. 1.0% of valid applications received).

22. A liability of ANZ Securities is neither a deposit with, nor a liability of, ANZ. ANZ Securities is a separate entity from ANZ and is not an ADI.

KPMG Transaction Services (a division of KPMG Financial Advisory Services (Australia) Pty Ltd) has provided due diligence services on certain financial disclosures in this Prospectus. In respect of this work, ANZ estimates that it will pay approximately \$75,000 (excluding disbursements and GST) to KPMG Transaction Services for work up to the date of this Prospectus. Further amounts may be paid to KPMG Transaction Services under its normal time based charges.

King & Wood Mallesons has acted as Australian legal adviser to ANZ in relation to the Offer, assisting with the due diligence and verification program and performing due diligence on required legal matters. In respect of this work, ANZ estimates that it will pay approximately \$375,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of this Prospectus. Further amounts may be paid to King & Wood Mallesons under its normal time based charges.

Greenwoods & Herbert Smith Freehills has acted as Australian taxation adviser to ANZ in relation to the Offer. In respect of this work, ANZ estimates that it will pay approximately \$77,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of this Prospectus. Further amounts may be paid to Greenwoods & Herbert Smith Freehills under its normal time based charges.

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

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

## **8.7 INTERESTS OF DIRECTORS**

Details of the Directors' holdings in ANZ Ordinary Shares and other securities of ANZ are disclosed to, and available from, the ASX at [asx.com.au](http://asx.com.au).

The Directors (and their related parties) may acquire Notes offered under this Prospectus including through the Reinvestment Offer to the extent they hold CPS2 subject to the Listing Rules (including any waivers as described in Section 8.8).

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

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

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

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

The Constitution contains provisions about the remuneration of the Directors. As remuneration for their services as Directors, the non-executive Directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by Shareholders in a general meeting. The maximum annual aggregate amount has been set at \$4,000,000 (excluding retirement benefit payments). Each Director may also be paid additional remuneration for performance of extra services and is entitled to reimbursement of reasonable out-of-pocket expenses. The remuneration of the Managing Director and CEO may be fixed by the Board. The remuneration may consist of salary, bonuses or any other elements but must not be a commission on or percentage of profits or operating revenue.

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

## 8.8 ASX RELIEF

### THE OFFER

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

- Listing Rule 3.20.2 and Appendix 3A will not apply to the Conversion of Notes following the occurrence of a Trigger Event;
- the Note Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
- Listing Rules 6.4 – 6.7 do not apply to the Notes;
- the terms of the APRA constraints on the payment of Distributions do not amount to a removal of a right to a distribution for the purposes of Listing Rule 6.10;
- Conversion, Redemption, Resale or Write Off by ANZ as provided in the Note Terms is appropriate and equitable for the purposes of Listing Rule 6.12;
- for the purposes of Listing Rule 7.1, it is acceptable that the maximum number of Ordinary Shares into which Notes can be Converted in accordance with Listing Rules 7.1 and 7.1B.1 will be calculated by notionally converting Notes at the Issue Date VWAP;
- Listing Rule 10.11 has been waived to permit Directors (and their associates) to participate in the Offer, without Shareholder approval, on the following conditions:
  - the Directors (and their associates) are collectively restricted to applying for no more than 0.20% of the total number of Notes issued under the Offer;
  - ANZ releases the terms of the waiver to the market; and
  - when Notes are issued, ANZ announces to the market the total number of Notes issued to the directors of ANZ (and their associates) in aggregate; and
- the timetable for the Offer is acceptable.

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

### THE REINVESTMENT OFFER

ASX has confirmed in relation to the Reinvestment Offer that:

- the amendments to the CPS2 terms (to facilitate the payment of any Pro Rata Dividend) are appropriate and equitable;
- the addition of an early dividend payment right is permitted under ASX Listing Rule 6.10;
- CHESS will apply a holding lock to any CPS2 the subject of an Application from a CPS2 Reinvestment Applicant; and
- the timetable for the Reinvestment Offer is acceptable.

## 8.9 FOREIGN SELLING RESTRICTIONS

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

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

In particular, Notes have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person.

Any offer, sale or resale of Notes in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

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

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 8.9 and to have represented and warranted that it is able to apply for and acquire Notes in compliance with those restrictions.

## 8.10 PRIVACY STATEMENT

If you apply for Notes, you will be asked to provide personal information to ANZ and its agents. ANZ and its agents will collect, hold and use that personal information in accordance with the Privacy Act and ANZ's privacy policy, to assess and process your Application, to service your needs as a Holder, to provide facilities and services that you request, to carry out appropriate administration of your investment, to identify, prevent or investigate any fraud, unlawful activity or misconduct (or suspected fraud, unlawful activity or misconduct) and to identify you or establish your tax status under any Australian or foreign legislation, regulation or treaty or pursuant to an agreement with any tax authority. ANZ and its agents may also collect, use and disclose your personal information to the extent required or permitted by the intergovernmental agreement entered into between the US and Australian governments to implement the Foreign Account Tax Compliance Act (FATCA) dated 28 April 2014. Without this information ANZ would not be able to do these things. Company and tax laws, including the Anti-Money Laundering and Counter-Terrorism Financing Act (Cth), the Financial Sector (Collection of Data) Act (Cth), the Corporations Act (Cth), The Taxation Administration Act (Cth) and the Income Tax Assessment Act (Cth) requires some personal information to be collected.

To do these things, ANZ may disclose your personal information to its agents, contractors or third party service providers to whom ANZ outsources services such as mailing and registry functions. ANZ may also disclose your personal information to related bodies corporate or to their agents, contractors, third party service providers and regulatory bodies, government agencies, law enforcement bodies and courts.

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

ANZ may disclose information to recipients which are located outside Australia. You can find details about the location of some of these recipients in ANZ's Privacy Policy and at [anz.com/privacy](http://anz.com/privacy).

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

Under the Privacy Act, you may request access to your personal information held by or on behalf of ANZ. You can request access to your personal information or obtain further information about ANZ's management of your personal information by contacting the Registry or ANZ.

ANZ's Privacy Policy ([anz.com/privacy](http://anz.com/privacy)) contains information about:

- the circumstances in which ANZ may collect personal information from other sources (including from a third party);
- how to access personal information and seek correction of personal information; and
- how you can raise concerns that ANZ has breached the Privacy Act or an applicable code and how ANZ will deal with those matters.

If the Registry's record of your personal information is incorrect or out of date, it is important that you contact ANZ or the Registry so that your records can be corrected. To assist ANZ with this, please contact ANZ or the Registry if any of the details you have provided have changed.

## 8.11 AMENDMENTS TO THE TERMS OF THE CPS2

To facilitate the Reinvestment Offer, certain amendments have been made to the terms of the CPS2 under clause 16 of those terms. These amendments have been released to ASX.

The amendments include terms permitting the payment of any Pro Rata Dividend on the Reinvestment CPS2.

## 8.12 CORPORATIONS ACT

This Prospectus is issued by ANZ under section 713 of the Corporations Act (as modified by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71).

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# **A**

## **APPENDIX A**

# **NOTE TERMS**

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**THIS APPENDIX A CONTAINS THE FULL NOTE TERMS.**

## 1 ANZ CAPITAL NOTES

### 1.1 ANZ CAPITAL NOTES 4

ANZ Capital Notes 4 are fully paid mandatorily convertible subordinated perpetual securities (**ANZ Capital Notes 4 or Notes**) in the form of unsecured notes issued by ANZ. ANZ Capital Notes 4 are issued in registered form by entry in the Register. They are issued, and may be Exchanged, according to these Note Terms.

ANZ Capital Notes 4 are not deposit liabilities of ANZ, are not protected accounts for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act, are not any other kind of account with ANZ and are not guaranteed or insured by any government, government agency or compensation scheme in Australia or any other jurisdiction or by any other person.

### 1.2 FACE VALUE

The denomination and face value of each Note (**Face Value**) is \$100.

## 2 TITLE AND TRANSFER

### 2.1 TITLE

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

### 2.2 REGISTER CONCLUSIVE AS TO OWNERSHIP

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

### 2.3 NON-RECOGNITION OF INTERESTS

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

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

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

### 2.4 JOINT HOLDERS

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

### 2.5 DEALINGS IN WHOLE

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

### 2.6 TRANSFER

(a) A Holder may transfer a Note:

- (i) while the Note is lodged in CHESS, in accordance with the ASX Settlement Operating Rules;
  - (ii) at any other time:
    - (A) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
    - (B) by any proper or sufficient instrument of transfer of marketable securities under applicable law.
- (b) The Registry must register a transfer of a Note to or by a person who is entitled to make or receive the transfer as a consequence of:
- (i) death, bankruptcy, liquidation or winding-up of a Holder; or
  - (ii) a vesting order by a court or other body with power to make the order on receiving the evidence that the Registry or ANZ requires.

## 3 DISTRIBUTIONS

### 3.1 DISTRIBUTIONS

Subject to these Note Terms, each Note entitles the Holder on a Record Date to receive on the relevant Distribution Payment Date a cash distribution (Distribution) calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Face Value} \times \text{Distribution Rate} \times N}{365}$$

where:

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

$$\text{Distribution Rate} = (\text{BBSW Rate} + \text{Margin}) \times (1 - \text{Tax Rate})$$

where:

**BBSW Rate** (expressed as a percentage per annum) means, for a Distribution Period, the rate for prime bank eligible securities having a tenor of 3 months, which is designated as the "AVG MID" on the Reuters Screen BBSW Page at approximately 10:15am, Sydney time (or such other time at which such rate customarily appears on that page) on the relevant day (**Publication Time**), on the first Business Day of the Distribution Period. However, if such rate does not appear on the Reuters Screen BBSW Page by 10:30am, Sydney time, on that day (or such other time that is 15 minutes after the then prevailing Publication Time), or if it does appear but ANZ determines that there is an obvious error in that rate, **BBSW Rate** means the rate determined by ANZ having regard to comparable indices then available;

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

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

**N** means in respect of:

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

### 3.2 FRANKING ADJUSTMENTS

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

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

where:

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

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

**F** means the applicable Franking Rate

### 3.3 PAYMENT OF A DISTRIBUTION

Each Distribution is subject to:

- (a) ANZ's absolute discretion; and
- (b) no Payment Condition existing in respect of the relevant Distribution Payment Date.

### 3.4 DISTRIBUTIONS ARE NON-CUMULATIVE

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

### 3.5 DISTRIBUTION PAYMENT DATES

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

- (a) each 20 March, 20 June, 20 September and 20 December commencing on 20 December 2016 until (but not including) the date on which a Redemption or Conversion of that Note occurs in accordance with these Note Terms; and
- (b) each date on which a Conversion, Redemption or Resale of that Note occurs, in each case in accordance with these Note Terms.

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

### 3.6 RECORD DATES

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

### 3.7 DEDUCTIONS

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

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

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

- (a) resolve to pay or pay any Ordinary Share Dividend; or
- (b) undertake any Buy-Back or Capital Reduction,

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

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

The restrictions in clause 3.8 do not apply:

- (a) to a Buy-Back or Capital Reduction in connection with any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any Controlled Entity; or
- (b) to the extent that at the time a Distribution has not been paid on the relevant Distribution Payment Date, ANZ is legally obliged to pay on or after that date an Ordinary Share Dividend or complete on or after that date a Buy-Back or Capital Reduction.

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

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

## 4 MANDATORY CONVERSION

### 4.1 MANDATORY CONVERSION

Subject to the occurrence of a Trigger Event, on the Mandatory Conversion Date ANZ must Convert all (but not some) Notes on issue at that date into Ordinary Shares in accordance with clause 6 and this clause 4.

