

News Release

For release: 24 August 2017

ANZ Capital Notes 5 lodgement of replacement prospectus

ANZ today lodged a replacement prospectus with the Australian Securities and Investments Commission for its offer of ANZ Capital Notes 5 following the completion of the Bookbuild yesterday.

ANZ Securityholders and Eligible CPS3 Holders can obtain a copy of the replacement Prospectus and submit their Application Form online at capitalnotes5.anz.com. Alternatively, a paper copy of the replacement Prospectus, including a personalised Application Form for ANZ Securityholders and Eligible CPS3 Holders, can be obtained by contacting the ANZ Information Line on 1800 113 399 (Australia) or +61 3 9415 4010 (international) Monday to Friday – 8.30am – 5.30pm AET.

For investor enquiries, please:

- **view capitalnotes5.anz.com; or**
- **contact 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

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ANZ CAPITAL NOTES 5 PROSPECTUS

PROSPECTUS FOR THE ISSUE OF ANZ CAPITAL
NOTES 5 TO RAISE UP TO \$1 BILLION

JOINT LEAD MANAGERS
ANZ SECURITIES
J.P. MORGAN
MORGAN STANLEY
MORGANS
UBS
WESTPAC INSTITUTIONAL BANK

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

CO-MANAGERS
CRESTONE WEALTH MANAGEMENT
ORD MINNETT



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 5 or Notes) to raise up to \$1 billion.

This Prospectus is dated 24 August 2017 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. This is a replacement prospectus which replaces the prospectus dated 16 August 2017 and lodged with ASIC on that date (Original Prospectus). This Prospectus expires on 16 September 2018 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 Buy-Back Facility. Neither ANZ, the Custodian nor any other person is providing any investment advice or making any recommendation to Eligible CPS3 Holders in respect of the Buy-Back Facility.

ANZ CAPITAL NOTES 5 ARE HIGHER RISK THAN DEPOSITS

ANZ Capital Notes 5 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 5 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 summarised in Section 1.5 and 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.

A comparison of the Notes and deposits setting out the differences between these types of investments is contained in Section 1.4.

DEFINED WORDS AND EXPRESSIONS

Some capitalised words and expressions used in this Prospectus have defined meanings. The Glossary in Appendix B defines these words and expressions. The definitions specific to 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 prohibited ANZ from processing Applications in the seven day period after 16 August

2017, being the date on which the Original Prospectus was lodged with ASIC. This period is referred to as the **Exposure Period**. Applications were not accepted during the Exposure Period.

HOW TO OBTAIN A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) was available at capitalnotes5.anz.com. During the Offer Period (i.e. after the Exposure Period), Application Forms will be available at capitalnotes5.anz.com and paper copies of this Prospectus with an Application Form 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 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 and the Application Forms 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

1. READ THIS PROSPECTUS IN FULL

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.

2. UNDERSTAND THE RISKS

The Notes are complex, involve increased risks compared to other less risky and less complex 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.
- The Notes are not guaranteed or insured by any government, government agency, compensation scheme or by any other person.
- If ANZ encounters severe financial difficulty, the Notes may be Converted into Ordinary Shares or Written-Off and you may suffer a loss of your investment as a consequence.
- Distributions on the Notes may not be paid.
- The Notes may never Convert or be Redeemed and may remain on issue indefinitely.
- The market price of Notes may move up and down.
- The liquidity of the Notes may be low and you may be unable to sell Notes.

If you do not fully understand how the Note Terms work or the risks associated with the Notes, you should not invest in them.

3. SPEAK TO YOUR PROFESSIONAL ADVISER

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.

4. CONSIDER THE ASIC GUIDANCE FOR RETAIL INVESTORS

ASIC has warned investors to be cautious in relation to investments in hybrid securities. Investors should consider the ASIC guidance on hybrid securities which is published on ASIC's MoneySmart website. You can find this guidance by searching 'hybrid securities' at 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.

5. LEARN MORE ABOUT INVESTING IN BANK HYBRID SECURITIES

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.

6. OBTAIN FURTHER INFORMATION ABOUT ANZ AND ANZ CAPITAL NOTES 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 5.

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

7. ENQUIRIES

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 the Original Prospectus with ASIC	16 August 2017
Broker Firm Reinvestment Offer Bookbuild to determine the Margin and announcement of the Margin	23 August 2017
Lodgement of this Prospectus with ASIC	24 August 2017
Opening Date for ANZ Securityholder Offer and Broker Firm Reinvestment Offer	24 August 2017
Closing Date for ANZ Securityholder Offer and Broker Firm Reinvestment Offer	5:00pm AET on 13 September 2017
Announcement of whether or not the Broker Firm New Money Offer will proceed	15 September 2017
Opening Date for Broker Firm New Money Offer (should it proceed)	15 September 2017
Bookbuild for Broker Firm New Money Offer (should it proceed)	20 September 2017
Closing Date for Broker Firm New Money Offer (should it proceed)	10:00am AET on 27 September 2017
Issue Date	28 September 2017
ANZ Capital Notes 5 commence trading on ASX (deferred settlement basis)	29 September 2017
Confirmation Statements despatched by	5 October 2017
ANZ Capital Notes 5 commence trading on ASX (normal settlement basis)	6 October 2017
First Distribution Payment Date ¹	20 December 2017
Optional Exchange Date	20 March 2025
Mandatory Conversion Date ²	20 March 2027

1. Distributions are scheduled to be paid quarterly at the end of each 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 2027, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied – see Section 6.1.8.

KEY DATES FOR CPS3 HOLDERS

KEY DATES FOR THE BUY-BACK FACILITY

DATE

Record date for determining Eligible CPS3 Holders for the Buy-Back Facility (relevant CPS3 must also be held on the Closing Date for the Buy-Back Facility)	11 August 2017
Opening Date for the Buy-Back Facility	24 August 2017
Closing Date for the Buy-Back Facility	5:00pm AET on 13 September 2017
Expected record date for the Pro Rata Dividend	20 September 2017
Buy-Back Date	26 September 2017
Payment date for Pro Rata Dividend on CPS3 ³	28 September 2017
Issue Date of ANZ Capital Notes 5	28 September 2017
Buy-Back Settlement Date and payment of the Buy-Back Price or reinvestment of the Buy-Back Price into Notes	28 September 2017
Expected record date for next scheduled half yearly dividend for remaining CPS3	14 February 2018
Scheduled half-yearly dividend payment dates and optional redemption dates for remaining CPS3 ⁴	1 March 2018, 1 September 2018, 1 March 2019, 1 September 2019
Mandatory conversion date for remaining CPS3 (unless otherwise exchanged before that date)	1 September 2019 ⁵

DATES MAY CHANGE

The key dates for the Offer including the Buy-Back Facility are indicative only and may change without notice. ANZ will not open the Broker Firm New Money Offer if Allocations under the Broker Firm Reinvestment Offer and ANZ Securityholder Offer amount to in aggregate \$1 billion (or such lesser amount as ANZ determines) and may not open the Broker Firm New Money Offer for any other reason. Any decision not to open the Broker Firm New Money Offer is at ANZ's discretion and will be announced to ASX. ANZ reserves the right to raise less than \$1 billion under the Offer.

ANZ and the Joint Lead Managers may also agree to vary the timetable, including bringing forward or extending any Closing Date 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 relevant Opening Date.

3. Payment of the relevant dividend is subject to settlement of the Buy-Back and the payment conditions in the CPS3 terms (including that the Board (or its delegates) resolves to pay the relevant dividend).
4. Redemption of the remaining CPS3 is subject to APRA approval. Any redemption is subject to conditions, including that the CPS3 being redeemed must be replaced concurrently or beforehand with Tier 1 Capital of the same or better quality, unless APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to redeem those CPS3. If APRA approval is not obtained, and any conditions to redemption are not met, the redemption may not occur. If the redemption does not occur, the remaining CPS3 will remain on issue. As at the date of this Prospectus, ANZ has not made any decision how it will otherwise deal with the CPS3 which are not bought-back under the Buy-Back Facility.
5. The mandatory conversion date for the remaining CPS3 may be later than 1 September 2019, or may not occur at all, if the mandatory conversion conditions for CPS3 are not satisfied.

1

SECTION 1

INVESTMENT OVERVIEW

THIS SECTION PROVIDES A SUMMARY OF THE KEY FEATURES AND RISKS OF ANZ CAPITAL NOTES 5.

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 5

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 5 are:</p> <ul style="list-style-type: none"> • fully paid – at \$100 per Note; • convertible – in certain circumstances, the Notes will Convert into Ordinary Shares; • redeemable and resaleable – 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); • non-cumulative – Distributions are discretionary and unpaid Distributions do not accumulate. Holders will not have any right to compensation if ANZ does not pay a Distribution; • perpetual – the Notes do not have any fixed maturity date and could remain on issue indefinitely if they are not Converted or Redeemed (in which case you would not receive your capital back or be issued any Ordinary Shares); • unsecured – they are not guaranteed or secured, are not deposit liabilities of ANZ and are not protected accounts for the purposes of the Banking Act; • subordinated – 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; • exposed to Trigger Events – where a Trigger Event occurs (which includes where ANZ encounters severe financial difficulty), the Notes are subject to Conversion into Ordinary Shares or Write Off, in which case Holders are likely to suffer loss; and • listed – ANZ has applied for Notes to be listed on ASX and Notes are expected to trade under ASX code “ANZPH”. <p>The Note Terms are complex and derive from the detailed capital requirements which APRA applies to these instruments, including that the Notes absorb losses by being Converted or Written Off where a Trigger Event (including severe financial difficulty) occurs. In this way, the Notes and ANZ’s other regulatory capital instruments help to protect ANZ’s depositors and Senior Creditors from losses ANZ may incur.</p> <p>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>	
Offer size	<p>Up to \$1 billion.</p> <p>ANZ reserves the right to raise less than \$1 billion under the Offer. There is no minimum subscription amount under the Offer.</p>	

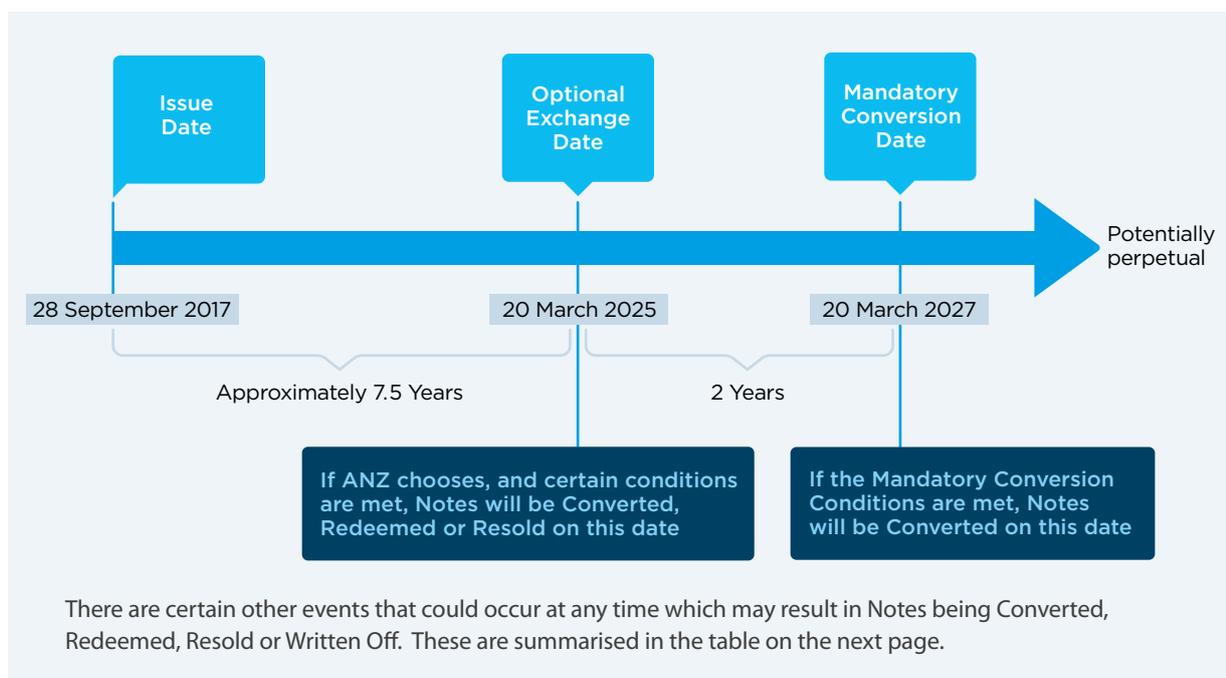
Topic	Summary	Where to find more information
Face Value	\$100 per Note. This is the price you need to pay to apply for each Note under the Prospectus.	
Purpose of the Offer	ANZ is issuing the Notes to help meet the capital requirements for ADIs set by APRA. APRA requires ANZ to maintain a level of regulatory capital to help promote the stability of ANZ and protect ANZ's depositors and other creditors.	
Regulatory treatment	APRA has confirmed that the Notes will constitute Additional Tier 1 Capital for the purposes of ANZ's regulatory capital requirements.	
Use of proceeds	ANZ will use the proceeds of the Offer to refinance CPS3 and for general corporate purposes.	
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> <p>Distribution Rate = (BBSW Rate + Margin) x (1 – Tax Rate)</p> <p>Where:</p> <ul style="list-style-type: none"> • Margin is 3.80%, as determined under the Broker Firm Reinvestment Offer Bookbuild; and • Tax Rate 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%. 	Section 2.1
Franking	Distributions paid on the Notes are expected to be fully or substantially 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 2.1.3
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 (as defined in the Note Terms) 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>	Sections 2.1.5 – 2.1.9

1.1 KEY FEATURES OF THE OFFER AND ANZ CAPITAL NOTES 5 (CONT)

Topic	Summary	Where to find more information
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 2017. You should note that the first Distribution Period is shorter than the normal Distribution Period.</p>	Section 2.1.5
Do ANZ Capital Notes 5 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 2027, 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>	Sections 2.2 – 2.5

1.2 SUMMARY OF CERTAIN EVENTS THAT MAY OCCUR WHILE THE ANZ CAPITAL NOTES 5 ARE ON ISSUE

The diagram and table below summarise certain events that may occur while the ANZ Capital Notes 5 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? ⁶	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 2027 (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 ⁷	Variable number of Ordinary Shares
Optional Conversion	20 March 2025	Yes	Yes	Approximately \$101 ⁷	Variable number of Ordinary Shares
Optional Redemption	20 March 2025	Yes	Yes	\$100	Cash
Optional Resale	20 March 2025	Yes	No	\$100	Cash
Conversion in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	Yes	Approximately \$101 ^{7,8}	Variable number of Ordinary Shares
	If a Change of Control Event occurs	No	Yes	Approximately \$101 ^{7,8}	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 ^{9,10,11}	Variable number of Ordinary Shares, capped at the Maximum Conversion Number ¹¹
Redemption in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	Yes	\$100 ⁸	Cash
Resale in other circumstances	If a Tax Event or Regulatory Event occurs	Yes	No	\$100 ⁸	Cash

6. Holders should not expect that APRA's approval will be given if requested.

7. 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.