### 4.2 MANDATORY CONVERSION DATE

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

- (a) 20 March 2026 (the **Scheduled Mandatory Conversion Date**); and
- (b) the first Distribution Payment Date after the Scheduled Mandatory Conversion Date (a **Subsequent Mandatory Conversion Date**),  
(each a **Relevant Date**) on which the Mandatory Conversion Conditions are satisfied.

### 4.3 MANDATORY CONVERSION CONDITIONS

The Mandatory Conversion Conditions for each Relevant Date are:

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

### 4.4 NON-CONVERSION NOTICES

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ will notify Holders between the 25th and the 21st Business Day before the Relevant Date; or
- (b) the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ will notify Holders on or as soon as practicable after the Relevant Date,

in either case that Mandatory Conversion will not (or, as the case may be, did not) occur on the Relevant Date (a **Non-Conversion Notice**).

### 4.5 COMMON EQUITY CAPITAL TRIGGER EVENT

A **Common Equity Capital Trigger Event** means ANZ determines, or APRA has notified ANZ in writing that it believes, that a Common Equity Capital Ratio is equal to or less than 5.125%. ANZ must immediately notify APRA in writing if it makes a determination under this clause 4.5.

### 4.6 NON-VIABILITY TRIGGER EVENT

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

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

### 4.7 TRIGGER EVENT CONVERSION DATE

A **Trigger Event Conversion Date** means:

- (a) in the case of a Common Equity Capital Trigger Event, the date on which the determination or notification is made under clause 4.5; and
- (b) in the case of a Non-Viability Trigger Event, the date on which APRA notifies ANZ of such Non-Viability Trigger Event as contemplated in clause 4.6.

## 4.8 CONVERSION ON TRIGGER EVENT CONVERSION DATE

If a Trigger Event occurs:

- (a) on the Trigger Event Conversion Date, subject only to clause 4.9(c), so many of the Notes will immediately Convert as is:
  - (i) in the case of a Common Equity Capital Trigger Event, sufficient (as determined by ANZ in accordance with paragraph (b) below) to increase the relevant Common Equity Capital Ratio to a percentage above 5.125% determined by ANZ in consultation with APRA; or
  - (ii) in the case of a Non-Viability Trigger Event, required by APRA's notice under clause 4.6 and, where such notice does not require all Relevant Securities to be converted into Ordinary Shares or written off, sufficient (determined by ANZ in accordance with paragraph (b) below) to satisfy APRA that ANZ is viable without further conversion or write off.

If a Non-Viability Trigger Event under clause 4.6(b) occurs, all the Notes will be Converted;

- (b) in determining the number of Notes which must be Converted in accordance with this clause, ANZ will:
  - (i) first, convert into Ordinary Shares or write off Relevant Securities whose terms require or permit them to be converted into Ordinary Shares or written off either before Conversion of Notes or in full; and
  - (ii) secondly, if conversion into Ordinary Shares or write off of those Relevant Securities is not sufficient to satisfy the requirements of clause 4.8(a)(i) or 4.8(a)(ii) (as applicable), Convert Notes and convert into Ordinary Shares or write off other Relevant Securities on an approximately pro-rata basis or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable (subject to such adjustment as ANZ may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue) and for the purposes of this clause 4.8(b)(ii), where the currency of the principal amount of Relevant Securities is not the same for all Relevant Securities, ANZ may treat them as if converted into a single currency of ANZ's choice at such rate of exchange for each such currency as, in each case, ANZ in good faith considers reasonable,
- provided that such determination does not impede the immediate Conversion of the relevant number of Notes;
- (c) on the Trigger Event Conversion Date ANZ must determine the Holders whose Notes will be Converted at the time on that date that the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the Holders at that time and date as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Notes that have not been settled or registered at that time and provided that such determination does not impede the immediate Conversion of the relevant number of Notes;
- (d) ANZ must give notice of that event (a **Trigger Event Notice**) as soon as practicable to Holders which must specify:
  - (i) the Trigger Event Conversion Date;
  - (ii) the number of Notes Converted; and
  - (iii) the relevant number of other Relevant Securities converted or written off;
- (e) none of the following events shall prevent, impede or delay the Conversion of Notes as required by clause 4.8(a):
  - (i) any failure or delay in the conversion or write off of other Relevant Securities;
  - (ii) any failure or delay in giving a Trigger Event Notice;
  - (iii) any failure or delay in quotation of Ordinary Shares to be issued on Conversion; and
  - (iv) any requirement to select the number of Notes to be Converted in accordance with clause 4.8(b)(ii) or 4.8(c);
- (f) from the Trigger Event Conversion Date, subject to clauses 6.13 and 10.2, ANZ shall treat the Holder of any Note which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion.

## 4.9 PRIORITY OF CONVERSION OBLIGATIONS

- (a) Conversion on account of the occurrence of a Trigger Event is not subject to the matters described in clause 4.3 as Mandatory Conversion Conditions.
- (b) A Conversion required on account of a Trigger Event takes place on the date, and in the manner, required by clause 4.8, notwithstanding anything in clauses 4.1, 4.10, 5 or 9.
- (c) If Conversion has not been effected within 5 Business Days after the relevant Trigger Event Conversion Date for any reason (including an Inability Event), Conversion of those Notes on account of the Trigger Event will not occur and those Notes shall be Written Off in accordance with clause 6.13 and the provisions of clauses 4.8(b), 4.8(c) and 4.8(d) shall apply in respect of that Write Off and those Notes as if each reference in those clauses to "Conversion" or "Convert" were a reference to "Write Off".

## 4.10 MANDATORY CONVERSION ON CHANGE OF CONTROL

- (a) If a Change of Control Event occurs, ANZ must notify Holders as soon as practicable after becoming aware of that event by providing a notice to Holders (a Change of Control Conversion Notice) and Convert all (but not some only) Notes on the Change of Control Conversion Date, subject to and in accordance with this clause 4 and clause 6.
- (b) A Change of Control Conversion Notice must specify:
  - (i) the details of the relevant Change of Control Event;
  - (ii) the date on which Conversion is to occur (the **Change of Control Conversion Date**), which must be:
    - (A) the Business Day prior to the date reasonably determined by ANZ to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as ANZ may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
    - (B) such later date as APRA may require; and
  - (iii) whether any Distribution will be paid on the Change of Control Conversion Date.
- (c) A Change of Control Conversion Notice is taken to be revoked and Conversion will not occur if, on the Change of Control Conversion Date:
  - (i) the Second Mandatory Conversion Condition (calculated as if it referred to 20.21% of the Issue Date VWAP); or
  - (ii) the Third Mandatory Conversion Condition, would not be satisfied, calculated as if each reference to "Relevant Date" in those conditions were a reference to the "Change of Control Conversion Date".
- (d) If clause 4.10(c) applies, ANZ must:
  - (i) notify Holders as soon as practicable that Conversion will not (or did not) occur (a **Deferred Change of Control Conversion Notice**); and
  - (ii) subject to this clause 4.10, give a new Change of Control Conversion Notice on or before the 25th Business Day prior to the immediately succeeding Distribution Payment Date (under clause 3.5(a)) which is at least 25 Business Days after the date on which the Deferred Change of Control Conversion Notice was given.
- (e) If a new Change of Control Conversion Notice is revoked, clause 4.10(d) shall be reapplied in respect of each subsequent Distribution Payment Date (under clause 3.5(a)) until a Conversion occurs.
- (f) Nothing in clause 4.10 limits the operation of clause 4.8.

## 5 OPTIONAL EXCHANGE BY ANZ

### 5.1 OPTIONAL EXCHANGE BY ANZ

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

- (a) all or some Notes on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all or some Notes on the Optional Exchange Date.

An Exchange Notice once given is irrevocable.

### 5.2 CONTENTS OF EXCHANGE NOTICE

An Exchange Notice must specify:

- (a) the details of any Tax Event or Regulatory Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
  - (i) in the case of a Tax Event or a Regulatory Event, will be the last Business Day of the month following the month in which the Exchange Notice was given by ANZ unless ANZ determines an earlier Exchange Date having regard to the best interests of Holders as a whole and the relevant event; or
  - (ii) in the case of the Optional Exchange Date, the Optional Exchange Date which must fall:
    - (A) no earlier than 25 Business Days after the date on which the Exchange Notice is given, where the Exchange Method is Conversion; and
    - (B) no earlier than 5 Business Days after the date on which the Exchange Notice is given, where the Exchange Method is Redemption or Resale;
- (c) the Exchange Method, which may not be Redemption unless either:
  - (i) Notes the subject of the Exchange are replaced concurrently or beforehand with Tier 1 Capital of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity; or
  - (ii) APRA is satisfied that the capital position of the ANZ Level 1 Group and ANZ Level 2 Group is well above its minimum capital requirements after ANZ elects to Redeem the Notes;
- (d) if less than all Outstanding Notes are subject to Exchange, which Notes are subject to Exchange; and
- (e) whether any Distribution will be paid on the Exchange Date.

### 5.3 EXCHANGE METHOD

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

- (a) Convert Notes into Ordinary Shares in accordance with clause 6;
- (b) Redeem Notes in accordance with clause 7; or
- (c) Resell Notes in accordance with clause 8.

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

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

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

- (a) on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) (the **Non-Conversion Test Date**) the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP (the **First Optional Conversion Restriction**); or
- (b) a Delisting Event applies in respect of the Non-Conversion Test Date (the **Second Optional Conversion Restriction** and, together with the First Optional Conversion Restriction, the **Optional Conversion Restrictions**).

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

If ANZ has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition (as if it referred to 20.21% of the Issue Date VWAP) or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these Note Terms:

- (a) the Exchange Date will be deferred until the first Distribution Payment Date (under clause 3.5(a)) on which the Mandatory Conversion Conditions would be satisfied if that Distribution Payment Date were a Relevant Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- (b) ANZ must Convert the Notes on the Deferred Conversion Date (unless the Notes are earlier Exchanged in accordance with these Note Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the Notes will continue as if the Exchange Notice had not been given.

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

## 6 CONVERSION MECHANICS

### 6.1 CONVERSION

If ANZ elects to Convert Notes or must Convert Notes in accordance with these Note Terms, then, subject to this clause 6 and clause 11, the following provisions apply:

- (a) ANZ will allot and issue on the Mandatory Conversion Date, the Trigger Event Conversion Date, the Exchange Date or the Change of Control Conversion Date (as the case may be) a number of Ordinary Shares in respect of each Note held by the Holder equal to the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{(99\% \times \text{VWAP})}$$

where:

**VWAP** (expressed in dollars and cents) means the VWAP during the VWAP Period and where the **Maximum Conversion Number** means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{\text{Issue Date VWAP} \times \text{Relevant Number}}$$

Where **Relevant Number** means:

- (i) if Conversion is occurring on a Mandatory Conversion Date, 0.5; and
- (ii) if Conversion is occurring at any other time, 0.2;
- (b) each Holder's rights (including to payment of Face Value and Distributions other than the Distribution, if any, payable on a date when Conversion is required that is not a Trigger Event Conversion Date) in relation to each Note that is being Converted will be immediately and irrevocably terminated for an amount equal to the Face Value of that Note and ANZ will apply that Face Value by way of payment for subscription for the Ordinary Shares to be allotted and issued under clause 6.1(a). Each Holder is taken to have irrevocably directed that any amount payable under this clause 6.1 is to be applied as provided for in this clause 6.1 and no Holder has any right to payment in any other way;
- (c) if the total number of additional Ordinary Shares to be allotted to a Holder in respect of their aggregate holding of Notes upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and
- (d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 5:00pm (Melbourne time) on the Mandatory Conversion Date, the Trigger Event Conversion Date (unless another time is required for Conversion on that date), the Exchange Date or the Change of Control Conversion Date (as the case may be). At that time all other rights conferred or restrictions imposed on that Note under these Note Terms will no longer have effect (except for rights relating to a Distribution which is payable but has not been paid on or before a date when Conversion is required that is not a Trigger Event Conversion Date which will continue).

## 6.2 ADJUSTMENTS TO VWAP

For the purposes of calculating VWAP in these Note Terms:

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (**Cum Value**) equal to:
  - (i) in case of a dividend or other distribution, the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
  - (ii) in the case of any other entitlement that is not a dividend or other distribution under clause 6.2(a)(i) which is traded on ASX on any of those Business Days, the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
  - (iii) in the case of any other entitlement which is not traded on ASX during the VWAP Period, the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Notes will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

## 6.3 ADJUSTMENTS TO VWAP FOR DIVISIONS AND SIMILAR TRANSACTIONS

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

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

where:

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

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

- (b) Any adjustment made by ANZ in accordance with clause 6.3(a) will be effective and binding on Holders under these Note Terms and these Note Terms will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

#### 6.4 ADJUSTMENTS TO ISSUE DATE VWAP

For the purposes of determining the Issue Date VWAP, adjustments to VWAP will be made in accordance with clause 6.2 and clause 6.3 during the VWAP Period for the Issue Date VWAP. On and from the Issue Date, adjustments to the Issue Date VWAP:

- (a) may be made in accordance with clauses 6.5 to 6.7 (inclusive); and
- (b) if so made, will correspondingly affect the application of the Mandatory Conversion Conditions, the Optional Conversion Restrictions, and cause an adjustment to the Maximum Conversion Number.

#### 6.5 ADJUSTMENTS TO ISSUE DATE VWAP FOR BONUS ISSUES

- (a) Subject to clause 6.5(b) below, if ANZ makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

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

where:

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

**V<sub>0</sub>** means the Issue Date VWAP applying immediately prior to the application of this formula;

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

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

- (b) Clause 6.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (c) For the purpose of clause 6.5(a), an issue will be regarded as a pro rata issue notwithstanding that ANZ does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing ANZ is not in contravention of the ASX Listing Rules.
- (d) No adjustments to the Issue Date VWAP will be made under this clause 6.5 for any offer of Ordinary Shares not covered by clause 6.5(a), including a rights issue or other essentially pro rata issue.
- (e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by clause 6.5(a) shall not in any way restrict ANZ from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any Holders.

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

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

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

where:

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

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

- (b) Any adjustment made by ANZ in accordance with clause 6.6(a) will be effective and binding on Holders under these Note Terms and these Note Terms will be construed accordingly.
- (c) Any such adjustment must be promptly notified to all Holders.
- (d) Each Holder acknowledges that ANZ may consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action requiring any consent or concurrence of any Holders.

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

Despite the provisions of clauses 6.5 and 6.6, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than one percent of the Issue Date VWAP then in effect.

## 6.8 ANNOUNCEMENT OF ADJUSTMENT TO ISSUE DATE VWAP

ANZ will notify Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 6 within 10 Business Days of ANZ determining the adjustment and the adjustment set out in the announcement will be final and binding.

## 6.9 ORDINARY SHARES

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

## 6.10 FOREIGN HOLDERS

Where Notes held by a Foreign Holder are to be Converted, unless ANZ is satisfied that the laws of the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which ANZ is not bound to enquire), either unconditionally or after compliance with conditions which ANZ in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares which the Foreign Holder is obliged to accept will be issued to a nominee (which may not be ANZ or a Related Entity of ANZ) who will sell those Ordinary Shares and pay a cash amount equal to the Proceeds to the Foreign Holder.

## 6.11 FATCA WITHHOLDING

Where a FATCA Withholding is required to be made in respect of Ordinary Shares issued on Conversion of Notes, the Ordinary Shares which the Holder is obliged to accept will be issued to the Holder of the Note only to the extent (if at all) that the issue is net of FATCA Withholding and ANZ will issue the balance of the Ordinary Shares (if any) to a nominee (which may not be ANZ or a Related Entity of ANZ) who will sell those Ordinary Shares, deal with any proceeds of their disposal in accordance with FATCA and pay a cash amount equal to the Proceeds net of any FATCA Withholding to the Holder.

## 6.12 LISTING ORDINARY SHARES ISSUED ON CONVERSION

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

## 6.13 WRITE OFF

Notwithstanding clause 9.1(a), if Conversion has not been effected within 5 Business Days after the relevant Trigger Event Conversion Date for any reason (including an Inability Event), each Note which, but for clause 4.9(c) and this clause 6.13, would be Converted, will be Written Off with effect on and from the Trigger Event Conversion Date.

In this clause 6.13, **Written Off** means that, in respect of a Note and a Trigger Event Conversion Date:

- (a) the Note will not be Converted on that date and will not be Converted, Redeemed or Resold under these Note Terms on any subsequent date; and
- (b) the relevant Holders' rights (including to payment of Distributions and Face Value) in relation to such Note are immediately and irrevocably terminated and written off.

# 7 REDEMPTION MECHANICS

## 7.1 REDEMPTION MECHANICS TO APPLY TO REDEMPTION

If, subject to APRA's prior written approval and compliance with the conditions in clause 5.2(c), ANZ elects to Redeem Notes in accordance with these Note Terms, the provisions of this clause 7 apply to that Redemption.

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

## 7.2 REDEMPTION

Notes will be Redeemed by payment on the Exchange Date of the Face Value to the Holder.

## 7.3 EFFECT OF REDEMPTION ON HOLDERS

On the Exchange Date the only right Holders will have in respect of Notes will be to obtain the Face Value payable in accordance with these Note Terms and upon payment of the Face Value, all other rights conferred, or restrictions imposed, by the Notes will no longer have effect.

## 8 RESALE ON EXCHANGE DATE

- (a) If, subject to APRA's prior written approval, ANZ elects to Resell Notes in accordance with these Note Terms, the provisions of this clause 8 apply to that Resale.
- (b) If ANZ issues an Exchange Notice specifying Resale as the Exchange Method:
  - (i) each Holder is taken irrevocably to offer to sell the relevant number of their Notes to the Purchaser on the Exchange Date for a cash amount per Note equal to the Face Value;
  - (ii) subject to payment by the Purchaser of the Face Value to Holders, all right, title and interest in the relevant number of Notes will be transferred from the Holders to the Purchaser on the Exchange Date; and
  - (iii) if the Purchaser does not pay the Face Value to the relevant Holders on the Exchange Date, the relevant number of Notes will not be transferred to the Purchaser, those Notes are not Resold on that date and a Holder has no claim on ANZ as a result of that non-payment.
- (c) Clause 13 will apply to payments by the Purchaser as if the Purchaser was ANZ. If any payment to a particular Holder is not made or treated as made on the Exchange Date because of any error by or on behalf of the Purchaser, the relevant Notes of that Holder will not be transferred until payment is made but the transfer of all other relevant Notes will not be affected by the failure.

## 9 GENERAL RIGHTS IN RESPECT OF NOTES

### 9.1 RANKING IN A WINDING-UP

- (a) If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 30 days), or an effective resolution passed, for the winding-up of ANZ in Australia, the Notes are redeemable for the Face Value in accordance with this clause 9.1.
- (b) In a winding-up of ANZ in Australia, a Note confers upon the Holder, subject to clauses 4.8 and 6.13, the right to payment in cash of the Face Value on a subordinated basis in accordance with clause 9.1(c), but no further or other claim on ANZ in the winding-up of ANZ in Australia, including with respect to any unpaid Distribution.
- (c) Holders will rank for payment of the Face Value in a winding-up of ANZ in Australia:
  - (i) in priority to Ordinary Shares;
  - (ii) equally among themselves and with all Equal Ranking Instruments with respect to priority of payment in a winding-up; and
  - (iii) junior to the claims of all Senior Creditors with respect to priority of payment in a winding-up in that:
    - (A) all claims of Senior Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of the Holders are paid; and
    - (B) until the Senior Creditors have been paid in full, the Holders must not claim in the winding-up of ANZ in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive,

so that the Holder receives, for each Note it holds, an amount equal to the amount it would have received if, in the winding-up of ANZ, it had held an issued and fully paid Preference Share.

### 9.2 NO CHARGE

Nothing in clause 9.1 or clause 9.3 shall be taken to:

- (a) create a charge or security interest on or over any right of the Holder; or
- (b) require the consent of any Senior Creditor to any amendment of these Note Terms made in accordance with clause 14.

### 9.3 AGREEMENTS OF HOLDERS AS TO SUBORDINATION

Each Holder irrevocably agrees:

- (a) that clause 9.1 is a debt subordination for the purposes of section 563C of the Corporations Act;
- (b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;
- (c) not to exercise any voting or other rights as a creditor in the winding-up of ANZ in any jurisdiction:
  - (i) until after all Senior Creditors have been paid in full; or
  - (ii) otherwise in a manner inconsistent with the subordination contemplated by clause 9.1;

- (d) that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the winding-up of ANZ in respect of a Note in excess of its entitlement under clause 9.1; and
- (e) that the debt subordination effected by clause 9.1 is not affected by any act or omission of ANZ or a Senior Creditor which might otherwise affect it at law or in equity.

#### **9.4 CALCULATIONS AND ROUNDING OF PAYMENTS**

Unless otherwise specified in these Note Terms:

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

#### **9.5 NO SET-OFF OR OFFSETTING RIGHTS**

A Holder:

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

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

#### **9.6 NO SECURITY**

Notes are unsecured.

#### **9.7 SHORTFALL ON WINDING-UP**

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

#### **9.8 NO OTHER CLAIM**

Notes do not confer on the Holders any claim on ANZ in a winding-up beyond payment of the Face Value.

#### **9.9 POWER OF ATTORNEY**

- (a) Each Holder appoints each of ANZ, its officers and any External Administrator of ANZ (each an Attorney) severally to be the attorney of the Holder with power in the name and on behalf of the Holder to sign all documents and transfers and do any other thing as may in the Attorney's opinion be necessary or desirable to be done in order for the Holder to observe or perform the Holder's obligations under these Note Terms including, but not limited to, effecting any transfers of Notes, making any entry in the Register or exercising any voting power in relation to any consent or approval required for Conversion, Redemption or Resale or in respect of an Approved NOHC Event or the transfer of Notes to an Approved NOHC as contemplated by clause 14.2.
- (b) The power of attorney given in this clause 9.9 is given for valuable consideration and to secure the performance by the Holder of the Holder's obligations under these Note Terms and is irrevocable.

#### **9.10 HOLDER ACKNOWLEDGMENTS**

Each Holder irrevocably:

- (a) upon Conversion of a Note in accordance with clause 6, consents to becoming a member of ANZ and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion (or, where an Approved NOHC Substitution Notice has been given, consents to becoming a member of that Approved NOHC and agrees to be bound by its constitution);
- (b) acknowledges and agrees that an Approved NOHC may be substituted for ANZ as provider of ordinary shares on Conversion and that if such a substitution is effected on the terms provided by the amendment in accordance with clause 14.2, the Holder is obliged to accept ordinary shares in that Approved NOHC on a Conversion, and will not receive Ordinary Shares;
- (c) acknowledges and agrees that any amendment made in accordance with clause 14.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion does not require the consent of Holders;

- (d) acknowledges and agrees that it is obliged to accept ordinary shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of Notes including:
  - (i) any change in the financial position of ANZ or any Approved NOHC since the Issue Date;
  - (ii) any disruption to the market or potential market for the ordinary shares or to capital markets generally;
  - (iii) any breach by ANZ or any Approved NOHC of any obligation in connection with Notes; and
  - (iv) any dispute as to the calculation of the Common Equity Capital Ratio.
- (e) acknowledges and agrees that:
  - (i) where clause 4.8 applies, there are no other conditions to Conversion occurring as and when provided in clauses 4.5 to 4.9 (inclusive);
  - (ii) the only conditions to a Mandatory Conversion are the Mandatory Conversion Conditions;
  - (iii) the only conditions to a Conversion pursuant to clause 4.10 or on account of an Exchange under clause 5 are the conditions expressly applicable to such Conversion as provided in clauses 4.10 and 5 of these Note Terms and no other conditions or events will affect Conversion; and
  - (iv) the Holder should not expect that APRA's approval will be given for any Exchange of Notes under the Note Terms;
- (f) agrees to provide to ANZ any information necessary to give effect to a Conversion and, if applicable, to surrender any certificate relating to the Notes on the occurrence of the Conversion;
- (g) acknowledges and agrees that a Holder has no right to request an Exchange; and
- (h) acknowledges it has no remedies on account of a failure by ANZ to issue Ordinary Shares in accordance with clause 6 other than (and subject always to clause 4.9) to seek specific performance of the obligation to issue the Ordinary Shares.