8. 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).

9. Section 6.1.9 provides further detail on the circumstances in which Holders are likely to receive significantly less than \$101 following Conversion due to a Trigger Event.

10. 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.

11. 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 the below table. 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 ^{12,13}
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	Subordinated unsecured debt obligations ranking senior to preference shares
	Equal ranking obligations	Preference shares and other equally ranked instruments	ANZ Capital Notes 5 ¹³ , ANZ Capital Securities ¹³
Lower ranking/ later priority	Lower ranking obligations	Ordinary Shares	Ordinary Shares

12. 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 5 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.

13. 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 capital 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.

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

ANZ Capital Notes 5 are different from and higher risk than term deposits. They are also different from ANZ Capital Securities (including CPS3 and CN4) 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. A table highlighting the key differences between the Notes and CPS3 is set out in Section 3.3.

	Term deposit	CN4	ANZ Capital Notes 5	Ordinary Shares
Protected under the Financial Claims Scheme	Yes ¹⁴	No	No	No
Margin	Varies from product to product	4.70%	3.80%, as determined under the Broker Firm Reinvestment Offer 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	Quarterly	Quarterly	Half-yearly – as determined by ANZ in its absolute discretion
Conditions to payment of distributions/	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 quarterly 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, quoted as "ANZPG"	Yes, ANZ Capital Notes 5 are expected to be quoted as "ANZPH"	Yes – quoted as "ANZ"
Term	Often between 1 month and 5 years	Perpetual, subject to mandatory conversion into Ordinary Shares on 20 March 2026 (approximately 9.5 years after its issue date)	Perpetual, subject to Mandatory Conversion into Ordinary Shares on 20 March 2027 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 ¹⁵	N/A
ANZ's early conversion option	No	Yes	Yes See Section 2.3	N/A

14. 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.

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

	Term deposit	CN4	ANZ Capital Notes 5	Ordinary Shares
ANZ's early redemption option	No	Yes	Yes See Section 2.3	No
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			

1.5 KEY RISKS OF ANZ CAPITAL NOTES 5

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 5 are not deposit liabilities or protected accounts	ANZ Capital Notes 5 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 6.1.14
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
Changes in Distribution Rate	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.	Section 6.1.7

Topic	Summary	Where to find more information
Mandatory Conversion may not occur on the Mandatory Conversion Date	<p>ANZ Capital Notes 5 have no fixed maturity date but will Convert into Ordinary Shares on 20 March 2027 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 2027, 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 6.1.8
Holders have no right to request early Exchange	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.	Section 6.1.10
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 to 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 6.1.9
Ranking in a winding-up of ANZ	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.	Section 6.1.14
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 6.1.19
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 6.1.8
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 ratings 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"> • an ANZ Securityholder Offer; • a Broker Firm Reinvestment Offer; and • a Broker Firm New Money Offer. <p>Eligible CPS3 Holders</p> <p>Under the ANZ Securityholder Offer and the Broker Firm Reinvestment Offer, Eligible CPS3 Holders can apply to sell their CPS3 under the Buy-Back Facility and to reinvest the Buy-Back Price in Notes.</p> <p>Under the ANZ Securityholder Offer only, Eligible CPS3 Holders can alternatively apply to sell their CPS3 under the Buy-Back Facility and to receive the Buy-Back Price in cash.</p> <p>The Buy-Back Price is the price paid to an Eligible CPS3 Holder for each Participating CPS3, being \$100.</p> <p>Eligible CPS3 Holders can also apply for additional Notes under the ANZ Securityholder Offer or the Broker Firm New Money Offer, should it proceed.</p> <p>ANZ Securityholder Applicants</p> <p>ANZ Securityholder Applicants can apply for Notes under the ANZ Securityholder Offer.</p> <p>Broker Firms Applicants</p> <p>Broker Firm Applicants may have the opportunity to apply for Notes under the Broker Firm New Money Offer, should it proceed.</p> <p>ANZ will not open the Broker Firm New Money Offer if Allocations under the Broker Firm Reinvestment Offer and ANZ Securityholder Offer amount to in aggregate \$1 billion (or such lesser amount as ANZ determines) and may not open the Broker Firm New Money Offer for any other reason. Any decision not to open the Broker Firm New Money Offer is at ANZ's discretion and will be announced to ASX. ANZ reserves the right to raise less than \$1 billion under the Offer.</p> <p>Information about the different types of offers and how to apply is set out in Sections 3 and 4.</p>	Sections 3 and 4
Buy-Back Facility	<p>The Buy-Back Facility is a facility under which Eligible CPS3 Holders may apply to sell some or all of their CPS3 that were registered at 7.00pm AET on 11 August 2017.</p> <p>For information on the Buy-Back Facility, including the options available to Eligible CPS3 Holders, see Section 3.</p> <p>Subject to the CPS3 terms, any CPS3 not bought-back under the Buy-Back Facility will remain on issue.</p> <p>As at the date of this Prospectus, ANZ has not made any decision on how it will deal with the CPS3 which are not bought-back under the Buy-Back Facility. More detail on the options available to ANZ under the CPS3 terms for dealing with any CPS3 that are not sold under the Buy-Back Facility is available in Section 3.</p>	Section 3
Pro Rata Dividend	<p>A Pro Rata Dividend will be paid on all CPS3 on the Buy-Back Settlement Date (which is expected to be 28 September 2017). If you hold CPS3 as at the relevant record date (which is expected to be 20 September 2017), then you will receive that dividend (subject to settlement of the Buy-Back and the payment conditions in the CPS3 terms).</p> <p>The Pro Rata Dividend is a separate payment of dividend from ANZ which does not form part of the Buy-Back Price.</p>	Section 3.1.7

Topic	Summary	Where to find more information
How to Apply	To apply for Notes, you must either apply online at capitalnotes5.anz.com or complete an Application Form and follow the instructions in Section 4.	Sections 3 and 4
Minimum Application	Your Application must be for a minimum of 50 Notes (\$5,000). If you are an Eligible CPS3 Holder and own less than 50 CPS3, you can still apply for Notes under the Buy-Back Facility but you must apply to reinvest all of your CPS3.	Sections 3 and 4
Allocation policy	<p>ANZ Securityholder Offer</p> <ul style="list-style-type: none"> • Allocations to ANZ Securityholder Applicants (including Eligible CPS3 Holders who apply for Notes under the Buy-Back Facility) will be determined by ANZ in consultation with the Joint Lead Managers and 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 Eligible CPS3 Holders participating in the Buy-Back Facility over other ANZ Securityholder Applicants while still providing for a proportion of the available Notes to be allocated to other ANZ Securityholder Applicants. How ANZ scales back Applications will depend on the extent of Applications from Eligible CPS3 Holders and other ANZ Securityholder Applicants. • In the event of excess demand, it is possible that the proportionate scale back applied to ANZ Securityholder Applicants who are not Eligible CPS3 Holders will be greater than that applied to Eligible CPS3 Holders participating in the Buy-Back Facility. • If an Eligible CPS3 Holder's Application through the Buy-Back Facility is scaled back, that Eligible CPS3 Holder will continue to hold their CPS3 which are not bought-back. • ANZ will not scale back an Application by an Eligible CPS3 Holder to receive the Buy-Back Price in cash. <p>Broker Firm Reinvestment Offer and Broker Firm New Money Offer (should it proceed)</p> <ul style="list-style-type: none"> • Allocations in respect of the Broker Firm Reinvestment Offer to Syndicate Brokers were determined following completion of the Broker Firm Reinvestment Offer Bookbuild with approximately \$552 million allocated to Syndicate Brokers, and no scaling applied. • Allocations in respect of the Broker Firm New Money Offer to Syndicate Brokers (should it proceed), will be determined by ANZ in consultation with the Joint Lead Managers and to Institutional Investors will be agreed by ANZ Securities and ANZ. • Allocations to Broker Firm Applicants by a Syndicate Broker (including in respect of allocations under the Buy-Back Facility) 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. 	Sections 4.4.3
More information	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.	

SECTION 2

ABOUT ANZ CAPITAL NOTES 5

THIS SECTION IS AN OVERVIEW OF THE KEY FEATURES OF ANZ CAPITAL NOTES 5.

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 5

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?
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- 2.3.8. Are there any restrictions on Redemption?
- 2.3.9. What happens on Resale?
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- 2.3.11. Can Holders request Exchange?

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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?
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- 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 5 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?
- 2.6.8. Where Ordinary Shares are issued to a nominee, does the nominee or ANZ have any duties on a sale?
- 2.6.9. Is there a time limit on claims in respect of the Notes?
- 2.6.10. Are determinations by ANZ binding?
- 2.6.11. Does set-off apply to payments in respect of the Notes?
- 2.6.12. What is the power of attorney?
- 2.6.13. What are the tax implications of investing in the Notes?

Topic	Summary	Where to find more information
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2.1 DISTRIBUTIONS

ANZ Capital Notes 5 are expected to pay quarterly floating rate non-cumulative Distributions, which are expected to be fully or substantially 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 **Payment Conditions**). The Payment Conditions are described in Section 2.1.6 below.

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.

2.1.1 How will the Distribution Rate be calculated?	<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>Distribution Rate = (BBSW Rate + Margin) x (1 – Tax Rate) where:</p> <p>BBSW Rate means the BBSW Rate on the first Business Day of the Distribution Period – see Section 2.1.4;</p> <p>Margin is 3.80%, as determined under the Broker Firm Reinvestment Offer Bookbuild; and</p> <p>Tax Rate 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%, although the Tax Rate may change in future years – see Section 6.1.17.</p> <p>For example, assuming the BBSW Rate on the first Business Day of the Distribution Period is 1.70% per annum and given the Margin is 3.80% per annum, then the Distribution Rate for that Distribution Period would be calculated as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">BBSW Rate</td> <td style="text-align: right;">1.70% per annum</td> </tr> <tr> <td>Plus the Margin</td> <td style="text-align: right;">+ 3.80% per annum</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Equivalent unfranked distribution rate</td> <td style="text-align: right;">5.50% per annum</td> </tr> <tr> <td>Multiplied by (1 – Tax Rate)</td> <td style="text-align: right;">x 0.70</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Indicative Distribution Rate</td> <td style="text-align: right;">3.85% per annum</td> </tr> </table>	BBSW Rate	1.70% per annum	Plus the Margin	+ 3.80% per annum	<hr/>		Equivalent unfranked distribution rate	5.50% per annum	Multiplied by (1 – Tax Rate)	x 0.70	<hr/>		Indicative Distribution Rate	3.85% per annum	Clause 3.1 of the Note Terms
BBSW Rate	1.70% per annum															
Plus the Margin	+ 3.80% per annum															
<hr/>																
Equivalent unfranked distribution rate	5.50% per annum															
Multiplied by (1 – Tax Rate)	x 0.70															
<hr/>																
Indicative Distribution Rate	3.85% per annum															

Topic	Summary	Where to find more information												
2.1 DISTRIBUTIONS (CONT)														
<p>2.1.2 How will the Distribution be calculated for each Distribution Period?</p>	<p>Distributions scheduled to be paid on each Distribution Payment Date will be calculated using the following formula:</p> $\text{Distribution} = \frac{\text{Face Value} \times \text{Distribution Rate} \times \text{N}}{365}$ <p>where:</p> <p>Face Value means \$100 per Note;</p> <p>Distribution Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 2.1.1; and</p> <p>N 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 3.85% 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 border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Indicative Distribution Rate</td> <td style="text-align: right;">3.85% 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 Period¹⁶</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 colspan="2" style="border-top: 1px solid black; padding-top: 5px;">Indicative fully franked cash Distribution payment for the Distribution Period per Note</td> </tr> <tr> <td></td> <td style="text-align: right;">\$0.9599</td> </tr> </table> <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 Broker Firm Reinvestment Offer 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	3.85% per annum	Multiplied by the Face Value	x \$100.00	Multiplied by the number of days in the Distribution Period ¹⁶	x 91	Divided by 365	÷ 365	Indicative fully franked cash Distribution payment for the Distribution Period per Note			\$0.9599	<p>Clauses 3.1, 13 and 17.2 of the Note Terms</p>
Indicative Distribution Rate	3.85% per annum													
Multiplied by the Face Value	x \$100.00													
Multiplied by the number of days in the Distribution Period ¹⁶	x 91													
Divided by 365	÷ 365													
Indicative fully franked cash Distribution payment for the Distribution Period per Note														
	\$0.9599													