### **9.11 NO OTHER RIGHTS**

- (a) Notes do not confer any claim on ANZ except as set out in these Note Terms.
- (b) Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of securities of ANZ.
- (c) Nothing in these Note Terms prevents ANZ from issuing securities of any kind or, except as provided in clause 3.8, redeeming, buying back, returning capital on or converting any securities, other than the Notes.

### **9.12 CHESS**

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

- (a) the rights and obligations of a person holding Notes; and
  - (b) all dealings (including transfers and payments) in relation to the Notes within CHESS,
- will be subject to and governed by the ASX Settlement Operating Rules (but without affecting any provisions in these Note Terms which affect the eligibility of the Notes as Additional Tier 1 Capital).

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

### **9.13 INDEPENDENT OBLIGATIONS**

Each entry in the Register constitutes a separate and individual acknowledgement to the relevant Holder of the indebtedness of ANZ to the relevant Holder. The Holder to whom those obligations are owed is entitled to enforce them without having to join any other Holder or any predecessor in title of a Holder.

## **10 VOTING AND OTHER RIGHTS**

### **10.1 MEETINGS**

Meetings of Holders may be held in accordance with the Meeting Provisions. A meeting may consider any matter affecting the interests of Holders, including any amendment to these Note Terms proposed by ANZ in accordance with clause 14.

### **10.2 NO VOTING**

Notes do not confer on Holders a right to vote at any meeting of members of ANZ.

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

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

## 10.4 NO EVENTS OF DEFAULT

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

## 11 APPROVED NOHC EVENTS AND SUBSTITUTION

### 11.1 ANZ MAY GIVE APPROVED NOHC SUBSTITUTION NOTICE

If:

- (a) an Approved NOHC Event is proposed to occur; and
- (b) the Approved NOHC agrees for the benefit of Holders:
  - (i) to deliver Approved NOHC Ordinary Shares under all circumstances when ANZ would have otherwise been obliged to deliver Ordinary Shares on a Conversion, subject to the same terms and conditions as set out in these Note Terms as amended by this clause 11; and
  - (ii) to use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of all Approved NOHC Ordinary Shares issued under these Note Terms (with all necessary modifications) on the securities exchanges on which the other Approved NOHC Ordinary Shares are quoted at the time of a Conversion,

ANZ may give a notice (an **Approved NOHC Substitution Notice**) to Holders (which, if given, must be given as soon as practicable before the Approved NOHC Event and in any event no later than 10 Business Days before the Approved NOHC Event occurs) specifying the amendments to these Note Terms which will be made in accordance with clause 14.2 to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion (the **Approved NOHC Substitution Terms**).

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

### 11.2 CONSEQUENCES OF APPROVED NOHC SUBSTITUTION NOTICE

If ANZ gives an Approved NOHC Substitution Notice to Holders in accordance with clause 11.1, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice.

### 11.3 NO OBLIGATION TO SUBSTITUTE

A Holder has no right to require ANZ to give an Approved NOHC Substitution Notice.

## 12 NOTICES

### 12.1 NOTICES TO HOLDERS

All notices, certificates, consents, approvals, waivers and other communications in connection with a Note to the Holders must be in writing and may be:

- (a) sent by prepaid post (airmail if appropriate) or left at the address of the relevant Holder (as shown in the Register at the close of business on the day which is 3 Business Days before the date of the relevant notice or communication), sent by fax to the fax number (if any) nominated by that person or sent by electronic message to the electronic address (if any) nominated by that person;
- (b) given by an advertisement published in the Australian Financial Review or The Australian; or
- (c) in the case of a Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Change of Control Conversion Notice, an Exchange Notice, a Change of Control Conversion Notice, a Trigger Event Notice, an Adjustment Notice, an Approved NOHC Substitution Notice and an ANZ Details Notice, given to Holders by ANZ publishing the notice on its website and announcing the publication of the notice to ASX.

### 12.2 NON-RECEIPT OF NOTICES BY HOLDERS

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

### 12.3 NOTICES TO ANZ

All notices or other communications by a Holder to ANZ in respect of these Note Terms must be:

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

Attention: Company Secretary  
 Australia and New Zealand Banking Group Limited  
 Address: ANZ Centre Melbourne  
 Level 9  
 833 Collins Street  
 Docklands 3008  
 Victoria  
 Australia

Fax No: +61 3 8542 5252

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

- (c) signed by the person making the communication or by a person duly authorised by that person; and
- (d) delivered or posted by prepaid post to the address, or sent by fax to the fax number, in accordance with clause 12.3(b).

### 12.4 RECEIPT

A notice or other communication will be taken to be received:

- (a) if sent by fax or electronic message (if applicable), when actually received in its entirety in legible form, unless that day is not a Business Day, or is after 5:00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9:00am (Melbourne time) on the next Business Day;
- (b) if sent by post, Six Business Days after posting if posted to an address in Australia and 10 Business Days after posting if posted to an address outside of Australia;
- (c) if published by an announcement on ASX, when the announcement is made on ASX; and
- (d) if published in a newspaper, on the first date that publication has been made in the chosen newspaper.

## 13 PAYMENTS

### 13.1 PAYMENTS TO HOLDERS ON THE RECORD DATE

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

### 13.2 MANNER OF PAYMENT TO HOLDERS

Payments will be made by ANZ in its absolute discretion by:

- (a) crediting on the relevant payment date the amount due to an Australian dollar bank account maintained in Australia with a financial institution (excluding credit card accounts), notified by the Holder to the Registry by close of business on the Record Date in respect of that payment; or
- (b) at ANZ's option if no such account is notified, by sending a cheque through the post at the Holder's risk directed to:
  - (i) the address of the Holder (or in the case of a jointly held Note, the address of the joint Holder named first in the Register); or
  - (ii) to any other address the Holder (or in the case of a jointly held Note, all the joint Holders) directs in writing.

A cheque sent through the post on or before the date for payment is taken to have been received on the payment date.

### **13.3 UNCOMPLETED PAYMENTS**

If:

- (a) a Holder has not notified the Registry of an Australian dollar bank account maintained with a financial institution (excluding credit card accounts) to which payments in respect of the Notes may be credited; or
- (b) the transfer of any amount for payment to the credit of the nominated account does not complete for any reason, the amount of the uncompleted payment will be held in a special purpose account maintained by ANZ or the Registry until:
  - (i) the Holder nominates a suitable Australian dollar account maintained in Australia with a financial institution to which the payment may be credited or ANZ elects to pay the amount by cheque;
  - (ii) ANZ determines as permitted by clause 13.4 to refuse any claim in respect of that amount in which case ANZ may treat that amount as its own; or
  - (iii) ANZ is entitled or obliged to deal with the amount in accordance with the law relating to unclaimed moneys.

A Holder is not entitled to any interest in respect of the account in which uncompleted payments are held or in respect of any delay in payment.

### **13.4 TIME LIMIT ON CLAIMS**

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

### **13.5 DETERMINATION AND CALCULATION FINAL**

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

### **13.6 PAYMENT TO JOINT HOLDERS**

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

### **13.7 PAYMENT ON BUSINESS DAYS**

If a payment is to be made to an account on a Business Day on which banks are not open for business in the place the account is located, payment will be made on the next day on which banks are open for business in that place, and no additional interest is payable in respect of that delay in payment. Nothing in this clause applies to any payment referred to in clause 6.1(b).

### **13.8 NO INTEREST ACCRUES**

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

### **13.9 PAYMENTS SUBJECT TO LAW**

All payments are subject to applicable law.

### **13.10 FATCA**

ANZ may withhold or make deductions from payments or from the issue of Ordinary Shares to a Holder where it is required to do so under or in connection with FATCA, or where it has reasonable grounds to suspect that the Holder or a beneficial owner of Notes may be subject to FATCA, and may deal with such payment, and any Ordinary Shares in accordance with FATCA. If any withholding or deduction arises under or in connection with FATCA, ANZ will not be required to pay any further amounts or issue any further Ordinary Shares on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Holder or a beneficial owner of Notes for or in respect of any such withholding or deduction. A dealing with such payment and any Ordinary Shares in accordance with FATCA satisfies ANZ's obligations to that Holder to the extent of the amount of that payment or issue of Ordinary Shares.

## 14 AMENDMENT OF THESE NOTE TERMS

### 14.1 AMENDMENT WITHOUT CONSENT

Subject to complying with all applicable laws and clause 14.4, ANZ may amend these Note Terms without the authority, assent or approval of Holders where the amendment in the reasonable opinion of ANZ:

- (a) is made to correct a manifest error;
- (b) is of a formal, minor or technical nature;
- (c) is necessary to comply with any law, the provisions of any statute or the requirements of any statutory authority;
- (d) is made in accordance with ANZ's adjustment rights in clause 6;
- (e) is expedient for the purpose of enabling the Notes to be listed or to remain listed on a securities exchange (including, without limitation, in connection with any change in the principal securities exchange on which Ordinary Shares are listed) or lodged in a clearing system or to remain lodged in a clearing system or to be offered for sale or for subscription under the laws for the time being in force in any place;
- (f) amends any date or time period stated, required or permitted in connection with any Mandatory Conversion or Exchange in a manner necessary to facilitate the Mandatory Conversion or Exchange; or
- (g) in any other case, will not materially adversely affect the rights of Holders as a whole.

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

Subject to complying with all applicable laws and clause 14.4, if the circumstances described in clauses 11.1(a) and 11.1(b) apply, without the authority, assent or approval of Holders, ANZ may give an Approved NOHC Substitution Notice which:

- (a) amends the definition of "Conversion" in clause 6 such that, unless APRA otherwise agrees, on the date Notes are to be Converted:
  - (i) each Note that is being Converted will be automatically transferred by each Holder free from Encumbrance to the Approved NOHC on the date the Conversion is to occur;
  - (ii) each Holder (or nominee where clause 6.10 applies) will be issued a number of Approved NOHC Ordinary Shares equal to the Conversion Number; and
  - (iii) as between ANZ and the Approved NOHC each Note held by the Approved NOHC as a result of the transfer will be automatically Converted into Ordinary Shares in a number such that the total number of Ordinary Shares held by the Approved NOHC increases by the number which equals the number of Approved NOHC Ordinary Shares issued by the Approved NOHC to Holders on Conversion; and
- (b) makes such other amendments as in ANZ's reasonable opinion are necessary and appropriate to effect the substitution of an Approved NOHC as the provider of the ordinary shares on Conversion in the manner contemplated by these Note Terms and consistent with the requirements of APRA in relation to Additional Tier 1 Capital, including without limitation:
  - (i) amendments and additions to the definition of "ANZ Group", "Franking Rate", "Ordinary Shares", "Regulatory Event" and "Tax Event";
  - (ii) amendments to the mechanics for adjusting the Conversion Number; and
  - (iii) any term defining the rights of Holders if the Conversion is not effected which is appropriate for the Notes to remain as Tier 1 Capital.

### 14.3 AMENDMENT WITH CONSENT

Without limiting clause 14.1 or clause 14.2, but subject to clause 14.4, ANZ may amend these Note Terms if the amendment has been approved by a Special Resolution.

### 14.4 APRA APPROVAL

No amendment to these Note Terms is permitted without APRA's prior written approval if such amendment would impact, or potentially impact, the classification of Notes as Additional Tier 1 Capital on a Level 1, Level 2 or (if applicable) Level 3 basis. This applies regardless of whether such amendment would require Holder approval.

### 14.5 MEANINGS

In this clause 14, amend includes modify, cancel, alter or add to, and amendment has a corresponding meaning.

## 15 QUOTATION ON ASX

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

## 16 GOVERNING LAW AND JURISDICTION

### 16.1 GOVERNING LAW

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

### 16.2 JURISDICTION

ANZ has irrevocably agreed for the benefit of the Holders that the courts of Victoria, Australia are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and accordingly has submitted to the non-exclusive jurisdiction of the courts of Victoria, Australia. ANZ waives any objection to the courts of Victoria, Australia on the grounds that they are an inconvenient or inappropriate forum.

### 16.3 SERVICE OF PROCESS

ANZ agrees that process in connection with any proceedings in Victoria, Australia may be served at the principal office of ANZ, which, as at the Issue Date is located at ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands 3008 Victoria, Australia. Nothing in these Note Terms affects the right to serve process in any other manner permitted by law.

## 17 INTERPRETATION AND DEFINITIONS

### 17.1 INTERPRETATION

- (a) Unless otherwise specified, a reference to a clause is a reference to a clause of these Note Terms.
- (b) If a calculation is required under these Note Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (c) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to ANZ only if ANZ is an entity, or the holding company of an entity, or is a direct or indirect Subsidiary of a NOHC, subject to regulation and supervision by APRA at the relevant time.
- (d) Any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time.
- (e) Any provisions in these Note Terms requiring the prior approval of APRA for a particular course of action to be taken by ANZ do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.
- (f) A reference to any term defined by APRA (including, without limitation, "Common Equity Tier 1 Capital", "Level 1", "Level 2", "Level 3", "Additional Tier 1 Capital", "Tier 1 Capital" and "Tier 1 Capital Ratio") shall, if that term is replaced or superseded in any of APRA's applicable prudential regulatory requirements or standards, be taken to be a reference to the replacement or equivalent term.
- (g) The terms takeover bid, relevant interest, scheme of arrangement and buy-back when used in these Note Terms have the meaning given in the Corporations Act.
- (h) Headings and boldings are for convenience only and do not affect the interpretation of these Note Terms.
- (i) The singular includes the plural and vice versa.
- (j) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (k) Other than in relation to a Trigger Event and a Conversion on a Trigger Event Conversion Date, if an event under these Note Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (l) A reference to dollars, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (m) A reference to a term defined by the ASX Listing Rules, the ASX Settlement Operating Rules or the ASX Operating Rules shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (n) If the principal securities exchange on which Ordinary Shares are listed becomes other than ASX, unless the context otherwise requires a reference to ASX shall be read as a reference to that principal securities exchange and a reference to the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Operating Rules or any term defined in any such rules, shall be read as a reference to the corresponding rules of that exchange or corresponding defined terms in such rules (as the case may be).

- (o) Calculations, elections and determinations made by ANZ under these Note Terms are binding on Holders in the absence of manifest error.
- (p) So long as the Notes are quoted on ASX and in CHESS, the Note Terms are to be interpreted in a manner consistent with the ASX Listing Rules and ASX Settlement Operating Rules except to the extent that an interpretation consistent with those rules would affect the eligibility of the Notes as Additional Tier 1 Capital.
- (q) A reference to Australia includes any political subdivision of, or authority in, the Commonwealth of Australia.

## 17.2 DEFINITIONS

**Additional Tier 1 Capital** means the additional tier 1 capital of the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Group on a Level 3 basis) as defined by APRA from time to time.

**Adjustment Notice** has the meaning given in clause 6.8.

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

**ANZ Capital Notes 4** has the meaning given in clause 1.1.

**ANZ Capital Notes 4 Deed Poll** means the deed poll relating to the Notes made by ANZ on or about 16 August 2016.

**ANZ Details Notice** has the meaning given in clause 12.3.

**ANZ Group** means ANZ and its Controlled Entities.

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

**ANZ Level 2 Group** means ANZ together with each Related Entity included by APRA from time to time in the calculation of ANZ's capital ratios on a Level 2 basis.

**ANZ Perpetual Subordinated Contingent Convertible Securities** means the 6.75% fixed rate resetting perpetual subordinated contingent convertible securities issued by ANZ London Branch on 15 June 2016.

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

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

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

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

**Approved NOHC Substitution Notice** has the meaning given in clause 11.1.

**Approved NOHC Substitution Terms** has the meaning given in clause 11.1.

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

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

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

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

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

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

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

**BBSW Rate** has the meaning given in clause 3.1.

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

**Business Day** means:

- (a) a day which is a business day within the meaning of the ASX Listing Rules; and
- (b) for the purposes of determining an Exchange Date (except where the Exchange is by way of Conversion on account of a Trigger Event), the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Melbourne, Victoria.

**Buy-Back** means a transaction involving the acquisition by ANZ of its Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Chapter 2J of the Corporations Act.

**Capital Notes 1** means the convertible notes issued by ANZ in 2013 under a prospectus dated 10 July 2013 (which replaced a prospectus dated 2 July 2013).

**Capital Notes 2** means the convertible notes issued by ANZ in 2014 under a prospectus dated 19 February 2014 (which replaced a prospectus dated 11 February 2014).

**Capital Notes 3** means the convertible notes issued by ANZ in 2015 under a prospectus dated 5 February 2015 (which replaced a prospectus dated 23 January 2015).

**Capital Reduction** means a reduction in capital initiated by ANZ in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Chapter 2J of the Corporations Act.

**Change of Control Conversion Date** has the meaning given in clause 4.10(b).

**Change of Control Conversion Notice** has the meaning given in clause 4.10(a).

**Change of Control Event** means:

- (a) a takeover bid (as defined in the Corporations Act) is made to acquire all or some of the Ordinary Shares and such offer is, or becomes, unconditional and:
  - (i) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
  - (ii) the Directors, acting as a board, issue a statement that at least a majority of the Directors who are eligible to do so have recommended acceptance of such offer (in the absence of a higher offer), and all regulatory approvals necessary for the acquisition to occur have been obtained; or
- (b) a court orders the holding of meetings to approve a scheme of arrangement under Part 5.1 of the Corporations Act, which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented and:
  - (i) all classes of members of ANZ pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme;
  - (ii) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; and
  - (iii) all conditions to the implementation of the scheme, including any necessary regulatory or shareholder approvals (but not including approval of the scheme by the court) have been satisfied or waived.

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

- (i) the acquirer (or its ultimate holding company) assumes all of ANZ's obligations to Convert the Notes into Ordinary Shares by undertaking to convert such Notes into ordinary shares of the acquirer (or its ultimate holding company) on any Mandatory Conversion Date, or earlier upon the occurrence of a Change of Control Event, or a Trigger Event in respect of the acquirer (or its ultimate holding company) (for which purposes all references in this clause to ANZ will be read as a reference to the acquirer (or its ultimate holding company)); and
- (ii) the ordinary shares of the acquirer (or its ultimate holding company) are listed on ASX.

**CHESS** means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ABN 49 008 504 532).

**Common Equity Capital Ratio** means either of:

- (a) in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group; and
- (b) in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group,

in each case, as prescribed by APRA from time to time.

**Common Equity Capital Trigger Event** has the meaning given in clause 4.5.

**Common Equity Tier 1 Capital** has the meaning given by APRA from time to time.

**Constitution** means the constitution of ANZ as amended from time to time.

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

**Controlled Entity** means, in respect of ANZ, an entity ANZ Controls.

**Conversion** means, in relation to a Note, the allotment and issue of Ordinary Shares and the termination of the Holder's rights in relation to that Note, in each case in accordance with clause 6 and Convert and Converted have corresponding meanings.

**Conversion Number** has the meaning given in clause 6.1.

**Corporations Act** means the Corporations Act 2001 (Cth).

**CPS2** means the convertible preference shares issued by ANZ in 2009 under a prospectus dated 18 November 2009 (which replaced a prospectus dated 10 November 2009).

**CPS3** means the convertible preference shares issued by ANZ in 2011 under a prospectus dated 31 August 2011 (which replaced a prospectus dated 23 August 2011).

**Cum Value** has the meaning given in clause 6.2.

**Deferred Change of Control Conversion Notice** has the meaning given in clause 4.10(d).

**Deferred Conversion Date** has the meaning given in clause 5.5.

**Deferred Conversion Notice** has the meaning given in clause 5.5.

**Delisting Event** means, in respect of a date, that:

- (a) Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, Ordinary Shares continue not to be listed or admitted to trading on that date); or
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
  - (i) at least five consecutive Business Days prior to that date; and
  - (ii) that date; or
- (c) an Inability Event subsists.

**Directors** means some or all of the directors of ANZ acting as a board.

**Distribution** has the meaning given in clause 3.1.

**Distribution Payment Date** has the meaning given in clause 3.5 whether or not a Distribution is, or is able to be, paid on that date.

**Distribution Period** means in respect of:

- (a) the first Distribution Period, the period from (and including) the Issue Date until (but not including) the first Distribution Payment Date following the Issue Date; and
- (b) each subsequent Distribution Period, the period from (and including) the preceding Distribution Payment Date until (but not including) the next Distribution Payment Date.

**Distribution Rate** has the meaning given in clause 3.1.

**Encumbrance** means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement (including any security interest under the Personal Property Securities Act 2009 (Cth)) and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

**Equal Ranking Instruments** means, in respect of the return of capital in a winding-up:

- (a) CPS2;
- (b) CPS3;
- (c) each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing and the Notes in respect of distributions or for the return of capital in a winding-up of ANZ (as the case may be);
- (d) Capital Notes 1;
- (e) Capital Notes 2;
- (f) Capital Notes 3;

- (g) ANZ Perpetual Subordinated Contingent Convertible Securities; and
- (h) any securities or other instruments that rank or are expressed to rank in respect of the return of capital in a winding-up equally with those preference shares and the Notes.

**Exchange** means the Conversion, Redemption or Resale of the Notes and Exchanged has a corresponding meaning.

**Exchange Date** has the meaning given in clause 5.2(b).

**Exchange Method** has the meaning given in clause 5.3.

**Exchange Notice** has the meaning given in clause 5.1.

**External Administrator** means, in respect of a person:

- (a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or
- (b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertaking of that person, or in either case any similar official.

**Face Value** means the face value and denomination of the Notes as specified in clause 1.2.

**FATCA** means the Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements or intergovernmental agreements entered into or non-US laws enacted with respect to those provisions).

**FATCA Withholding** means any deduction or withholding imposed or required pursuant to FATCA.

**First Mandatory Conversion Condition** has the meaning given in clause 4.3.

**First Optional Conversion Restriction** has the meaning given in clause 5.4.

**First Test Date** has the meaning given in clause 4.3.

**Foreign Holder** means a Holder whose address in the Register is a place outside Australia or who ANZ otherwise believes may not be a resident of Australia.

**Franking Rate** (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of ANZ as at the relevant Distribution Payment Date.

**Holder** means a person whose name is registered in the Register as the holder of a Note.

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

**Issue Date** means the date on which Notes are issued.

**Issue Date VWAP** means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the first date on which any Notes were issued, as adjusted in accordance with clauses 6.5 to 6.7 (inclusive).