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

Topic	Summary	Where to find more information												
2.1 DISTRIBUTIONS (CONT)														
<p>2.1.3 What is the impact of franking credits?</p>	<p>Distributions are expected to be fully or substantially 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 3.85% per annum in the example in Section 2.1.2 would be equivalent to an unfranked distribution rate of approximately 5.50% 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" data-bbox="437 898 1158 1189"> <tr> <td>Indicative Distribution Rate</td> <td>3.85% 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 Period¹⁶</td> <td>x 91</td> </tr> <tr> <td>Divided by 365</td> <td>÷ 365</td> </tr> <tr> <td>Sub total</td> <td>\$0.9599</td> </tr> <tr> <td>Divided by 1 – (Tax Rate x (1 – Franking Rate))</td> <td>0.97</td> </tr> </table> <p>Indicative partially franked cash Distribution payment for the Distribution Period per Note \$0.9896</p> <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 applicable to ANZ were to change, the cash amount of Distributions and the amount of any franking credits will change. For instance, if the tax rate decreases the cash amount of any Distribution ANZ may pay would increase and the franking credits attached to that Distribution would decrease.</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	3.85% per annum	Multiplied by the Face Value	x \$100.00	Multiplied by the number of days in the Distribution Period ¹⁶	x 91	Divided by 365	÷ 365	Sub total	\$0.9599	Divided by 1 – (Tax Rate x (1 – Franking Rate))	0.97	<p>Sections 6.1.6 and 6.1.17 and Clause 3.2 of the Note Terms</p>
Indicative Distribution Rate	3.85% per annum													
Multiplied by the Face Value	x \$100.00													
Multiplied by the number of days in the Distribution Period ¹⁶	x 91													
Divided by 365	÷ 365													
Sub total	\$0.9599													
Divided by 1 – (Tax Rate x (1 – Franking Rate))	0.97													

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

Topic	Summary	Where to find more information																								
2.1 DISTRIBUTIONS (CONT)																										
<p>2.1.4 What is the BBSW Rate?</p>	<p>The BBSW Rate is a benchmark three month floating interest rate for the Australian money market. It is used as a reference for the pricing, rate-setting and valuation of Australian dollar financial securities. It changes to reflect supply and demand in the cash and currency markets. The BBSW Rate for each Distribution Period is set on the first Business Day of the relevant Distribution Period.</p> <p>The graph below illustrates the movement in the BBSW Rate over the last 10 years. The rate on 9 August 2017 was 1.70% per annum.</p> <div data-bbox="470 672 1189 1164" data-label="Figure"> <table border="1"> <caption>90 Day BBSW Rate (Estimated % per annum)</caption> <thead> <tr> <th>Date</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr><td>Aug 2007</td><td>7.0</td></tr> <tr><td>Aug 2008</td><td>8.0</td></tr> <tr><td>Aug 2009</td><td>3.5</td></tr> <tr><td>Aug 2010</td><td>5.0</td></tr> <tr><td>Aug 2011</td><td>5.0</td></tr> <tr><td>Aug 2012</td><td>4.0</td></tr> <tr><td>Aug 2013</td><td>3.0</td></tr> <tr><td>Aug 2014</td><td>2.8</td></tr> <tr><td>Aug 2015</td><td>2.5</td></tr> <tr><td>Aug 2016</td><td>2.2</td></tr> <tr><td>Aug 2017</td><td>1.7</td></tr> </tbody> </table> </div> <p>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.</p> <p>If the BBSW becomes negative, the negative amount will be taken into account in calculating the Distribution Rate.</p>	Date	Rate (%)	Aug 2007	7.0	Aug 2008	8.0	Aug 2009	3.5	Aug 2010	5.0	Aug 2011	5.0	Aug 2012	4.0	Aug 2013	3.0	Aug 2014	2.8	Aug 2015	2.5	Aug 2016	2.2	Aug 2017	1.7	<p>Clause 3.1 of the Note Terms</p>
Date	Rate (%)																									
Aug 2007	7.0																									
Aug 2008	8.0																									
Aug 2009	3.5																									
Aug 2010	5.0																									
Aug 2011	5.0																									
Aug 2012	4.0																									
Aug 2013	3.0																									
Aug 2014	2.8																									
Aug 2015	2.5																									
Aug 2016	2.2																									
Aug 2017	1.7																									
<p>2.1.5 When are the Distribution Payment Dates?</p>	<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 2017.</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>	<p>Clauses 3.3, 3.5 and 17.2 of the Note Terms</p>																								

Topic	Summary	Where to find more information
2.1 DISTRIBUTIONS (CONT)		
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"> 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; the payment of Distributions would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or APRA objects to the payment of the Distribution. <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 Relevant Distribution Payment Date), ANZ must not, subject to certain exceptions, without approval of a Special Resolution, until and including the next quarterly Distribution Payment Date:</p> <ul style="list-style-type: none"> resolve to pay or pay any Ordinary Share Dividend; or undertake any Buy-Back (as defined in the Note Terms) or Capital Reduction, <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 Tax required by law to be deducted in respect of such amount.</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 by close of business on the relevant Record Date (as defined in the Note Terms).</p> <p>Distributions and any other amount payable will be paid by:</p> <ul style="list-style-type: none"> electronic transfer to an Australian dollar bank account maintained in Australia with a financial institution nominated by the Holder; or at ANZ's option, if no such account is nominated, sending a cheque to the address of the Holder. <p>In order to receive a payment, a Holder will need to notify the Registry by close of business on the relevant Record Date (as defined in the Note Terms) of an Australian dollar bank account maintained in Australia with a financial institution to which payment should be made. If the Holder does not so notify the Registry, or the payment does not complete, the amount will be held as a non-interest bearing deposit until such account is nominated, claims may no longer be made in respect of that amount or ANZ deals with the amount in accordance with the laws relating to unclaimed moneys.</p>	Clause 13 of the Note Terms

Topic	Summary	Where to find more information
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2.2 MANDATORY CONVERSION

ANZ Capital Notes 5 do not have a maturity date but are scheduled to be Converted into Ordinary Shares on 20 March 2027 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 2027 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"> • First Mandatory Conversion Condition: the VWAP on the 25th Business Day before a potential Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP. • Second Mandatory Conversion Condition: 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. • Third Mandatory Conversion Condition: 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. <p>The following diagram illustrates the operation of the conditions.</p> <div style="text-align: center; margin: 10px 0;"> </div> <p>Note: These dates are subject to adjustments to account for any days where trading in Ordinary Shares does not occur.</p>	Clauses 4.3, 6.1 and 17.2 of the Note Terms

Topic	Summary	Where to find more information
2.2 MANDATORY CONVERSION (CONT)		
<p>2.2.3 What are the reasons for the Mandatory Conversion Conditions?</p>	<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 5 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>	
<p>2.2.4 Until when is Mandatory Conversion deferred if the Mandatory Conversion Conditions are not satisfied?</p>	<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>	<p>Clauses 4.2 and 4.4 of the Note Terms</p>

Topic	Summary	Where to find more information								
2.2 MANDATORY CONVERSION (CONT)										
<p>2.2.5 How many Ordinary Shares will Holders receive on Mandatory Conversion?</p>	<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 \$30.00, the number of Ordinary Shares a Holder would receive following Conversion on a Mandatory Conversion Date would be calculated as follows:</p> <table border="0" data-bbox="437 860 1197 969"> <tr> <td>Face Value</td> <td style="text-align: right;">\$100.00</td> </tr> <tr> <td>Divided by VWAP x 0.99</td> <td style="text-align: right;">÷ \$29.70</td> </tr> <tr> <td colspan="2"><hr/></td> </tr> <tr> <td>Ordinary Shares per Note</td> <td style="text-align: right;">3.3670</td> </tr> </table> <p>Assuming the price of those Ordinary Shares on the Mandatory Conversion Date is also \$30.00, the aggregate value of those Ordinary Shares (calculated by multiplying 3.3670 by 30.00) 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	÷ \$29.70	<hr/>		Ordinary Shares per Note	3.3670	<p>Clauses 6 and 17.2 of the Note Terms</p>
Face Value	\$100.00									
Divided by VWAP x 0.99	÷ \$29.70									
<hr/>										
Ordinary Shares per Note	3.3670									
<p>2.2.6 What is the Issue Date VWAP?</p>	<p>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).</p>	<p>Clause 17.2 of the Note Terms</p>								
<p>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>	<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>	<p>Clauses 6.2 to 6.8 of the Note Terms</p>								

Topic	Summary	Where to find more information
2.3 OPTIONAL EXCHANGE BY ANZ		
ANZ Capital Notes 5 have no fixed maturity but ANZ may choose to Exchange all or some ANZ Capital Notes 5 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"> • Notes are Converted into a variable number of Ordinary Shares with a value¹⁷ of approximately \$101 per Note; • Notes are Redeemed for \$100 per Note; • Notes are Resold to a purchaser nominated by ANZ (that cannot be ANZ or a Related Entity of ANZ) for \$100 per Note; or • a combination of the above. <p>No Exchange elected by ANZ will occur without APRA's prior written approval and unless certain conditions are met.</p> <p>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 2025, 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"> • a change in the tax law in Australia; 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 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. 	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) (a Regulatory Change), 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

17. 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
2.3 OPTIONAL EXCHANGE BY ANZ (CONT)		
<p>2.3.6 What are the conditions or restrictions on Conversion as the Exchange Method?</p>	<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"> • Restrictions on choosing to Convert 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"> – the VWAP is less than or equal to 22.50% of the Issue Date VWAP; or – a Delisting Event has occurred (see Section 2.2.2). • Restrictions on completing the Conversion 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). 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</p>
<p>2.3.7 How many Ordinary Shares will Holders receive if Conversion is the Exchange Method?</p>	<p>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).</p>	<p>Clauses 5 and 6 of the Note Terms</p>
<p>2.3.8 Are there any restrictions on Redemption?</p>	<p>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, the ANZ Level 2 Group and, if applicable, the ANZ Level 3 Group is well above its minimum capital requirements after ANZ elects to Redeem the Notes.</p>	<p>Clauses 5.2(c) and 7 of the Note Terms</p>
<p>2.3.9 What happens on Resale?</p>	<p>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.</p>	<p>Clause 8 of the Note Terms</p>

Topic	Summary	Where to find more information
2.3 OPTIONAL EXCHANGE BY ANZ (CONT)		
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

2.4 CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT

If a Change of Control Event occurs, ANZ must give a notice to Convert all ANZ Capital Notes 5 on issue into a number of Ordinary Shares.

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). ¹⁸	Clauses 4.10 and 17.2 of the Note Terms

18. 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
2.4 CONVERSION FOLLOWING A CHANGE OF CONTROL EVENT (CONT)		
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 (Change of Control Conversion Date), 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?	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.	Section 2.4.3 Clause 4.10 of the Note Terms

2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT

ANZ Capital Notes 5 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 to 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
2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)		
<p>2.5.1 What is a Trigger Event?</p>	<p>There are two types of Trigger Events:</p> <ul style="list-style-type: none"> • a Common Equity Capital Trigger Event; and • a Non-Viability Trigger Event. <p>Common Equity Capital Trigger Event</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 Section 5.4 for more information about ANZ's Common Equity Capital Ratio.</p> <p>A Non-Viability Trigger Event</p> <p>A Non-Viability Trigger Event will occur if, at any time:</p> <ul style="list-style-type: none"> • 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 • 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. <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 capital in the public or private market.</p>	<p>Sections 5.4 and 6.1.9</p> <p>Clauses 4.5, 4.6, 4.9 and 17.2 of the Note Terms</p>

Topic	Summary	Where to find more information
2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)		
<p>2.5.2 What happens following a Trigger Event?</p>	<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"> • the Note will not be Converted on that date and will not be Exchanged on any other date; and • 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. 	<p>Clauses 4.7, 4.8, 4.9, 6.1 and 6.13 of the Note Terms</p>
<p>2.5.3 How many Ordinary Shares will Holders receive if Notes are Converted on a Trigger Event Conversion Date?</p>	<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>	<p>Clauses 6.1 to 6.7 of the Note Terms</p>

Topic	Summary	Where to find more information												
2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)														
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 illustrating how many Ordinary Shares a Holder will receive on Conversion following a Trigger Event?	<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 \$4.50 and the Issue Date VWAP is \$30.00.</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>Step 1 – Calculate the indicative number of Ordinary Shares using the Conversion mechanics</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Face Value</td> <td style="text-align: right;">\$100.00</td> </tr> <tr> <td>Divided by VWAP x 0.99</td> <td style="text-align: right;">÷ \$4.46</td> </tr> <tr> <td style="border-top: 1px solid black;">Ordinary Shares per Note</td> <td style="text-align: right; border-top: 1px solid black;">22.4215</td> </tr> </table> <p>Step 2 – Calculate the Maximum Conversion Number</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Face Value</td> <td style="text-align: right;">\$100.00</td> </tr> <tr> <td>Divided by Issue Date VWAP x 0.2</td> <td style="text-align: right;">÷ \$6.00</td> </tr> <tr> <td style="border-top: 1px solid black;">Ordinary Shares per Note</td> <td style="text-align: right; border-top: 1px solid black;">=16.6667</td> </tr> </table> <p>Step 3 – Assess the effect of the Maximum Conversion Number</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 16.6667 Ordinary Shares. If those Ordinary Shares were sold on ASX at the same price as the VWAP (being \$4.50), the Holder would receive \$75.00 and have suffered a loss on their investment of \$25.00.</p>	Face Value	\$100.00	Divided by VWAP x 0.99	÷ \$4.46	Ordinary Shares per Note	22.4215	Face Value	\$100.00	Divided by Issue Date VWAP x 0.2	÷ \$6.00	Ordinary Shares per Note	=16.6667	
Face Value	\$100.00													
Divided by VWAP x 0.99	÷ \$4.46													
Ordinary Shares per Note	22.4215													
Face Value	\$100.00													
Divided by Issue Date VWAP x 0.2	÷ \$6.00													
Ordinary Shares per Note	=16.6667													

Topic	Summary	Where to find more information
2.5 AUTOMATIC CONVERSION FOLLOWING A TRIGGER EVENT (CONT)		
<p>2.5.6 How many Notes need to be Converted or Written Off on the occurrence of a Trigger Event?</p>	<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"> • Relevant Securities such as Notes, CN1, CN2, CN3 and CN4 will be converted or written off before any Tier 2 Capital instruments are converted or written off; • 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; • 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. <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 to suffer loss as a consequence.</p>	<p>Clauses 4.8, 4.9 and 9.11 of the Note Terms</p>