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

**Mandatory Conversion** means the mandatory conversion under clause 4 of the Notes to Ordinary Shares on the Mandatory Conversion Date.

**Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Mandatory Conversion Date** has the meaning given in clause 4.2.

**Margin** has the meaning given in clause 3.1.

**Maximum Conversion Number** has the meaning given in clause 6.1(a).

**Meeting Provisions** means the provisions for the convening of meetings of, and passing of resolutions by, Holders set out in schedule 2 of the ANZ Capital Notes 4 Deed Poll.

**NOHC** means the ultimate holding company of ANZ after a NOHC Event which must be a "non-operating holding company" within the meaning of the Banking Act.

**NOHC Event** means an event which:

- (a) is initiated by the Directors, acting as a board; and
- (b) would otherwise be a Change of Control Event,

but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC.

**Non-Conversion Notice** has the meaning given in clause 4.4.

**Non-Conversion Test Date** has the meaning given in clause 5.4.

**Non-marketable Parcel** has the meaning given in the Constitution.

**Non-Viability Trigger Event** has the meaning given in clause 4.6.

**Note** has the meaning given in clause 1.1.

**Note Terms** means these terms of issue of Notes.

**Notification Date** has the meaning given in the Meeting Provisions.

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

**Optional Conversion Restrictions** has the meaning given in clause 5.4.

**Optional Exchange Date** means the Distribution Payment Date falling on 20 March 2024.

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

**Ordinary Shareholder** means a person whose name is registered as the holder of an Ordinary Share.

**Ordinary Share Dividend** means any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of ANZ in relation to Ordinary Shares.

**Outstanding Notes** has the meaning given in the Meeting Provisions.

**Payment Condition** means, with respect to a Distribution payment on the Notes on a Distribution Payment Date:

- (a) making the Distribution payment on the Notes on the payment date would result in ANZ (on a Level 1 basis) or of the ANZ Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy requirements;
- (b) making the Distribution payment would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the Distribution payment on the Notes on the payment date.

**Preference Share** means a notional preference share in the capital of ANZ conferring a claim in the winding-up of ANZ equal to the Face Value and ranking equally in respect of return of capital in a winding-up with each of the preference shares which is an Equal Ranking Instrument.

**Proceeds** means the net proceeds of a sale of Ordinary Shares actually received by the nominee calculated after deduction of any applicable brokerage, stamp duty and other taxes and charges, including the nominee's reasonable out of pocket costs, expenses and charges properly incurred by it or on its behalf in connection with such sale from the sale price of the Ordinary Shares.

**Prospectus** means the prospectus for the Offer including these Note Terms.

**Publication Time** has the meaning given in clause 3.1.

**Purchaser** means one or more third parties selected by ANZ in its absolute discretion (which may not be ANZ or any Related Entity of ANZ).

**Record Date** means for payment of a Distribution:

- (a) the date which is eight calendar days before the Distribution Payment Date for that Distribution; or
- (b) such other date as is determined by the Directors in their absolute discretion and communicated to ASX not less than seven Business Days before the specified Record Date,

or in either case such other date as may be required by ASX.

**Redeem** means, in relation to a Note, redeem it in accordance with clause 7, and Redeemed and Redemption have corresponding meanings.

**Register** means a register of holders of Notes established and maintained by or on behalf of ANZ. The term Register includes:

- (a) any sub-register maintained by, or on behalf of ANZ under the Corporations Act, the ASX Listing Rules or ASX Settlement Operating Rules; and
- (b) any branch register, provided that, in the event of any inconsistency, the principal register will prevail over any sub-register or branch register.

**Registry** means ANZ or any other registrar that maintains the Register.

**Regulatory Event** means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in, any law or regulation in Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations or any statement of APRA which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by ANZ to come into effect (each, a **Regulatory Change**), additional requirements would be imposed on ANZ in relation to or in connection with Notes which the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) determine at their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) that, as a result of a Regulatory Change, ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital, except where the reason ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital is because ANZ has exceeded a limit or other restriction on the recognition of Additional Tier 1 Capital which was in effect on the Issue Date or which on the Issue Date is expected by ANZ to come into effect.

**Related Entity** has the meaning given by APRA from time to time.

**Relevant Date** has the meaning given in clause 4.2.

**Relevant Distribution Payment Date** has the meaning given in clause 3.8.

**Relevant Number** has the meaning given in clause 6.1.

**Relevant Security** means, where a Trigger Event occurs, a Tier 1 Capital instrument that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written off where that event occurs. It includes Notes, Capital Notes 1, Capital Notes 2, Capital Notes 3, ANZ Perpetual Subordinated Contingent Convertible Securities and, where a Common Equity Capital Trigger Event occurs on account of the Common Equity Capital Ratio in respect of the ANZ Level 2 Group, CPS3.

**Reorganisation** has the meaning given in clause 6.3(a).

**Resale** means the sale of Notes by Holders to the Purchaser in accordance with clause 8 and Resell and Resold have corresponding meanings.

**Scheduled Mandatory Conversion Date** has the meaning given in clause 4.2.

**Second Mandatory Conversion Condition** has the meaning given in clause 4.3 (but in clause 4.10 and clause 5.5, as adjusted in that clause).

**Second Optional Conversion Restriction** has the meaning given in clause 5.4.

**Second Test Period** has the meaning given in clause 4.3.

**Senior Creditors** means all present and future creditors of ANZ, including depositors, whose claims are:

- (a) entitled to be admitted in the winding-up of ANZ; and
- (b) not expressed to rank equally with, or subordinate to, the claims of a Holder.

**Special Resolution** means either (i) a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution or (ii) a resolution signed within one month from the Notification Date by Holders representing at least 75% of the aggregate nominal amount of Outstanding Notes as at the Notification Date.

**Subsequent Mandatory Conversion Date** has the meaning given in clause 4.2.

**Subsidiary** has the meaning given in the Corporations Act.

**Tax** has the meaning given in clause 3.7.

**Tax Act** means:

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

**Tax Event** means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announcement of a change that will be introduced) in, the laws or treaties or any regulations affecting taxation in Australia;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) affecting taxation in Australia (Administrative Action); or
- (c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority (including, without limitation, a tax authority) or regulatory body in Australia, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by ANZ to come into effect, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) ANZ would be exposed to more than a de minimis adverse tax consequence (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to Notes; or
- (ii) any Distribution would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act.

**Tax Rate** has the meaning given in clause 3.1.

**Third Mandatory Conversion Condition** has the meaning given in clause 4.3.

**Tier 1 Capital** means the tier 1 capital of the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Group on a Level 3 basis) as defined by APRA from time to time.

**Tier 1 Capital Ratio** means that ratio as defined by APRA from time to time.

**Trigger Event** means a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.

**Trigger Event Conversion Date** has the meaning given in clause 4.7.

**Trigger Event Notice** has the meaning given in clause 4.8(d).

**VWAP** means, subject to any adjustments under clause 6, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

**VWAP Period** means:

- (a) in the case of a Conversion resulting from a Change of Control Event the lesser of:
  - (i) 20 Business Days on which trading in Ordinary Shares took place; and
  - (ii) the number of Business Days after the occurrence of the Change of Control Event on which:
    - (A) the Ordinary Shares are quoted for trading on ASX; and
    - (B) trading in Ordinary Shares took place;
 in each case immediately preceding (but not including) the Business Day before the Change of Control Conversion Date;
- (b) in the case of a Conversion resulting from a Trigger Event, the period of 5 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Conversion Date;
- (c) in the case of any other Conversion, the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the date on which Conversion is to occur in accordance with these Note Terms; or
- (d) otherwise, the period for which VWAP is to be calculated in accordance with these Note Terms.

**Written Off** has the meaning given in clause 6.13, and **Write Off** has the corresponding meaning.

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**APPENDIX B**

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# GLOSSARY

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THIS APPENDIX B IS A GLOSSARY OF TERMS USED THROUGHOUT THIS PROSPECTUS AND THE APPLICATION FORMS. THERE IS ALSO A LIST OF DEFINED TERMS IN CLAUSE 17.2 OF THE NOTE TERMS.

Term	Meaning
ABN	Australian Business Number
Additional Tier 1 Capital	the Additional Tier 1 Capital of the ANZ Group as defined by APRA from time to time
ADI	authorised deposit-taking institution, as defined in the Banking Act
AET	Australian Eastern Time
Affiliate	<p>of any person means any other person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person; and "control" (including the terms "controlling", "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise. For the avoidance of doubt:</p> <ul style="list-style-type: none"> <li>- Ord Minnett is deemed to be an Affiliate of J.P. Morgan; and</li> <li>- Crestone Wealth Management is deemed to be an Affiliate of UBS</li> </ul>
AFSL	Australian Financial Services Licence
Allocation	<p>the number of Notes allocated under this Prospectus to:</p> <ul style="list-style-type: none"> <li>- ANZ Securityholder Applicants and CPS2 Reinvestment Applicants at the end of the Offer Period; and</li> <li>- Syndicate Brokers and Institutional Investors under the Bookbuild</li> </ul>
ANZ	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, AFSL 234527)
ANZ Capital Notes 4 or Notes	fully paid notes issued by ANZ which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied), and which are to be issued under this Prospectus
ANZ Capital Notes 4 Deed Poll	the deed poll relating to the Notes made by ANZ on or about 16 August 2016
ANZ Capital Securities	CPS2, CPS3, CN1, CN2, CN3 and ANZ Perpetual Subordinated Contingent Convertible Securities
ANZ Group or Group	ANZ and its controlled entities
ANZ Level 1 Group	ANZ and those of its controlled entities included by APRA from time to time in the calculation of ANZ's capital ratios on a Level 1 basis
ANZ Level 2 Group	ANZ together with each Related Entity included by APRA from time to time in the calculation of ANZ's capital ratios on a Level 2 basis
ANZ Perpetual Subordinated Contingent Convertible Securities	the 6.75% fixed rate resetting perpetual subordinated contingent convertible securities issued by ANZ London Branch on 15 June 2016
ANZ Securities	ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531)
ANZ Securityholder	a holder of an Ordinary Share, CPS2, CPS3, CN1, CN2, CN3 or ANZ Subordinated Notes on the Register at 7:00pm AET on 8 August 2016
ANZ Securityholder Applicant	an ANZ Securityholder shown on the Register as having an address in Australia who makes an Application under the ANZ Securityholder Offer
ANZ Securityholder Application Form	the blue personalised paper application form made available to ANZ Securityholder Applicants upon request
ANZ Securityholder Offer	the invitation to ANZ Securityholders to apply for Notes under this Prospectus

Term	Meaning
ANZ Share Investing	Share Investing Limited (ABN 93 078 174 973, AFSL 238277)
ANZ Subordinated Notes	the subordinated notes issued by ANZ in 2012 pursuant to an offer document dated 21 February 2012 (which replaced an offer document dated 14 February 2012)
Applicant	a person who submits an Application
Application	<p>a valid application for a specified number of Notes made using either:</p> <ul style="list-style-type: none"> <li>- the applicable Application Form; or</li> <li>- in respect of the Institutional Offer, a duly completed confirmation letter</li> </ul>
Application Form	<p>each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being:</p> <ul style="list-style-type: none"> <li>- the blue paper personalised ANZ Securityholder Application Form;</li> <li>- the white paper personalised Reinvestment Offer Application Form;</li> <li>- the electronic Application Form provided for online Applications under the ANZ Securityholder Offer and the Reinvestment Offer; and</li> <li>- the white paper Application Form to be used by Broker Firm Applicants</li> </ul>
Application Payment	the monies payable on each Application, calculated as the number of Notes applied for multiplied by the Face Value
Approved NOHC	a NOHC arising as a result of an Approved NOHC Event
Approved NOHC Event	a NOHC Event in respect of which the proviso to the definition of "Change of Control Event" is satisfied
Approved NOHC Ordinary Shares	a fully paid ordinary share in the capital of the Approved NOHC
APRA	Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ or any NOHC
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the settlement operating rules of ASX Settlement from time to time
Australian Accounting Standards	the accounting standards as developed and issued by the Australian Accounting Standards Board
Banking Act	Banking Act 1959 (Cth)
Basel III	the revised framework issued between 2010 and 2012 by the Basel Committee for the calculation of capital adequacy for banks
Basel Committee	the Bank for International Settlements' Basel Committee on Banking Supervision

Term	Meaning
BBSW Rate	(expressed as a percentage per annum), for a Distribution Period, the rate for prime bank eligible securities having a tenor of 3 months, which is designated as the "AVG MID" on the Reuters Screen BBSW Page at approximately 10:15am, Sydney time (or such other time at which such rate customarily appears on that page) on the relevant day ( <b>Publication Time</b> ), on the first Business Day of the Distribution Period. However, if such rate does not appear on the Reuters Screen BBSW Page by 10:30am, Sydney time, on that day (or such other time that is 15 minutes after the then prevailing Publication Time), or if it does appear but ANZ determines that there is an obvious error in that rate, "BBSW Rate" means the rate determined by ANZ having regard to comparable indices then available.
Board or Directors	some or all of the directors of ANZ acting as a board
Bookbuild	the process described in Section 4.4.1 to determine the Margin
Broker Firm Applicant	a retail client of a Syndicate Broker who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Offer
Broker Firm Offer	the invitation made to clients of Syndicate Brokers to apply for an allocation of Notes from Syndicate Brokers under this Prospectus
Business Day	<ul style="list-style-type: none"> <li>- a day which is a business day within the meaning of the ASX Listing Rules; and</li> <li>- for the purposes of determining an Exchange Date (except where the Exchange is by way of Conversion on account of a Trigger Event), the calculation or payment of a Distribution or of any other sum, a day on which banks are open for general business in Melbourne, Victoria</li> </ul>
Buy-Back	a transaction involving the acquisition by ANZ of its Ordinary Shares pursuant to an offer made in its discretion in accordance with the provisions of Chapter 2J of the Corporations Act
Capital Reduction	a reduction in capital initiated by ANZ in its discretion in respect of its Ordinary Shares in any way permitted by the provisions of Chapter 2J of the Corporations Act
CGT	capital gains tax
Change of Control Conversion Date	<p>the date on which Conversion as a result of a Change of Control Event is to occur, as discussed in Section 2.4.3</p> <p>For the full definition – see clause 4.10(b) of the Note Terms</p>
Change of Control Conversion Notice	a notice given by ANZ following a Change of Control Event pursuant to clause 4.10(a) of the Note Terms
Change of Control Event	<p>broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to ANZ and certain further approvals or conditions needed for the acquisition to occur or be implemented have been obtained or satisfied or waived</p> <p>For the full definition – see clause 17.2 of the Note Terms</p>
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement
Closing Date	<p>the last day on which Applications will be accepted, which is expected to be:</p> <ul style="list-style-type: none"> <li>- 5:00pm AET on 19 September 2016 for the ANZ Securityholder Offer and the Reinvestment Offer; or</li> <li>- 10:00am AET on 26 September 2016 for the Broker Firm Offer</li> </ul>

Term	Meaning
CN1	fully paid convertible notes issued by ANZ under a prospectus dated 10 July 2013 (which replaced a prospectus dated 2 July 2013)
CN2	fully paid convertible notes issued by ANZ under a prospectus dated 19 February 2014 (which replaced a prospectus dated 11 February 2014)
CN3	fully paid convertible notes issued by ANZ acting through its New Zealand branch under a prospectus dated 5 February 2015 (which replaced a prospectus dated 23 January 2015)
Co-Managers	Crestone Wealth Management and Ord Minnett
Commonwealth Bank of Australia	Commonwealth Bank of Australia (ABN 48 123 123 124, AFSL 234945)
Common Equity Capital Ratio	<p>either of:</p> <ul style="list-style-type: none"> <li>- in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group; and</li> <li>- in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group,</li> </ul> <p>in each case, as prescribed by APRA from time to time</p>
Common Equity Capital Trigger Event	ANZ determines, or APRA has notified ANZ in writing that it believes, that a Common Equity Capital Ratio is equal to or less than 5.125%
Common Equity Tier 1 Capital	has the meaning given by APRA from time to time
Common Equity Tier 1 Capital Deductions	the deductions from Common Equity Tier 1 Capital as described by APRA from time to time
Confirmation Statement	a statement issued to Holders by the Registry which sets out details of Notes allotted to them under the Offer
Consenting Party	each of the consenting parties named in Section 8.5
Constitution	the constitution of ANZ as amended from time to time
Conversion	<p>in relation to a Note, the conversion of that Note into a variable number of Ordinary Shares, or ordinary shares of an Approved NOHC following an Approved NOHC Event, under the Note Terms. Convert and Converted have corresponding meanings</p> <p>For the full description of the Conversion mechanics – see clause 6 of the Note Terms</p>
Corporations Act	Corporations Act 2001 (Cth)
CPS2	the convertible preference shares issued by ANZ in 2009 under a prospectus dated 18 November 2009 (which replaced a prospectus dated 10 November 2009)
CPS2 Reinvestment Applicant	an Eligible CPS2 Holder who makes an Application under the Reinvestment Offer (other than through the Broker Firm Offer)
CPS3	the convertible preference shares issued by ANZ in 2011 under a prospectus dated 31 August 2011 (which replaced a prospectus dated 23 August 2011)
Crestone Wealth Management	Crestone Wealth Management Limited (ABN 50 005 311 937)

Term	Meaning
Delisting Event	<p>in respect of a date, that:</p> <ul style="list-style-type: none"> <li>- Ordinary Shares have ceased to be listed or admitted to trading on ASX on or before that date;</li> <li>- trading of Ordinary Shares on ASX has been suspended for at least five consecutive Business Days before that date, and the suspension is continuing on that date; or</li> <li>- an Inability Event subsists</li> </ul> <p>For the full definition – see clause 17.2 of the Note Terms</p>
Distribution	<p>a distribution on Notes</p> <p>For the full definition – see clause 3.1 of the Note Terms</p>
Distribution Payment Date	<p>in respect of a Note, 20 December 2016, and after that each 20 March, 20 June, 20 September and 20 December until the date that each Note is Converted or Redeemed</p> <p>For the full definition – see clause 3.5 of the Note Terms</p>
Distribution Period	<p>a period from (and including) either the Issue Date or a subsequent Distribution Payment Date until (but not including) the following Distribution Payment Date</p>
Distribution Rate	<p>the distribution rate on Notes calculated using the formula described in Section 2.1.1</p> <p>For the full definition – see clause 3.1 of the Note Terms</p>
Distribution Restriction	<p>the restriction discussed in Section 2.1.7</p> <p>For more information – see clauses 3.8 and 3.9 of the Note Terms</p>
D-SIB	<p>A domestic systematically important bank, as determined by APRA from time to time</p>
Eligible CPS2 Holder	<p>Eligible CPS2 Holders are persons who:</p> <ul style="list-style-type: none"> <li>- were registered as a holder of CPS2 at 7:00pm AET on 8 August 2016;</li> <li>- are shown on the CPS2 register as having an address in Australia; and</li> <li>- are not in the United States or acting as a nominee for, or for the account or benefit of, a US Person or not otherwise prevented from receiving the Reinvestment Offer or ANZ Capital Notes 4 under the laws of any jurisdiction</li> </ul>
Equal Ranking Instruments	<p>in respect of the return of capital in a winding-up:</p> <ul style="list-style-type: none"> <li>- CPS2;</li> <li>- CPS3;</li> <li>- each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing and the Notes in respect of distributions or for the return of capital in a winding-up of ANZ (as the case may be);</li> <li>- Capital Notes 1;</li> <li>- Capital Notes 2;</li> <li>- Capital Notes 3;</li> <li>- ANZ Perpetual Subordinated Contingent Convertible Securities; and</li> <li>- any securities or other instruments that rank or are expressed to rank in respect of the return of capital in a winding-up equally with those preference shares and the Notes</li> </ul>

Term	Meaning
Exchange	<p>any of the following:</p> <ul style="list-style-type: none"> <li>- Conversion in accordance with clause 6 of the Note Terms;</li> <li>- Redemption in accordance with clause 7 of the Note Terms; or</li> <li>- Resale in accordance with clause 8 of the Note Terms</li> </ul> <p>Exchanged has a corresponding meaning</p> <p>For the full definition – see clause 17.2 of the Note Terms</p>
Exchange Date	<p>the date on which Exchange is to occur</p> <p>For the full definition – see clause 5.2(b) of the Note Terms</p>
Exchange Method	<p>the means by which Exchange is effected</p> <p>For the full definition – see clause 5.3 of the Note Terms</p>
Exchange Notice	a notice issued by ANZ to a Holder under clause 5.1 of the Note Terms
Exposure Period	the seven day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications
Face Value	the face value for Notes, being \$100 per Note
FATCA	the Foreign Account Tax Compliance Act provisions, sections 1471 through 1474 of the United States Internal Revenue Code (including any regulations or official interpretations issued, agreements or intergovernmental agreements entered into or non-US laws enacted with respect to those provisions)
FATCA Withholding	any deduction or withholding imposed or required pursuant to FATCA
Financial Claims Scheme	the scheme established under Division 2AA of Part II of the Banking Act
First Mandatory Conversion Condition	the VWAP on the 25th Business Day immediately preceding (but not including) the Relevant Date (the <b>First Test Date</b> , provided that if no trading in Ordinary Shares took place on that date, the <b>First Test Date</b> is the first Business Day before the 25th Business Day immediately preceding (but not including) the Relevant Date on which trading in Ordinary Shares took place) is greater than 56.00% of the Issue Date VWAP
First Optional Conversion Restriction	on the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred) the VWAP on that date is less than or equal to 22.50% of the Issue Date VWAP
GST	goods and services tax
HIN	Holder Identification Number for Ordinary Shares or Notes (when issued) held on the CHESS subregister
Holder	a person whose name is registered in the Register as the holder of a Note
Inability Event	ANZ is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding-up or other external administration of ANZ) or any other reason from Converting the Notes
Institutional Investor	an institutional investor who is a wholesale client for the purposes of Section 761G of the Corporations Act and participates in the Bookbuild.
Institutional Offer	the invitation by ANZ Securities to certain Institutional Investors to bid for Notes in the Bookbuild