Topic	Summary	Where to find more information
2.6 OTHER		
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?	<p> Holders do not have voting rights at a meeting of members of ANZ.</p>	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 circumstances including where ANZ reasonably considers the amendment:</p> <ul style="list-style-type: none"> • is made to correct a manifest error; • is of a formal, minor or technical nature; • is necessary to comply with any law, the provisions of any statute or the requirements of any statutory authority; • is expedient for the purposes of listing or clearing the Notes; • amends certain dates or time periods in connection with Mandatory Conversion or Exchange; or • in any other case, will not materially adversely affect the rights of Holders as a whole. <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

Topic	Summary	Where to find more information
2.6 OTHER (CONT)		
<p>2.6.4 What is an Approved NOHC Event?</p>	<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"> • the ordinary shares of the NOHC are listed on ASX; and • 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. <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>	<p>Clauses 9.10, 11, 14.2 and 17.2 of the Note Terms</p>
<p>2.6.5 What is the ANZ Capital Notes 5 Deed Poll?</p>	<p>A trustee has not been appointed for ANZ Capital Notes 5. Instead, there is an ANZ Capital Notes 5 Deed Poll made by ANZ in favour of each person who is from time to time a Holder. The ANZ Capital Notes 5 Deed Poll gives legal effect to ANZ’s obligations in the Note Terms.</p> <p>Under the ANZ Capital Notes 5 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 5 Deed Poll also includes provisions for meetings of Holders.</p> <p>Holders will be bound by the terms of the ANZ Capital Notes 5 Deed Poll, the Note Terms and this Prospectus when ANZ Capital Notes 5 are issued or transferred to them or they purchase ANZ Capital Notes 5.</p> <p>Each Holder can enforce ANZ’s obligations under the ANZ Capital Notes 5 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 5 Deed Poll can be obtained from capitalnotes5.anz.com.</p>	<p>ANZ Capital Notes 5 Deed Poll</p>

Topic	Summary	Where to find more information
2.6 OTHER (CONT)		
2.6.6 What if a Holder is not resident in Australia?	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 Foreign Holder) 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.	Clauses 6.10 and 17.2 of the Note Terms
2.6.7 What happens if FATCA Withholding is required to be made?	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 (as defined in the Note Terms) net of any FATCA Withholding to the Holder.	Clause 6.11 of the Note Terms
2.6.8 Where Ordinary Shares are issued to a nominee, does the nominee or ANZ have any duties on a sale?	None of ANZ or the nominee owes any obligations or duties to Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.	Clause 6.14 of the Note Terms
2.6.9 Is there a time limit on claims in respect of the Notes?	Holders should be aware that 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.	Clause 13.4 of the Note Terms
2.6.10 Are determinations by ANZ binding?	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.	Clause 13.5 of the Note Terms
2.6.11 Does set-off apply to payments in respect of the Notes?	A Holder does not have any right to set-off against ANZ in respect of any claim by ANZ against that Holder and 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.	Clause 9.5 of the Note Terms
2.6.12 What is the power of attorney?	Each Holder agrees to appoint 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 or Conversion 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.	Clause 9.9 of the Note Terms
2.6.13 What are the tax implications of investing in the Notes?	Information about the Australian tax consequences of investing in the Notes is set out in Section 7. The tax implications of investing in Notes will depend on an investor's individual circumstances. Potential investors should obtain their own tax advice.	Section 7

SECTION 3

ABOUT THE BUY-BACK FACILITY

THIS SECTION SETS OUT:

THE OPTIONS AVAILABLE TO CPS3 HOLDERS;

THE DIFFERENCE BETWEEN CPS3 AND ANZ
CAPITAL NOTES 5;

FURTHER INFORMATION ABOUT PARTICIPATING
IN THE BUY-BACK FACILITY AND HOW TO REINVEST
YOUR CPS3 INTO ANZ CAPITAL NOTES 5 OR
RECEIVE CASH FOR THOSE CPS3; AND

THE RISKS ASSOCIATED WITH PARTICIPATING
IN THE BUY-BACK FACILITY.

Topic	Summary	Where to find more information
3.1 THE BUY-BACK FACILITY		
3.1.1 What is the Buy-Back Facility?	The Buy-Back Facility is a facility under which Eligible CPS3 Holders may apply to sell some or all of their CPS3 that were registered to them as at 7.00pm AET on 11 August 2017. ¹⁹	Sections 3.2 and 4
3.1.2 What are my options as a CPS3 Holder?	<p>You can choose to participate in the Buy-Back Facility</p> <p>There are two options for Eligible CPS3 Holders who apply to participate in the Buy-Back Facility:</p> <ul style="list-style-type: none"> • to reinvest the Buy-Back Price in Notes;²⁰ or • receive the Buy-Back Price in cash. <p>Eligible CPS3 Holders applying under the ANZ Securityholder Offer may choose either option; however, under the Broker Firm Reinvestment Offer, there is no option to receive the Buy-Back Price in cash – those holders can only apply to reinvest the Buy-Back Price in Notes.</p> <p>You can choose not to participate in the Buy-Back Facility</p> <p>If you are not eligible to participate in the Buy-Back Facility, or if you are eligible but choose not to participate, you can:</p> <ul style="list-style-type: none"> • take no action. Your CPS3 will remain on issue, subject to the CPS3 terms. For further detail on what will happen to CPS3 which are not bought-back, see Section 3.1.6; or • sell your CPS3 on-market through your broker or otherwise at the prevailing market price. Where you do so: <ul style="list-style-type: none"> - you may have to pay brokerage and may receive a price greater or less than the face value of \$100 per CPS3; - you will not be entitled to receive any dividend on the CPS3 you sell if you are not a CPS3 holder on the relevant record date for the dividend (including the Pro Rata Dividend); and - if eligible, you can use the sale proceeds from any CPS3 you sell (other than under the Buy-Back Facility) to subscribe for Notes under the ANZ Securityholder Offer or the Broker Firm New Money Offer (should it proceed) before the respective Closing Dates. <p>You can choose to purchase Notes under the Offer (other than through the Buy-Back Facility)</p> <p>If you satisfy the eligibility requirements set out in Section 4 you can separately apply to purchase Notes under the ANZ Securityholder Offer or the Broker Firm New Money Offer (should it proceed) whether or not you apply to participate in the Buy-Back Facility.</p>	Sections 3.1.5 and 4
3.1.3 What is the Buy-Back Price?	<p>The Buy-Back Price is the price paid to an Eligible CPS3 Holder for each Participating CPS3, being \$100.²¹</p> <p>The market price of CPS3 is subject to change from time to time and CPS3 holders may be able to sell or dispose of their CPS3 at a price higher or lower than the price they would receive if they were to sell or dispose of their CPS3 through the Buy-Back Facility. The current market price of CPS3 is available at the ASX website (www.asx.com.au).</p>	N/A

19. The market price of CPS3 is subject to change from time to time and CPS3 holders may be able to sell or dispose of their CPS3 at a price higher or lower than the price they would receive if they were to sell or dispose of their CPS3 through the Buy-Back Facility. The current market price of CPS3 is available at the ASX website (www.asx.com.au).

20. For Eligible CPS3 Holders who apply to reinvest in Notes, where Participating CPS3 are sold by the Selling Broker to a person other than the Buying Broker, the proceeds received from those sales which are equivalent to the Buy-Back Price will nonetheless be reinvested in Notes.

21. Eligible CPS3 Holders may receive additional consideration for any Participating CPS3 sold by the Selling Broker at a price higher than \$100 – see Section 3.2.1.

Topic	Summary	Where to find more information
3.1 THE BUY-BACK FACILITY (CONT)		
3.1.4 Am I eligible to participate in the Buy-Back Facility?	<p>Only Eligible CPS3 Holders can apply to participate in the Buy-Back Facility. Eligible CPS3 Holders are persons who:</p> <ul style="list-style-type: none"> • were a registered holder of CPS3 at 7:00pm AET on 11 August 2017; • are shown on the CPS3 register as having an address in Australia; and • 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 invitation to participate in the Buy-Back Facility and the Offer or receiving ANZ Capital Notes 5 under the laws of any jurisdiction. 	Section 4
3.1.5 How do I participate in the Buy-Back Facility?	<p>Information on how to apply to participate in the Buy-Back Facility is set out in Section 4.</p> <p>If you apply to have your CPS3 participate in the Buy-Back Facility, you must ensure that you do not otherwise sell or dispose of any of those CPS3.</p> <p>Eligible CPS3 Holders who apply to participate in the Buy-Back Facility are taken to agree to a holding lock being placed on the relevant CPS3 until the Buy-Back settles.</p> <p>If CPS3 that are intended to participate in the Buy-Back Facility are disposed of prior to the Closing Date for the Buy-Back Facility, the number of Participating CPS3 for a relevant holder will be reduced to equal the number of CPS3 available on the Closing Date for the Buy-Back Facility, which is expected to be 5:00pm AET on 13 September 2017.</p> <p>An Application to participate in the Buy-Back Facility is irrevocable once submitted unless ANZ gives notice that it will not accept the Application.</p>	Section 4
3.1.6 What will happen to CPS3 which are not bought-back?	<p>ANZ has decided that the CPS3 will not be converted, redeemed or bought-back on 1 September 2017.</p> <p>The CPS3 which are not bought-back, including where the Buy-Back does not proceed, will remain on issue, subject to the CPS3 terms.</p> <p>Under the CPS3 terms, ANZ may choose to, among other things, convert to Ordinary Shares, or redeem or buy-back or return capital on, all or some CPS3 on issue on 1 March 2018 and each subsequent semi-annual CPS3 Dividend Payment Date, including 1 September 2019.</p> <p>If CPS3 are not redeemed or bought-back on or before 1 September 2019, the CPS3 will automatically convert into Ordinary Shares where the mandatory conversion conditions set out in the CPS3 terms are satisfied. If those conditions are not satisfied, the CPS3 will remain on issue until the first CPS3 Dividend Payment Date on which the conditions are satisfied (unless otherwise dealt with in accordance with their terms).</p> <p>As at the date of this Prospectus, ANZ has not made any decision how it will otherwise deal with the CPS3 which are not bought-back under the Buy-Back Facility.</p> <p>ANZ may take into account a number of factors when determining how it will deal with the CPS3 not bought-back under the Buy-Back Facility, including (subject to receiving prior written approval from APRA) whether to redeem, buy-back or return capital on the CPS3 at any subsequent CPS3 Dividend Payment Date. As at the date of this Prospectus, ANZ is planning for the aggregate of Notes issued and the CPS3 not bought-back to be approximately \$1 billion. Accordingly, the value of the Notes issued under the Offer may be taken into account when determining whether and to what extent ANZ will redeem, buy-back or return capital on the remaining CPS3.</p>	N/A

Topic	Summary	Where to find more information
3.1 THE BUY-BACK FACILITY (CONT)		
3.1.7 What dividends will I receive as a CPS3 holder?	<p>A dividend is scheduled to be paid on all CPS3 on 1 September 2017. If you held CPS3 at the record date for that dividend (being 17 August 2017), you will receive that dividend (subject to the payment conditions in the CPS3 terms including that the Board resolves to pay the relevant dividend).</p> <p>The Pro Rata Dividend will be paid on all CPS3 on the Buy-Back Settlement Date (which is expected to be 28 September 2017). If you hold CPS3 as at the relevant record date (which is expected to be 20 September 2017), then you will also receive that dividend (subject to settlement of the Buy-Back and the payment conditions in the CPS3 terms). The Pro Rata Dividend is a separate payment of dividend from ANZ which does not form part of the Buy-Back Price.</p> <p>The Pro Rata Dividend will be calculated in accordance with the CPS3 terms and will be paid in respect of the period from (and including) 1 September 2017 to (but excluding) the Buy-Back Settlement Date.</p> <p>Those CPS3 holders whose CPS3 are not bought back through the Buy-Back Facility and who hold the CPS3 on the record date for the dividend scheduled to be paid on 1 March 2018, will receive that dividend on 1 March 2018 calculated from (and including) the Buy-Back Settlement Date to (but excluding) 1 March 2018. The payment of that dividend will be subject to the Board (or its delegates) resolving to pay it and the other payment conditions in the CPS3 terms and will be calculated at the same rate as the Pro Rata Dividend.</p> <p>Payment will be made via direct credit in accordance with your existing CPS3 payment instructions. If you have not provided direct credit details, ANZ will deal with any payment in accordance with the CPS3 terms.</p> <p>If you wish to change your CPS3 payment instructions for the payment of any Pro Rata Dividend you must provide updated instructions to the Registry by 5:00pm AET on 13 September 2017.</p>	N/A
3.1.8 If I apply to participate in the Buy-Back Facility, will I receive a priority allocation of Notes?	Details on the allocation policy are set out in Section 4.4.3.	Section 4.4.3
3.1.9 Can my Application be subject to any scale back?	<p>For information of any potential scale back under the Offer (including in respect of Applications to reinvest the Buy-Back Price in Notes under the Buy-Back Facility), see Section 4.4.3.</p> <p>Applications under the ANZ Securityholder Offer to receive the Buy-Back Price in cash will not be scaled back.</p>	Section 4.4.3
3.1.10 What are the tax implications of participating in the Buy-Back Facility and will any brokerage or stamp duty be payable?	<p>A general outline of the Australian taxation implications for certain investors who are Australian residents for tax purposes participating in the Buy-Back Facility can be found in the Australian taxation summary in Section 7.</p> <p>No brokerage or stamp duty is payable on the buy-back of CPS3 or the reinvestment of your CPS3 in Notes.</p> <p>CPS3 holders who choose to sell their CPS3 on-market (other than through the Buy-Back Facility) through their broker may be required to pay applicable brokerage.</p>	Section 7