Term	Meaning
Issue Date	the date Notes are issued to Holders under this Prospectus, expected to be 27 September 2016
Issue Date VWAP	<p>the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to any adjustments under clause 6 of the Note Terms</p> <p>For the full definition – see clause 17.2 of the Note Terms</p>
Joint Lead Managers	ANZ Securities, Commonwealth Bank of Australia, J.P. Morgan, Morgans, Morgan Stanley, UBS and Westpac
J.P. Morgan	J.P. Morgan Australia Limited (ABN 52 002 888 011, AFSL 238188)
Level 1, Level 2 and Level 3	those terms as defined by APRA from time to time
Listing Rules	the listing rules of ASX, with any modification or waivers which ASX may grant to ANZ or generally from time to time
Mandatory Conversion	<p>the mandatory conversion under clause 4 of the Note Terms of the Notes to Ordinary Shares on the Mandatory Conversion Date.</p> <p>Mandatorily Convert has a corresponding meaning</p>
Mandatory Conversion Conditions	<p>the following conditions:</p> <ul style="list-style-type: none"> <li>- First Mandatory Conversion Condition;</li> <li>- Second Mandatory Conversion Condition; and</li> <li>- Third Mandatory Conversion Condition.</li> </ul> <p>For the full definition – see clause 4.3 of the Note Terms</p>
Mandatory Conversion Date	the earlier of 20 March 2026 and the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied
Margin	The percentage per annum as determined under the Bookbuild
Maximum Conversion Number	has the meaning given in clause 6.1(a) of the Note Terms
Morgans	Morgans Financial Limited (ABN 49 010 669 726, AFSL 235410)
Morgan Stanley	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276, AFSL 233741)
NOHC	the ultimate holding company of ANZ after any NOHC Event which must be a “non-operating holding company” within the meaning of the Banking Act
NOHC Event	<p>an event which:</p> <ul style="list-style-type: none"> <li>- is initiated by the Directors, acting as a Board; and</li> <li>- would otherwise be a Change of Control Event,</li> </ul> <p>but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC</p>
Nominated Purchaser	a purchaser that is appointed by ANZ in accordance with the terms of CPS2. Subject to APRA approval, ANZ intends to appoint a wholly-owned subsidiary as the nominated purchaser
Non-Conversion Test Date	the second Business Day before the date on which an Exchange Notice is to be sent by ANZ (or, if trading in Ordinary Shares did not occur on that date, the last Business Day prior to that date on which trading in Ordinary Shares occurred)
Non Resident Holder	a Holder who is not a tax resident of Australia

Term	Meaning
Non-Viability Trigger Event	<p>the earlier of:</p> <ul style="list-style-type: none"> <li>- the issuance of a notice in writing by APRA to ANZ that conversion or write off of Relevant Securities is necessary because, without it, APRA considers that ANZ would become non-viable; or</li> <li>- a determination by APRA, notified to ANZ in writing, that without a public sector injection of capital, or equivalent support, ANZ would become non-viable</li> </ul>
Note Terms	the full terms of issue of Notes, as set out in Appendix A
Offer	the offer by ANZ of Notes under this Prospectus to raise \$1 billion with the ability to raise more or less
Offer Management Agreement or OMA	the offer management agreement entered into between ANZ and the Joint Lead Managers
Offer Period	the period from the Opening Date to the Closing Date
Opening Date	the day the Offer opens, which is 24 August 2016
Optional Conversion Restrictions	the First Optional Conversion Restriction and the Second Optional Conversion Restriction
Optional Exchange Date	means 20 March 2024 – see clause 17.2 of the Note Terms
Ord Minnett	Ord Minnett Limited (ABN 86 002 733 048)
Ordinary Share	a fully paid ordinary share in the capital of ANZ
Ordinary Share Dividend	any interim, final or special dividend payable in accordance with the Corporations Act and the Constitution of ANZ in relation to Ordinary Shares
Outstanding Notes	all Notes other than those that are Converted, Redeemed or Written Off
Participating Broker	any participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild
Payment Conditions	<p>the tests which need to be satisfied so that ANZ can pay a Distribution, summarised as follows:</p> <ul style="list-style-type: none"> <li>- payment of the Distribution not resulting in ANZ (on a Level 1 basis) or the ANZ Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy requirements as they are applied to ANZ or the Group (as the case may be) at the time;</li> <li>- payment of the Distribution not resulting in ANZ becoming, or being likely to become, insolvent; and</li> <li>- APRA not otherwise objecting to the payment of the Distribution</li> </ul> <p>For the full description of the tests – see the definition of Payment Condition in clause 17.2 of the Note Terms</p>
Preference Share	a notional preference share in the capital of ANZ conferring a claim in the winding-up of ANZ equal to the Face Value and ranking equally in respect of return of capital in a winding-up with each of the preference shares which is an Equal Ranking Instrument
Privacy Act	Privacy Act 1988 (Cth)

Term	Meaning
Pro Rata Dividend	a dividend accrued over the period from (and including) 15 September 2016 to (but excluding) the Reinvestment CPS2 Buy-back Date, in respect of each Reinvestment CPS2, expected to be paid on the Reinvestment CPS2 Buy-back Date (subject to the payment tests in the CPS2 terms, including that the Board resolves to pay the dividend), being 27 September 2016
Prospectus	this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document
Prudential Standards	the ADI prudential standards issued by APRA, which define and document APRA's framework for assessing, among other things, the capital adequacy of an ADI
Publication Time	has the meaning given in the definition of "BBSW Rate"
Purchaser	one or more third parties selected by ANZ in its absolute discretion (which may not be ANZ or any Related Entity of ANZ)
RBA	Reserve Bank of Australia
RBNZ	Reserve Bank of New Zealand
Redeem	in relation to a Note, to redeem, in accordance with clause 7 of the Note Terms, and Redeemed and Redemption have corresponding meanings
Register	the official register of Ordinary Shares, CPS2, CPS3, ANZ Subordinated Notes, CN1, CN2, CN3 and/or ANZ Capital Notes 4 (if issued) as the context requires, each being maintained by ANZ or the Registry on ANZ's behalf and including any subregister established and maintained in CHESS
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that ANZ appoints to maintain the Register
Regulatory Event	broadly, occurs when ANZ receives legal advice that, as a result of a change of law or regulation in Australia or statement of APRA on or after the Issue Date (each, a <b>Regulatory Change</b> ), additional requirements would be imposed on ANZ in relation to Notes which the Directors determine to be unacceptable, or the Directors determine that, as a result of a Regulatory Change, ANZ will not be entitled to treat all Notes as Additional Tier 1 Capital. A Regulatory Event will not arise where, at the Issue Date, ANZ expected the event would occur  For the full definition – see clause 17.2 of the Note Terms
Reinvestment CPS2	CPS2 held by an Eligible CPS2 Holder that are, or are to be, reinvested in Notes, under the terms of the Reinvestment Offer
Reinvestment CPS2 Buy-back Date	27 September 2016
Reinvestment Offer	the invitation to Eligible CPS2 Holders to reinvest their CPS2 in Notes under this Prospectus
Reinvestment Offer Application Form	the reinvestment form available to Eligible CPS2 Holders online at capitalnotes4.anz.com or accompanying this Prospectus sent to Eligible CPS2 Holders at their request on which they can reinvest all or some of their CPS2 in Notes as described in Section 4
Related Entity	has the meaning given by APRA from time to time
Relevant Date	each of: - the Scheduled Mandatory Conversion Date; and - the first Distribution Payment Date after the Scheduled Mandatory Conversion Date

Term	Meaning
Relevant Distribution Payment Date	if for any reason a Distribution has not been paid in full on a Distribution Payment Date, that date
Relevant Security	where a Trigger Event occurs, a Tier 1 Capital instrument that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written off where that event occurs. It includes Notes, CN1, CN2, CN3, ANZ Perpetual Subordinated Contingent Convertible Securities and, where a Common Equity Capital Trigger Event occurs on account of the Common Equity Capital Ratio in respect of the ANZ Level 2 Group, CPS3
Resale	means the sale of Notes by Holders to the Purchaser in accordance with clause 8 of the Note Terms and Resell and Resold have corresponding meanings
Resident Holder	an Australian tax resident Holder
Scheduled Mandatory Conversion Date	20 March 2026
Second Mandatory Conversion Condition	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date is greater than 50.51% of the Issue Date VWAP (but in clause 4.10 and clause 5.5 of the Note Terms, as adjusted in that clause)
Second Optional Conversion Restriction	a Delisting Event applies in respect of the Non-Conversion Test Date
Second Test Period	the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Relevant Date
Senior Creditors	all present and future creditors of ANZ, including depositors, whose claims are: <ul style="list-style-type: none"> <li>- entitled to be admitted in the winding-up of ANZ; and</li> <li>- not expressed to rank equally with, or subordinate to, the claims of a Holder</li> </ul>
Shareholder or Ordinary Shareholder	a person whose name is registered as the Holder of an Ordinary Share
Special Resolution	either (i) a resolution passed at a meeting of Holders by a majority of at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution or (ii) a resolution signed within one month from the Notification Date by Holders representing at least 75% of the aggregate nominal amount of Outstanding Notes as at the Notification Date
SRN	Securityholder Reference Number for Ordinary Shares or Notes (when issued) held on the issuer sponsored subregister
Syndicate Broker	any of the Joint Lead Managers, Co-Managers or Participating Brokers
Tax	any withholding or other tax, duty or levy required by any applicable law to be deducted in respect of a Distribution payable in accordance with the Note Terms
Tax Act	<ul style="list-style-type: none"> <li>- the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be and a reference to any Section of the Income Tax Assessment Act 1936 (Cth) includes a reference to that Section as rewritten in the Income Tax Assessment Act 1997 (Cth); and</li> <li>- any other Act setting the rate of income tax payable and any regulation promulgated under it</li> </ul>

Term	Meaning
Tax Event	<p>broadly, occurs when ANZ receives professional advice that, as a result of a change in Australian law, or an administrative pronouncement or ruling affecting taxation in Australia, on or after the Issue Date (and which on the Issue Date was not expected by ANZ to occur), there is a more than insubstantial risk which the Directors determine to be unacceptable that ANZ would be exposed to more than an insignificant adverse tax consequence in relation to Notes being on issue or any Distribution would not be a frankable dividend or distribution for tax purposes</p> <p>For the full definition – see clause 17.2 of the Note Terms</p>
Tax Rate	<p>the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Distribution Payment Date. As at the date of this Prospectus, the Tax Rate is 30%</p>
TFN	Tax File Number
Third Mandatory Conversion Condition	no Delisting Event applies in respect of the Relevant Date
Tier 1 Capital	Tier 1 Capital of ADIs (including ANZ) as described by APRA from time to time
Tier 1 Capital Ratio	that ratio as defined by APRA from time to time
Tier 2 Capital	Tier 2 Capital of ADIs (including ANZ) as defined by APRA from time to time
Total Capital Ratio	that ratio as defined by APRA from time to time
Trigger Event	a Common Equity Capital Trigger Event or a Non-Viability Trigger Event
Trigger Event Conversion Date	<ul style="list-style-type: none"> <li>- in the case of a Common Equity Capital Trigger Event, the date on which the determination or notification is made under clause 4.5 of the Note Terms; and</li> <li>- in the case of a Non-Viability Trigger Event, the date on which APRA notifies ANZ of such Non-Viability Trigger Event as contemplated in clause 4.6 of the Note Terms</li> </ul>
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087)
US Person	has the meaning given in Regulation S of the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
VWAP	<p>broadly, the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period or on the relevant days (such average rounded to the nearest full cent), as defined in clause 17.2 of the Note Terms and subject to any adjustments under clause 6 of the Note Terms</p>
Westpac or Westpac Institutional Bank	Westpac Institutional Branch, a division of Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714)
Written Off	<p>in respect of a Note and a Trigger Event Conversion Date:</p> <ul style="list-style-type: none"> <li>- the Note will not be Converted on that date and will not be Converted, Redeemed or Resold under these Note Terms on any subsequent date; and</li> <li>- the relevant Holders' rights (including to payment of Distributions and Face Value) in relation to such Note are immediately and irrevocably terminated and written off</li> </ul>

## CORPORATE DIRECTORY

### ISSUER

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### AUDITOR

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### AUSTRALIAN TAX ADVISER

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### JOINT LEAD MANAGERS

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Sydney NSW 2000

J.P. Morgan Australia Limited  
Level 18, J.P. Morgan House  
85 Castlereagh Street Sydney NSW 2000

Morgan Stanley Australia Securities Limited  
Level 39, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

Morgans Financial Limited  
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123 Eagle Street  
Brisbane QLD 4000

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Sydney NSW 2000

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### CO-MANAGERS

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