Topic	Summary	Where to find more information
3.2 HOW DOES THE BUY-BACK FACILITY WORK?		
3.2.1 How is the Buy-Back of CPS3 effected?	<p>On 26 September 2017 (the Buy-Back Date):</p> <ul style="list-style-type: none"> the Selling Broker (see Section 3.2.2 for a description of the Selling Broker's role) will offer for sale each Participating CPS3 for \$100, or, in the event that there is a higher market price available on that day for Participating CPS3, that higher market price.²² The Selling Broker is Morgan Stanley; and the Buying Broker (who is acting on behalf of ANZ) will make offers on the ASX to buy-back the CPS3 offered for sale at \$100 per CPS3. The Buying Broker is UBS. <p>Following settlement of these trades on the Buy-Back Settlement Date (which is expected to be 28 September 2017):</p> <ul style="list-style-type: none"> you will be paid the Pro Rata Dividend in relation to your CPS3 (subject to the payment conditions in the CPS3 terms). This is a separate amount paid by ANZ to Eligible CPS3 Holders which is in addition to and does not form part of the Buy-Back Price; and if you have applied to receive cash, you will receive \$100 for each of your Participating CPS3;²³ or if you have applied to reinvest in Notes, the Custodian will, on your behalf, reinvest \$100 for each of your Participating CPS3 in Notes, or, if the issue of Notes under the Offer does not proceed, you will receive \$100 for each of your Participating CPS3. <p>As soon as the Buy-Back offer is accepted on the Buy-Back Date, all rights attached to Participating CPS3 are suspended. The CPS3 that are bought-back by ANZ under the above process will be cancelled on completion of the Buy-Back.</p>	N/A
3.2.2 Who are the Custodian and Selling Broker?	<p>The Custodian is ANZ Capital No. 1 Pty Ltd, a wholly owned subsidiary of ANZ. The Custodian will act on behalf of Eligible CPS3 Holders who apply to participate in the Buy-Back Facility and will act as legal custodian in respect of their Participating CPS3 as a preparatory step to facilitate the sale of their CPS3 through the Buy-Back Facility.</p> <p>The Custodian will also appoint the Selling Broker to sell Participating CPS3 under the Buy-Back Facility.</p>	N/A
3.2.3 Do the CPS3 terms permit the buy-back of the CPS3 under the Buy-Back Facility?	<p>Under the CPS3 terms, subject to APRA's prior written approval, ANZ may buy-back CPS3 at any time and at any price by an on-market buy-back.</p> <p>APRA has provided its approval for ANZ to buy-back the CPS3 pursuant to an on-market buy-back.</p>	N/A

22. If any Participating CPS3 are sold for more than \$100, any amount in excess of \$100 will be allocated among participating CPS3 holders in proportion to the number of CPS3 sold on their behalf. This excess (if any) which is at least equal to \$0.01 per CPS3 will be paid to the CPS3 holders in the same way in which distributions on CPS3 have previously been paid to those holders. Therefore the amount that CPS3 holders receive from the sale of CPS3 through the Buy-Back Facility (in the form of Notes or cash) may be more or less than the actual price received by the Custodian for those CPS3 (but never less than \$100 per CPS3).

23. Whether you have applied to receive cash or to reinvest the Buy-Back Price in Notes, you would also receive in cash your pro-rata share (if any) of any proceeds derived from sales of CPS3 for more than \$100 (as described in footnote 22 above).

Topic	Summary	Where to find more information
3.2 HOW DOES THE BUY-BACK FACILITY WORK? (CONT)		
3.2.4 What happens if the Buy-Back offer is not made?	<p>If the Buy-Back offer is not made, no CPS3 will be bought-back and all CPS3 will remain on issue, subject to the CPS3 terms. See Section 3.1.6 for further information.</p> <p>Due to ASX Listing Rule requirements, ANZ may be unable to proceed to make the Buy-Back offer where the volume weighted average price of CPS3 sold in the 5 trading days prior to the Buy-Back Date is more than 5% below the proposed Buy-Back Price.</p>	Section 3.1.6
3.2.5 What happens if the Buy-Back proceeds but Notes are not issued under the Offer?	<p>The Buy-Back is being conducted on-market and is anticipated to settle (as is normal) 2 trading days after the Buy-Back Date (on the Buy-Back Settlement Date), which is expected to be the same day as the Issue Date for the Notes. If, for any reason, the Notes are not issued on the Issue Date, relevant Eligible CPS3 Holders will not receive any Notes. Instead, those holders (along with the other participants in the Buy-Back Facility) will receive the Buy-Back Price for their Participating CPS3 in cash.</p>	N/A

3.3 WHAT ARE THE KEY DIFFERENCES BETWEEN CPS3 AND ANZ CAPITAL NOTES 5?

There are a number of differences between CPS3 and ANZ Capital Notes 5 which you should be aware of before deciding to reinvest your CPS3 under the Buy-Back Facility. The following table describes the key features of the Notes and CPS3 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

	CPS3	ANZ Capital Notes 5
Protected under the Financial Claims Scheme	No	No
Term	Perpetual, subject to mandatory conversion into Ordinary Shares on 1 September 2019 (approximately 8 years after its issue date)	Perpetual, subject to mandatory conversion into Ordinary Shares on 20 March 2027 after approximately 9.5 years ²⁴
Margin	3.10%	3.80%, as determined under the Broker Firm Reinvestment Offer Bookbuild
Distribution rate	Floating	Floating
Distribution payment dates	Half yearly	Quarterly
Rights if distributions not fully franked	Franked, subject to gross up for an unfranked portion	Franked, subject to gross up for an unfranked 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 its Ordinary Shares until and including the next semi-annual CPS3 Dividend Payment Date	Yes, applies to Ordinary Shares until the next quarterly Distribution Payment Date – see Section 2.1.7
Transferable	Yes – quoted on ASX as “ANZPC”	Yes – ANZ Capital Notes 5 are expected to be quoted on ASX as “ANZPH”
Mandatory Conversion into Ordinary Shares	Yes, on 1 September 2019 if the mandatory conversion conditions are satisfied	Yes, on 20 March 2027 if the Mandatory Conversion Conditions are satisfied
ANZ's early conversion option	Yes, on 1 March 2018 and each subsequent semi-annual CPS3 Dividend Payment Date including 1 September 2019 with APRA's prior written approval	Yes, on 20 March 2025 only, with APRA's prior written approval – see Section 2.3
ANZ's early redemption option	Yes, on 1 March 2018 and each subsequent semi-annual CPS3 Dividend Payment Date including 1 September 2019, with APRA's prior written approval	Yes, on 20 March 2025 only, with APRA's prior written approval – see Section 2.3

24. ANZ Capital Notes 5 may also be Converted, Redeemed, Resold or Written Off in a number of other circumstances as described in this Prospectus.

Topic	CPS3	ANZ Capital Notes 5
ANZ resale rights	No	Yes, with APRA's prior written approval – see Section 2.3
Other ANZ early redemption or conversion 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
Automatic conversion or write-off following a trigger event	<p>Yes, ANZ must convert CPS3 if the common equity capital ratio of the ANZ Level 2 Group as prescribed by APRA falls to or below 5.125%.</p> <p>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 – see Section 6.1.9.</p>	<p>Yes, ANZ must Convert the Notes if a Common Equity Capital Trigger Event in respect of the ANZ Level 1 Group or the ANZ Level 2 Group, or a Non-Viability Trigger Event, occurs – see Section 2.5.</p> <p>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 – see Section 6.1.9</p>
Capital classification	Additional Tier 1 Capital ²⁵	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

25. CPS3 have been classified as Additional Tier 1 Capital under APRA's Prudential Standards on a Basel III transitional basis until 1 September 2019.

3.4 WHAT ARE THE RISKS ASSOCIATED WITH PARTICIPATING IN THE BUY-BACK FACILITY AND ACQUIRING NOTES?

There are certain risks associated with participating in the Buy-Back Facility and acquiring Notes, which include:

- there is no guarantee that the Buy-Back offer will be made. If this occurs, no CPS3 will be bought-back and all CPS3 will remain on issue (subject to the CPS3 terms) and no Pro Rata Dividend will be paid;
- the Buy-Back offer will not be made if the volume weighted average trading price of CPS3 calculated over the 5 trading days immediately prior to the Buy-Back Date on which sales of CPS3 were recorded on the ASX is more than 5% below the Buy-Back Price. The Buy-Back offer will also not be made if, prior to the Buy-Back Date, the Offer is terminated. If either scenario occurs, no CPS3 will be bought-back and all CPS3 will remain on issue (subject to the CPS3 terms) and no Pro Rata Dividend will be paid;
- the Buy-Back Price for a Participating CPS3 (which does not include your entitlement to the Pro Rata Dividend) may be less than the ASX trading price of CPS3 (which may include an amount representing any accrued dividend). Rather than participating in the Buy-Back Facility, Eligible CPS3 Holders may obtain a better financial outcome by selling their CPS3 on-market and investing the proceeds in ANZ Capital Notes 5 (although any Application may be scaled back);
- as soon as the Buy-Back offer is accepted on the Buy-Back Date, all rights attached to Participating CPS3 are suspended;
- if you are an Eligible CPS3 Holder and you apply for Notes under the Offer (pursuant to the Buy-Back Facility or otherwise), you may receive an allocation of ANZ Capital Notes 5. As such, you will be subject to the risks associated with an investment in ANZ Capital Notes 5 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 Offer (including under the Buy-Back Facility);
- the Buy-Back is being conducted on-market and is anticipated to settle (as is normal) 2 trading days after the Buy-Back Date (on the Buy-Back Settlement Date), which is expected to be the same day as the Issue Date for the Notes. If, for any reason, the Notes are not issued on the Issue Date, relevant Eligible CPS3 Holders will not receive any Notes. Instead, those holders (along with the other participants in the Buy-Back Facility) will receive the Buy-Back Price for their CPS3 in cash; and
- the Buy-Back Facility is not a simple rollover into a similar investment. ANZ Capital Notes 5 and CPS3 have different benefits and risks, which must be evaluated separately. For a description of the key differences between the two securities, see Section 3.3.

SECTION 4

HOW TO APPLY

THIS SECTION SETS OUT:

WHAT YOU MUST DO IF YOU WISH TO APPLY FOR NOTES
OR PARTICIPATE IN THE BUY-BACK FACILITY;

WHO THE OFFER IS MADE TO;

DETAILS OF THE BOOKBUILDS AND ALLOCATION POLICY;

DETAILS OF ASX QUOTATION AND TRADING; AND

OTHER INFORMATION RELEVANT TO
YOUR APPLICATION

4.1 OBTAINING A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of the Original Prospectus (without an Application Form) was available at capitalnotes5.anz.com. Application Forms were not available until after the Exposure Period.

During the Offer Period, an electronic version of this Prospectus will be available at capitalnotes5.anz.com and a copy of this Prospectus (either paper or electronic) with the relevant Application Form 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 the relevant personalised 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 electronically at capitalnotes5.anz.com or using a validly completed Application Form (either electronic or paper) that was accompanied by a copy of this Prospectus and, if applicable, the Registry has received your Application Payment.

When lodging your Application, you will be required to give certain representations, warranties and acknowledgements to ANZ. In particular, you will be asked to acknowledge that in applying for Notes ANZ has recommended that you obtain 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. If you do not give this acknowledgement (by ticking the relevant box), your Application will not be accepted by ANZ. If you cannot, or are not sure whether you can, provide this acknowledgement, then you should not invest in Notes.

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

4.2 APPLYING FOR ANZ CAPITAL NOTES 5 OR TO PARTICIPATE IN THE BUY-BACK FACILITY²⁶

4.2.1 INSTRUCTIONS FOR ANZ SECURITYHOLDER AND BROKER FIRM APPLICANTS

ANZ SECURITYHOLDER APPLICANT

APPLYING FOR NOTES OR CASH UNDER THE BUY-BACK FACILITY	<p>Application process for Eligible CPS3 Holders</p> <p>If you are an Eligible CPS3 Holder and wish to participate in the Buy-Back Facility under the ANZ Securityholder Offer to apply for Notes or the cash proceeds:</p> <ul style="list-style-type: none"> • you can <ul style="list-style-type: none"> - apply online at capitalnotes5.anz.com. Instructions on how to complete your Application are provided online; - request a paper copy of the Prospectus and your personalised white paper Eligible CPS3 Holder Application Form by calling the ANZ Information Line (see Section 4.6 for contact details). Instructions on how to complete your personalised white paper Eligible CPS3 Holder Application Form are set out on the Application Form; or - seek instructions from your broker or controlling participant as to how to apply if you are a CHESSE sponsored holder; • you will need your SRN or HIN which can be found on the holding statement for your ANZ securities, payment advice and certain materials sent to you by ANZ in relation to the Offer; • you can make your Application from 24 August 2017. Completed Applications must be received online or by the Registry by the Closing Date for the Buy-Back Facility, which is expected to be 5:00pm AET on 13 September 2017; • 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; • you will be required to post your completed personalised white paper Eligible CPS3 Holder Application Form with any 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 13 September 2017 – see Section 4.2.2 for postage address details; • whether you apply for Notes or cash, you must apply to sell a minimum of 50 CPS3 (unless you hold less than that amount of CPS3). If you own less than 50 CPS3, you can still apply to participate in the Buy-Back Facility, but you must apply to sell all of your CPS3; • you may wish to apply for more Notes than the number of CPS3 that you hold under the ANZ Securityholder Offer. Applications for additional Notes under the ANZ Securityholder Offer must be for a minimum of 50 Notes (\$5,000); • if you are only applying to reinvest your CPS3 in Notes under the Buy-Back Facility, an Application Payment is not necessary as the Buy-Back Price will be applied to the Application Payment for Notes to the extent required; • if you wish to apply for additional Notes, an Application Payment will be necessary. If you wish to pay by BPAY you need to make an online Application. Your bank may impose limitations on payments made by BPAY. If your Application is for an amount greater than your bank's daily limit, you may need to complete your BPAY payment over a number of days. If you are unsure what your daily BPAY payment limit is, you should contact your bank; and • ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any Eligible CPS3 Holder a lesser number of Notes than that which they applied for.
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26. The key dates for the Offer are indicative only and may change without notice. ANZ will not open the Broker Firm New Money Offer if Allocations under the Broker Firm Reinvestment Offer and ANZ Securityholder Offer amount to in aggregate \$1 billion (or such lesser amount as ANZ determines) and may not open the Broker Firm New Money Offer for any other reason. Any decision not to open the Broker Firm New Money Offer is at ANZ's discretion and will be announced to ASX. ANZ and the Joint Lead Managers may also agree to vary the timetable, including reducing or extending any Closing Date without notice, or withdrawing the Offer at any time before ANZ Capital Notes 5 are issued.

Application process for ANZ Securityholder Applicants other than under the Buy-Back Facility

If you are an ANZ Securityholder Applicant – that is, you were a holder of Ordinary Shares, CPS3, CN1, CN2, CN3 or CN4 shown on the Register at 7:00pm AET on 11 August 2017 with an address in Australia applying through the ANZ Securityholder Offer – and wish to apply for Notes under the Offer:

- you can:
 - apply online at capitalnotes5.anz.com. Instructions on how to complete your Application are provided online. If you apply online, you will be required to pay for Notes using BPAY; or
 - request a paper copy of the Prospectus and your personalised blue paper ANZ Securityholder Offer Application Form by calling the ANZ Information Line (see Section 4.6 for contact details). Instructions on how to complete your personalised blue paper ANZ Securityholder Offer Application Form are set out on the Application Form;
- you will need your SRN or HIN which can be found on the holding statement for your ANZ securities, payment advice and certain materials sent to you by ANZ in relation to the Offer;
- you can make your Application from 24 August 2017. 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 13 September 2017;
- 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;
- you will be required to post your completed personalised blue paper ANZ Securityholder Offer 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 13 September 2017 – see Section 4.2.2 for postage address details;
- your Application must be for a minimum of 50 Notes (\$5,000);
- if you wish to pay by BPAY you need to make an online Application. Your bank may impose limitations on payments made by BPAY. If your Application is for an amount greater than your bank's daily limit, you may need to complete your BPAY payment over a number of days. If you are unsure what your daily BPAY payment limit is, you should contact your bank; and
- 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.

BROKER FIRM APPLICANT

APPLYING FOR NOTES UNDER THE BUY-BACK FACILITY	<p>Application process for Eligible CPS3 Holders under the Broker Firm Reinvestment Offer</p>	<p>If you are an Eligible CPS3 Holder and wish to participate in the Buy-Back Facility under the Broker Firm Reinvestment Offer:</p> <ul style="list-style-type: none"> • contact your Syndicate Broker for instructions on how to apply; • completed Applications 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 Buy-Back Facility, which is expected to be 5:00pm AET on 13 September 2017 ; • you can only apply to reinvest the Buy-Back Price in Notes – you cannot apply to receive the Buy-Back Price in cash. If you wish to sell your CPS3 and receive the proceeds in cash, you will need to participate in the Buy-Back Facility through the ANZ Securityholder Offer; • you must apply to sell a minimum of 50 CPS3 (unless you hold less than that amount of CPS3). If you own less than 50 CPS3, you can still apply but you must apply to sell all of your CPS3; • you may wish to apply for more Notes than the number of CPS3 that you hold under the ANZ Securityholder Offer (see above) or the Broker Firm New Money Offer (see below), should it proceed. Applications for additional Notes under the ANZ Securityholder Offer and the Broker Firm New Money Offer must be for a minimum of 50 Notes (\$5,000). Should it proceed, the Broker Firm New Money Offer is scheduled to open on 15 September 2017; and • if you are only applying for Notes under the Buy-Back Facility, an Application Payment is not necessary as the Buy-Back Price will be applied to the Application Payment for Notes to the extent required. If you wish to apply for additional Notes, an Application Payment will be necessary.
APPLYING FOR NOTES UNDER THE BROKER FIRM NEW MONEY OFFER	<p>Application process for Broker Firm Applicants under the Broker Firm New Money Offer (should it proceed)</p>	<p>If you are a Broker Firm Applicant – that is, a retail client of a Syndicate Broker or an Institutional Investor invited to participate through the Broker Firm New Money Offer – and wish to apply for Notes under the Broker Firm New Money Offer:</p> <ul style="list-style-type: none"> - contact your Syndicate Broker for instructions on how to apply; - completed Applications 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 New Money Offer, which is expected to be 10:00am AET on 27 September 2017; - Institutional Investors should discuss their invitation to participate in the Broker Firm New Money Offer with ANZ Securities; - your Application must be for a minimum of 50 Notes (\$5,000); and - your Syndicate Broker will inform you of your Allocation. <p>ANZ will not open the Broker Firm New Money Offer if Allocations under the Broker Firm Reinvestment Offer and ANZ Securityholder Offer amount to in aggregate \$1 billion (or such lesser amount as ANZ determines) and may not open the Broker Firm New Money Offer for any other reason. Any decision not to open the Broker Firm New Money Offer is at ANZ's discretion and will be announced to ASX.</p>

4.2.2 LODGING YOUR APPLICATION (IF NOT APPLYING ONLINE OR THROUGH YOUR BROKER)

(A) WHERE TO SEND PAPER APPLICATIONS

You must return your completed paper Application Form and Application Payment (if applicable) for the ANZ Securityholder Offer 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 13 September 2017.

ANZ Capital Notes 5 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 5 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 apply for Notes under the Offer and 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. For further information on potential scale back – see Section 4.4.3.

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 BOOKBUILDS

The Broker Firm Reinvestment Offer Bookbuild was conducted before the Opening Date of the Broker Firm Reinvestment Offer. It was used to determine the Margin and firm Allocations of Notes to Bookbuild participants in respect of the Broker Firm Reinvestment Offer based on bids received from Syndicate Brokers with approximately \$552 million allocated and no scaling applied.

If ANZ decides to open the Broker Firm New Money Offer, the Bookbuild for the Broker Firm New Money Offer will be conducted after the Closing Date for the ANZ Securityholder Offer and Broker Firm Reinvestment Offer. It will be used to determine firm Allocations of Notes to Bookbuild participants in respect of the Broker Firm New Money Offer based on bids received from participants in the Bookbuild.

The Broker Firm Reinvestment Offer Bookbuild was, and the Bookbuild for the Broker Firm New Money Offer will be (should it proceed), conducted by the Joint Lead Managers in consultation with ANZ 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.

4.4.2 SETTLEMENT

The Joint Lead Managers have agreed with ANZ to bid into each 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 8.5.

4.4.3 ALLOCATION POLICY

Broker Firm Reinvestment Offer and Broker Firm New Money Offer (should it proceed)	<p>Allocations in respect of the Broker Firm Reinvestment Offer to Syndicate Brokers were determined following completion of the Broker Firm Reinvestment Offer Bookbuild with approximately \$552 million allocated and no scaling applied.</p> <p>Allocations in respect of the Broker Firm New Money Offer to Syndicate Brokers (should it proceed), will be determined by ANZ in consultation with the Joint Lead Managers and to Institutional Investors will be agreed by ANZ Securities and ANZ.</p> <p>Allocations to Broker Firm Applicants by a Syndicate Broker (including in respect of allocations under the Buy-Back Facility) 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.</p>
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ANZ Securityholder Offer	<p>Allocations of Notes to ANZ Securityholder Applicants (including Eligible CPS3 Holders who apply for Notes under the Buy-Back Facility or who otherwise apply for additional Notes under the ANZ Securityholder Offer) will be determined by ANZ in consultation with the Joint Lead Managers and 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 Eligible CPS3 Holders participating under the Buy-Back Facility over other ANZ Securityholder Applicants while still providing for a proportion of the available Notes to be allocated to other ANZ Securityholder Applicants. How ANZ scales back Applications will depend on the extent of Applications from Eligible CPS3 Holders and other ANZ Securityholder Applicants. In the event of excess demand, it is possible that the proportionate scale back applied to ANZ Securityholder Applicants who are not Eligible CPS3 Holders will be greater than that applied to Eligible CPS3 Holders participating under the Buy-Back Facility.</p> <p>If an Eligible CPS3 Holder's Application through the Buy-Back Facility is scaled back, that Eligible CPS3 Holder will continue to hold their CPS3 which are not bought-back.</p> <p>ANZ will not scale back an Application by an Eligible CPS3 Holder to receive the Buy-Back Price in cash.</p> <p>Any scale back and the basis of Allocation will be announced on 29 September 2017 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"> • allocate to any ANZ Securityholder Applicant all Notes for which they have applied; • reject any Application by an ANZ Securityholder Applicant; or • allocate to any ANZ Securityholder Applicant a lesser number of Notes than that applied for, including less than the minimum Application of Notes or none at all. <p>No assurance is given that any ANZ Securityholder Applicant will receive an Allocation.</p>
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4.5 ASX QUOTATION, CONFIRMATION STATEMENTS AND OTHER INFORMATION

4.5.1 ASX QUOTATION

ANZ has applied 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 29 September 2017 under ASX code "ANZPH". Trading is expected to continue on that basis until 6 October 2017, 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. 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 5 October 2017.

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 a successful 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 are not required to provide your TFN or ABN. However, ANZ may be required to withhold Australian tax at the maximum marginal tax rate plus the Medicare levy (currently being 47%) on the unfranked part of any Distribution unless you have provided:

- your TFN or, in certain circumstances, your ABN; or
- notification that you are exempt from providing this information.

In this regard, on 17 August 2017, the Coalition Government introduced the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 into the House of Representatives. If enacted in its current form, this Bill would increase the Medicare levy from 2% to 2.5%, which would increase the sum of the highest marginal rate plus the Medicare levy from 47% to 47.5%, for the 2019–20 income year and later income years.

Further, 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

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 5;
- 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 Reinvestment Offer or the Broker Firm New Money Offer, please call your Syndicate Broker.

SECTION 5

ABOUT ANZ

THIS SECTION SETS OUT:

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

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

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

5.1 OVERVIEW OF ANZ

The ANZ Group began its Australian operations in 1835 and its New Zealand operations in 1840. 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.

The ANZ Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional customers. Geographically, operations span Australia, New Zealand, a number of countries in the Asia Pacific region, the United Kingdom, France, Germany and the United States.

As at 31 March 2017, the ANZ Group had total assets of approximately A\$896.5 billion, and shareholders' equity excluding non-controlling interests of approximately A\$57.8 billion. In terms of total assets among banking groups, the ANZ Group ranked in the top two banking groups in Australia as at 31 March 2017 and first in New Zealand as at 31 March 2017. 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 2017, ANZ had a market capitalisation of approximately A\$93.4 billion which ranked among the top three largest companies listed on the ASX.

PRINCIPAL ACTIVITIES OF THE ANZ GROUP

The ANZ Group operates a divisional structure with five divisions: Australia, Institutional, New Zealand, Wealth Australia and Asia Retail & Pacific.

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 and private banking customers via the branch network, mortgage specialists, the contact centre and a variety of self-service channels (internet banking, phone banking, ATMs, website and digital 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 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 trade and 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 WEALTH AUSTRALIA

The Wealth Australia division comprises Insurance and Funds Management business units which provide insurance, investment and superannuation solutions intended to make it easier for customers 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.

5.1.4 NEW ZEALAND

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

- (a) Retail provides a full range of banking and wealth management services to consumer, private banking and small business banking customers. It delivers its services via internet and app based digital solutions and network of branches, mortgage specialists, relationship managers and contact centres.
- (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.

5.1.5 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, small to medium sized enterprises, institutional customers and Governments located in the Pacific Islands. Products and services include retail products provided to consumers, traditional relationship banking and sophisticated financial solutions provided to business customers through dedicated managers.

5.2 ANZ GROUP STRATEGY

5.2.1 STRATEGY

ANZ's strategy is to use its strong Australian and New Zealand foundations, distinctive geographic footprint, service and insights to better meet the needs of customers and capture opportunities linked to regional trade and capital flows. In doing this, ANZ provides shareholders with access to a unique combination of high-returning franchises and direct exposure to long-term Asian growth.

ANZ's strategy has three elements:

- creating the best bank in Australia and New Zealand for home owners and small business customers;
- building the best bank in the world for clients driven by regional trade and capital flows; and
- establishing common, digital-ready infrastructure to provide great customer experience, scale and control.

ANZ's strategy is underpinned by strong expense, capital and risk management disciplines and the quality of our people.

The financial services industry is being reshaped by a set of forces that make it more difficult to achieve the performance levels of the past, with lower economic growth, heightened consumer expectations, increased competitive intensity and greater regulatory, legal and political scrutiny.

Left unchecked, these forces will lower sector growth, reduce profitability and increase the commoditisation of the industry. In response, ANZ believes it is creating a simpler, better capitalised bank that is more focused, more innovative and more values-based.

5.2.2. STRATEGIC PRIORITIES

ANZ's four medium term strategic priorities are to:

Create a simpler, better capitalised, better balanced and more agile bank	Reduce operating costs and risks by removing product and management complexity, exiting low return and non-core businesses and reducing ANZ's reliance on low-returning aspects of Institutional banking in particular.
Focus ANZ's efforts on attractive areas where ANZ can carve out a winning position	Make buying and owning a home or starting, running and growing a small business in Australia and New Zealand easy. Be the best bank in the world for customers driven by the movement of goods and capital in our region.
Drive a purpose and values led transformation of ANZ	Create a stronger sense of core purpose, ethics and fairness, investing in leaders who can help sense and navigate a rapidly changing environment.
Build a superior everyday experience for our people and customers to compete in the digital age.	Build more convenient, engaging banking solutions to simplify the lives of customers and our people.

5.2.3. PORTFOLIO REBALANCING AND ASSET DISPOSAL

As part of ANZ's strategic priority of creating a simpler, better capitalised, better balanced and more agile bank, ANZ has announced the disposal of a number of assets and that it is looking at options for certain other assets.

ANZ has signed agreements to sell its 20% stake in Shanghai Rural Commercial Bank (SRCB), the UDC Finance business in New Zealand and ANZ's retail and wealth businesses in six Asian countries. Completion has now occurred in regards to the Retail and Wealth businesses in China and Singapore with Hong Kong expected to complete prior to the end of ANZ's 2017 financial year. The other transactions remain subject to regulatory approval and completion.

Over time ANZ will also look at opportunities to divest other minority investments in Asia including a 24% equity stake in AmBank Holding Berhad (AMMB), a 39% equity stake in P.T Bank Pan Indonesia (Panin) and a 12% equity stake in Bank of Tianjin (BoT).

Following a strategic review of ANZ's Wealth Australia business in 2016, ANZ is exploring a range of possible strategic and capital markets options. These options include the possible sale or demerger of the life insurance, advice and superannuation and investments business in Australia, together with entering into a long term distribution agreement for the provision of life insurance and investment products and services to ANZ customers.

Consideration will be given to ANZ New Zealand's life insurance business in due course. ANZ New Zealand's funds management business, including KiwiSaver, will be retained as it is considered core to ANZ New Zealand's wealth business.

Section 6.2.10 provides further information and a description of risks associated with any disposal.

5.3 FINANCIAL INFORMATION ABOUT ANZ

5.3.1 2016 FINANCIAL YEAR

The Group's statutory profit after tax for the year ended 30 September 2016 attributable to the shareholders of ANZ was \$5,709 million, compared to \$7,493 million for the year ended 30 September 2015, a decrease of 24%. The dividend for the year ended 30 September 2016 was 160 cents per Ordinary Share (fully franked) compared to 181 cents per Ordinary Share (fully franked) for the year ended 30 September 2015 representing a decrease of 12%.

5.3.2 2017 INTERIM RESULTS

The Group's statutory profit after tax for the half year ended 31 March 2017 attributable to the shareholders of ANZ was \$2,911 million compared to \$2,738 million for the half-year ended 31 March 2016, an increase of 6%. The 2017 interim dividend of 80 cents per Ordinary Share (fully franked) represented no increase on the 2016 interim dividend of 80 cents.

5.3.3 ANZ TRADING UPDATE FOR 9 MONTHS TO 30 JUNE 2017

ANZ released its trading update for the 9 months to 30 June 2017 on 15 August 2017. The Group's statutory profit after tax was \$4.6 billion compared to \$4.3 billion for the 9 months to 30 June 2016, an increase of 6.4%.

Further information is available at 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 the Group's subordinated debt and cash by approximately \$985 million (\$1 billion gross proceeds of the Offer, less approximately \$15 million of Offer costs) with no impact on the Group's net assets or shareholders' equity.

If ANZ buys-back all of the CPS3, the Group's subordinated debt and cash would reduce by approximately \$1.34 billion, with no impact on the Group's net assets or shareholders' equity.

On a net basis, the Offer of the Notes and the buy-back of all of the CPS3 would reduce the Group's subordinated debt and cash by approximately \$355 million. However, ANZ does not expect that all CPS3 holders will elect to participate in the Buy-Back Facility. The Offer of the Notes and the Buy-Back Facility will not have a material impact on the Group'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 less than \$1 billion under the Offer and not all CPS3 holders may choose to participate in the Buy-Back Facility. In either of these scenarios, these figures will be impacted accordingly. The value of the Notes issued under the Offer may be taken into account when determining whether and to what extent ANZ will redeem, buy-back or return capital on the remaining CPS3 (subject to receipt of prior written approval from APRA).

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 and funds management 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; that is, ANZ and all its related bodies corporate (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 and the Group's capital ratios as at 30 June 2017 and the effect of the Offer, see Sections 5.4.6 and 5.4.7.

5.4.2 BASEL III FRAMEWORK

ANZ has been accredited by APRA to use the Advanced Internal Ratings Based (IRB) methodology for calculating credit risk weighted assets and the Advanced Measurement Approach for calculating operational risk weighted asset equivalent. APRA views Basel III requirements as a minimum standard and has accordingly set higher requirements in some areas.

5.4.3 PRUDENTIAL CAPITAL CLASSIFICATION

APRA currently classifies an ADI's regulatory capital into three tiers for supervisory purposes – referred to as Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 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. The ratio of Common Equity Tier 1 Capital to risk weighted assets is called the Common Equity Capital Ratio.

Additional Tier 1 Capital comprises certain securities not classified as Common Equity Tier 1 Capital but with loss absorbing characteristics including that, at the time of "non-viability" of an ADI, these instruments will be either converted to ordinary shares or written off (such as ANZ Capital Securities and the ANZ Capital Notes 5). 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 confirmed that the Notes will constitute Additional Tier 1 Capital for the purposes of ANZ's regulatory capital requirements.

5.4.4 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**). APRA also requires ADIs to hold Common Equity Tier 1 Capital buffers (**Combined Capital Buffers**) consisting of:

- a capital conservation buffer (**Capital Conservation Buffer**) of 2.5%, unless APRA determines otherwise; plus
- an additional capital buffer of 1.0% from 1 January 2016 given APRA has determined that ANZ is an important bank to the Australian financial system (otherwise known as a 'domestic systemically important bank' or a D-SIB); plus
- a counter-cyclical capital buffer. In respect of Australian exposures the buffer is currently 0.0%, although it may vary over time up to 2.5% in response to market conditions. Regulators in some jurisdictions in which ANZ operates have set counter-cyclical capital buffers that apply to exposures in that jurisdiction, and as such apply to ANZ, however, as at 30 June 2017 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 Ratios can be expected to arise in the future reflecting the build-up 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 and funds management 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 requirement for 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 for a D-SIB (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 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 ($>PCR + \text{Combined Capital Buffers}$)	100%
Within the fourth quartile of the Combined Capital Buffers ($>PCR + 0.75\%$ of the Combined Capital Buffers to $\leq PCR + \text{Combined Capital Buffers}$)	60%
Within the third quartile of the Combined Capital Buffers ($>PCR + 0.50\%$ of the Combined Capital Buffers to $\leq PCR + 0.75\%$ of the Combined Capital Buffers)	40%
Within the second quartile of the Combined Capital Buffers ($>PCR + 0.25\%$ of the Combined Capital Buffers to $\leq PCR + 0.50\%$ of the Combined Capital Buffers)	20%
Within the first quartile of the Combined Capital Buffers (PCR to $\leq PCR + 0.25\%$ 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 Distributions on the Notes to the profits of a particular year or period.

5.4.5 FINANCIAL SYSTEM INQUIRY

The Australian Government conducted a comprehensive inquiry into Australia's financial system and released a final report (**the FSI Report**) on 7 December 2014 which is available from www.fsi.gov.au. One of the recommendations of the FSI Report was that APRA set capital standards for ADIs such that capital ratios are "unquestionably strong".

On 19 July 2017, APRA released an information paper which outlines APRA's conclusions with respect to the quantum and timing of capital increases that will be required for ADIs to achieve "unquestionably strong" capital ratios. As a result, ANZ will be required to target a Common Equity Capital Ratio of at least 10.5% by 2020.

Given ANZ's current Common Equity Capital Ratios detailed in Section 5.4.6, ANZ will aim to achieve the new capital requirement ahead of the schedule outlined by APRA. This is expected to be achieved through a range of initiatives, including the asset disposals for which agreements have been signed but are yet to complete, as described in Section 5.2.3.

APRA's implementation of the prudential standards to produce unquestionably strong capital ratios will result in further changes to the risk weighting framework for certain asset classes and other risks (such as operational risk). Changes may also include increases in the Capital Conservation Buffer. Whilst APRA has announced that it does not expect that the changes to the risk weights will necessitate further increases in capital for ADI's, it is not clear how APRA will implement these changes. In particular, it may result in the Common Equity Capital Ratio reducing. This may reduce the amount of surplus Common Equity Tier 1 Capital ANZ holds above the Minimum Capital Ratio and possibly impact the amount of the Maximum Distributable Amount ANZ is able to pay (see Section 5.4.4 for a description of the restrictions on the payments of Distributions).

Future Prudential Regulatory Changes

APRA's prudential standards may be further supplemented by yet to be finalised proposals to implement the other key FSI recommendations:

- to supplement 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 and the Group's total exposure (on and off balance sheet assets); and
- to implement 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.

The Australian Government has released exposure draft legislation to amend the Banking Act and related legislation to implement the FSI recommendation to enhance APRA's crisis management powers.

Australian Government's Bank Levy

The Australian Government has imposed a levy on liabilities for certain large banks, including ANZ, with effect from 1 July 2017. The levy will be payable on a quarterly basis, with the first payment to be made in relation to the September 2017 quarter.

Based on ANZ's 31 March 2017 balance sheet, ANZ estimates that the financial impact of the levy will be approximately \$345 million before tax, and approximately \$240 million after tax, per annum.

There is also some risk that Australian State and Territory Governments may introduce similar levies.

A bill to this effect has been introduced into the South Australian Parliament but has not yet been enacted.

The net financial impact of the Australian Government's bank levy, and any similar levies, will also be dependent upon business performance and decisions ANZ makes in response to the levy. ANZ's balance sheet is also undergoing change due to various strategic initiatives that may impact the amount of the levy payable.

5.4.6 THE ANZ GROUP'S COMMON EQUITY CAPITAL RATIO

The Common Equity Capital Ratios of the ANZ Level 1 and Level 2 Groups were 9.6% and 9.8% at 30 June 2017 respectively, which take into account the 2017 interim dividend paid on 3 July 2017.

Completion of the asset disposals described in section 5.2.3, which have been previously announced but which remain subject to regulatory approvals and settlement, would have increased those Common Equity Capital Ratios of the ANZ Level 1 and Level 2 Groups by approximately 0.7% had completion occurred by 30 June 2017.

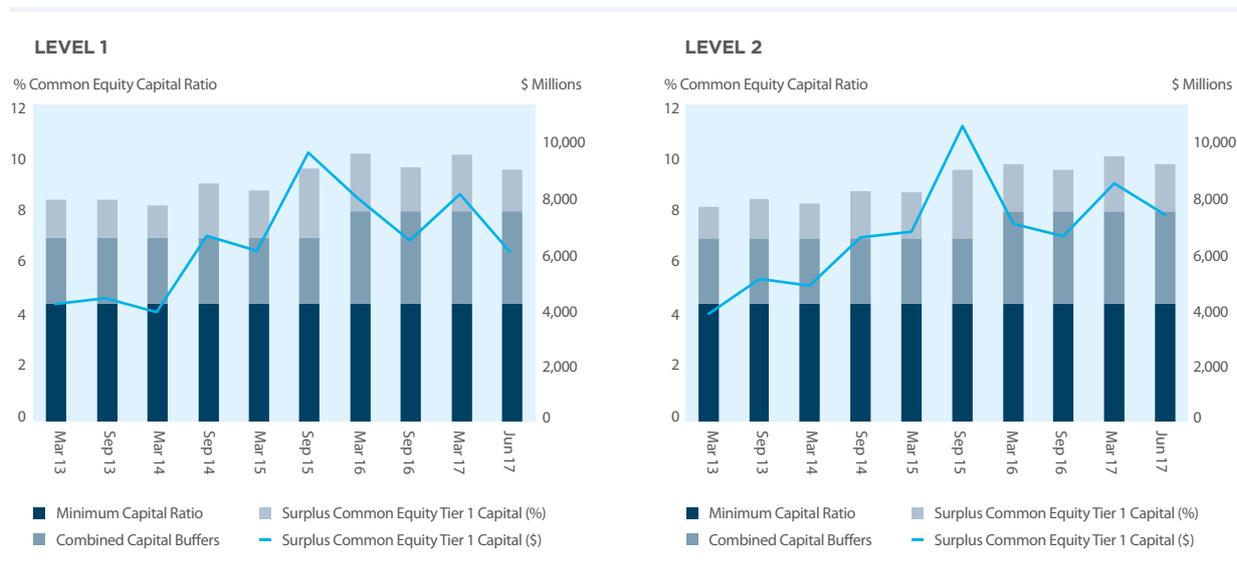
ANZ is currently targeting a Common Equity Capital Ratio of around 10.5%. ANZ gives no assurance as to what its Common Equity Capital Ratio for the ANZ Level 1 Group or ANZ Level 2 Group will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition. In fact, following the finalisation of the prudential standards implementing APRA's "unquestionably strong" capital ratios described in section 5.4.5 above, the Common Equity Capital Ratios may be lower than current levels.

A Common Equity Capital Ratio of 9.6% and 9.8% for the ANZ Level 1 and Level 2 Groups respectively, as at 30 June 2017, would equate to:

- approximately \$17 billion and \$19 billion of surplus Common Equity Tier 1 Capital for the ANZ Level 1 Group and ANZ Level 2 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 \$6.1 billion and \$7.4 billion of surplus Common Equity Tier 1 Capital for both the ANZ Level 1 Group and ANZ Level 2 Group respectively in excess of a Common Equity Capital Ratio of 8.0% which is the current APRA Minimum Capital Ratio applying under the Prudential Standards to a D-SIB.

Over the past 5 years since APRA started to implement the Basel III framework, the difference between ANZ's reported Common Equity Capital Ratio and the aggregate of the minimum capital requirement and the capital buffers applying at that time has ranged between approximately 1.3% and 2.6% at Level 1 and approximately 1.2% and 2.6% at Level 2.

The graphs below highlight this surplus Common Equity Tier 1 Capital over the Minimum Capital Ratio applying at that time (in both percentage and dollar terms) at Level 1 and Level 2.



5.4.7 PROFORMA CONSOLIDATED CAPITAL ADEQUACY POSITION AS AT 30 JUNE 2017

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 2017 adjusted for the effect of the proposed issue of \$1 billion of Notes under the Offer net of any buy-back of the \$1.34 billion of CPS3 as a result of the Buy-Back Facility.

The pro forma adjustments contained in the table below:

- in the third and fourth columns, show the reduction in the capital adequacy ratios if ANZ were to buy-back all of the CPS3 under the Buy-Back Facility (although ANZ does not expect that all CPS3 Holders will elect to participate in the Buy-Back Facility);
- in the fifth column, shows the impact of the Offer of \$1 billion of Notes less Common Equity Tier 1 Capital Deductions of approximately \$15 million, being the estimated costs of the Offer; and
- in the last column, shows the net effect of the buy-back of all of the CPS3 under the Buy-Back Facility and the Offer of the Notes.

If there is an over or under-subscription for the Notes, or not all CPS3 holders participate in the Buy-Back Facility, 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 and the level of participation in the Buy-Back Facility. ANZ's capital adequacy ratios will also be impacted by organic capital growth, changes in provisions and risk weighted assets growth since 30 June 2017.

The table below also shows the reduction in the Common Equity Capital Ratio between 31 March 2017 and 30 June 2017, which includes the provision for the payment of the 2017 interim dividend on 3 July 2017.

ANZ'S SUMMARISED CONSOLIDATED CAPITAL ADEQUACY RATIOS AS AT 30 JUNE 2017

ANZ Level 2 Group ¹	ANZ 31 March 2017 ²	ANZ 30 June 2017 ³	Proforma adjustment: CPS3 buy-back	Proforma ANZ 30 June 2017 after the CPS3 buy-back	Proforma adjustment: CN5 issue	Proforma ANZ 30 June 2017 net of the CPS3 buy-back and CN5 issue
Common Equity Capital Ratio	10.1%	9.8%	0%	9.8%	0%	9.8%
Additional Tier 1 Capital Ratio	2.0%	2.0%	-0.3%	1.7%	0.2%	1.9%
Tier 1 Capital	12.1%	11.8%	-0.3%	11.5%	0.2%	11.7%
TOTAL CAPITAL RATIO	14.5%	14.1%	-0.3%	13.8%	0.2%	14.0%

1. The capital adequacy ratios contained in this table have been rounded to the nearest decimal place. Any discrepancies in the sum of the ratios in this table are due to rounding. These ratios do not include the impact of any asset disposals referred to in Section 5.2.3.

2. The summarised consolidated capital adequacy ratios of the ANZ Level 2 Group as at 31 March 2017 are extracted from the financial statements for the half-year ended 31 March 2017 (which are not subject to KPMG's audit or review processes).

3. The summarised consolidated capital adequacy ratios of the ANZ Level 2 Group as at 30 June 2017 are derived from ANZ's Pillar III disclosure released on 15 August 2017 (which are not subject to KPMG's audit or review processes).

The adjustments in the table above in respect of the ANZ Level 2 Group would have had a similar effect on the ANZ Level 1 Group ratios as at 30 June 2017 on a proforma basis. The Tier 1 Capital Ratio and Total Capital Ratio for the ANZ Level 1 Group as at 30 June 2017 would have reduced by 0.4% as a result of a buy-back of all the CPS3 and increased by 0.3% as a result of an issue of \$1 billion of Notes.

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. 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 was 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 requirements of APRA are: (i) the LCR that became effective on 1 January 2015 and (ii) the Net Stable Funding Ratio (NSFR).

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 has finalised its NSFR requirements for Australian ADIs and confirmed that the NSFR will become a minimum requirement on 1 January 2018. As part of managing future liquidity requirements, the Group monitors the NSFR in its internal reporting and believes the Group is well placed to meet this requirement by the implementation date.

SECTION 6

INVESTMENT RISKS

THIS SECTION DESCRIBES SOME OF THE POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN ANZ CAPITAL NOTES 5 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 5

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 2027 (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

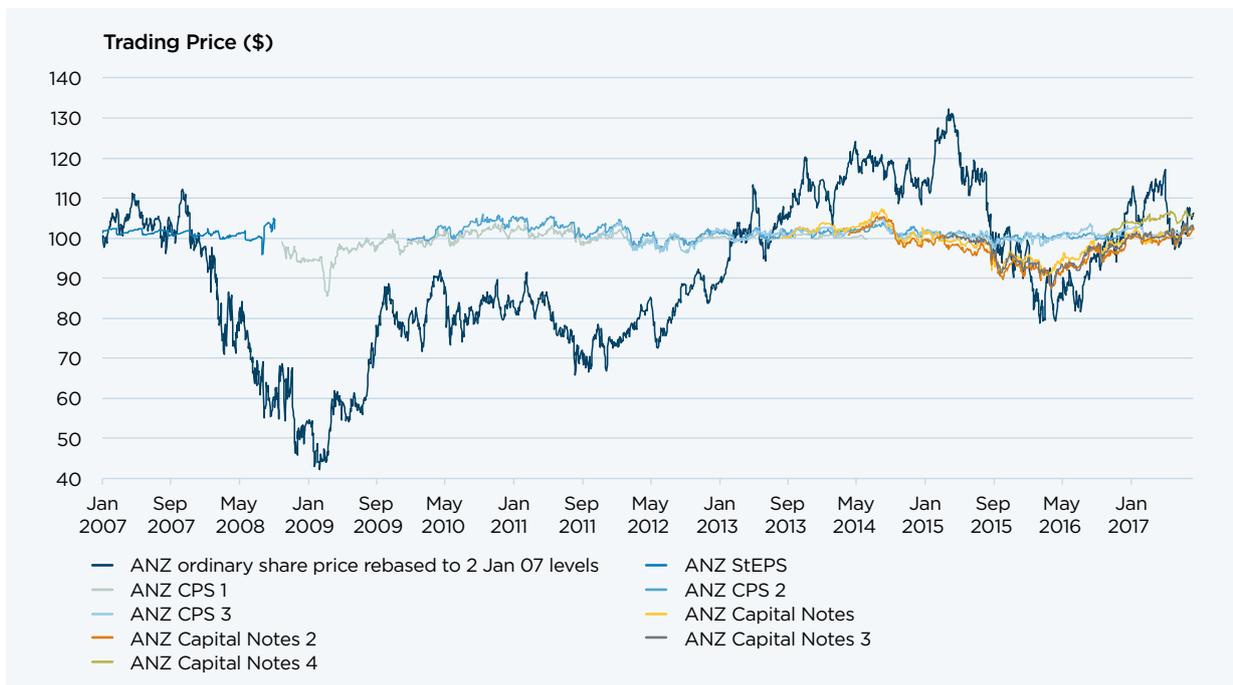
The market price of Notes may move up or down due to various factors, including investor perceptions, worldwide economic conditions, credit spreads, movements in the market price of Ordinary Shares or senior or subordinated debt, the occurrence or potential occurrence of a Trigger Event or factors resulting 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



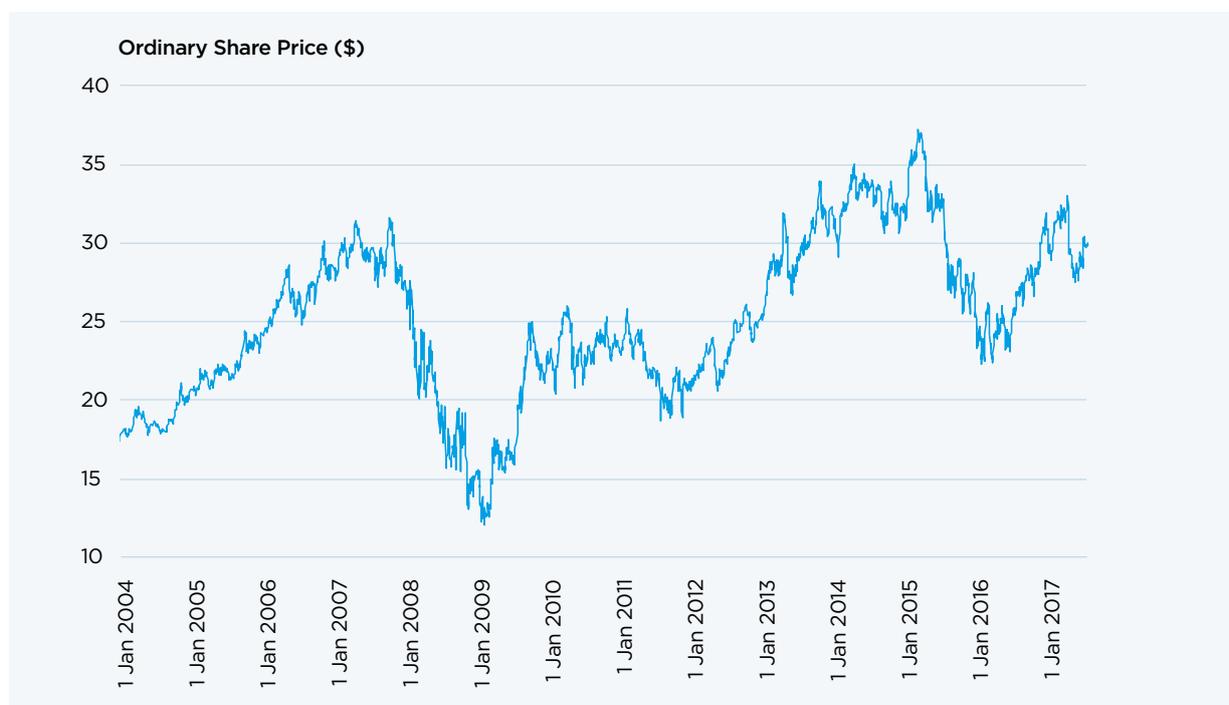
6.1.3 EXPOSURE TO ANZ'S FINANCIAL PERFORMANCE AND POSITION

If the Group'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 6.1.9), 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 or the Group'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 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 Distributions 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 capital distributions (including Distributions on the Notes) and discretionary staff bonuses if the Common Equity Capital Ratio falls into its Combined Capital Buffers – see Section 5.4.4.

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. 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 – 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).

Changes in regulations applicable to ANZ, or its other obligations, may impose additional requirements which prevent ANZ from paying a Distribution in additional circumstances. Restrictions on the proportion of profits that can be paid through ordinary dividends, Additional Tier 1 capital distributions (including Distributions on ANZ Capital Notes 5) and discretionary staff bonuses will apply if the Common Equity Capital Ratio falls into the Combined Capital Buffer. For further information, see Sections 5.4 and 6.1.9.

6.1.6 DISTRIBUTIONS MAY NOT BE FULLY FRANKED

ANZ expects Distributions to be fully or substantially franked. 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, the amount of the cash 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 ANZ CAPITAL NOTES 5 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 2027 (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.

6.1.9 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 5 will be converted or written off before any Tier 2 Capital instruments are converted or written off;
- 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.

6.1.10 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.

6.1.11 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.

6.1.12 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, the ANZ Level 2 Group and, if applicable, the ANZ Level 3 Group is well above its minimum capital requirements after ANZ elects to Redeem Notes.

6.1.13 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 6.1.9, Conversion following a Trigger Event is not subject to any conditions.

6.1.14 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.

6.1.15 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.

6.1.16 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 6.1.10.

6.1.17 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 tax costs in relation to Notes; 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 6.1.10). 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, on 11 May 2017, the Coalition Government introduced the *Treasury Laws Amendment (Enterprise Tax Plan No. 2) Bill 2017* into the House of Representatives. If enacted in its current form, this Bill will progressively extend a reduced corporate tax rate of 25% to all corporate tax entities by the 2026-27 income year, with the rate 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. For instance, if the tax rate decreases the cash amount of any Distribution ANZ may pay would increase and the franking credits attached to that Distribution would decrease.

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 2017.

6.1.18 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.

6.1.19 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.

6.1.20 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.

6.1.21 SHAREHOLDING LIMITS AND NOMINEE SALES

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.

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 **Foreign Holder**) 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.

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.

None of ANZ or the nominee owes any obligations or duties to Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

6.1.22 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.

APRA's powers may be enhanced by changes in law, see Section 5.4.5.

6.1.23 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 5 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.

6.1.24 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.

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, Asia Pacific, 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 of loss arising from adverse changes in interest rates, foreign exchange rates, credit spreads or fluctuations in bond, commodity or equity 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

Credit ratings of members of the ANZ Group have a significant impact on both their 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 a credit rating of a member of the ANZ Group 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. ANZ announced on 22 May 2017 Standard & Poor's decision to downgrade by one notch the credit ratings of hybrids and subordinated debt issued by ANZ, among others, which remain on negative outlook. ANZ announced on 19 June 2017 Moody's decision to downgrade ANZ's senior unsecured credit rating by one notch and to also downgrade the credit ratings of Additional Tier 1 Capital Instruments and subordinated debt issued by ANZ by one notch.

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. Recently, the Australian Bureau of Statistics reported that Australian housing prices rose 2.2 per cent. over the quarter ended 31 March 2017, continuing the strong growth in Australian housing prices. Additionally, prompted by Australian housing price appreciation and rising Australian household debt, APRA introduced a new supervisory measure instructing Australian banks, including the Group, to limit new residential interest-only mortgages to 30 per cent. of total new residential mortgage lending. Should the Group's regulators impose further supervisory measures impacting the Group's residential lending or if Australian housing price growth subsides or property valuations decline, the demand for the Group's home lending products may decrease which may adversely affect the Group's business, operations and financial condition.

A significant decrease in commercial property valuations or a significant slowdown in Australia, New Zealand or other commercial real estate markets where the Group does business could result in a decrease in the amount of new lending the Group is able to write and/or increase the losses that the Group may experience from existing loans, which, in either case, could materially and adversely impact the Group's financial condition and operations. The Group's portfolio of commercial property interest only loans may be particularly susceptible to losses in the event of a decline in property prices as a result of refinance risk and deteriorating security values. A material decline in residential housing prices could also cause losses in the Group's residential build-to sell portfolio if customers who are pre-committed to purchase these dwellings are unable or unwilling to complete their contracts and the Group is forced to re-sell these dwellings at a loss.

Although the Group reduced the leverage it generally provides for commercial property developers and investors and tightened its general lending conditions, the Group could still be adversely affected by the weakening of real estate markets in Australia, New Zealand or other markets where the Group does business. 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. Most of the Group's daily operations are computer-based and information systems applications and technology are essential to maintaining effective communications with customers. The Group is also conscious that threats to information systems applications and technology are continuously evolving and that cyber threats and risk of attacks are increasing. The Group may not be able to anticipate or implement effective measures to prevent or minimise disruptions that may be caused by all cyber threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well resourced. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth, prevent unauthorised access and integrate existing and future acquisitions and alliances.

To manage these risks, the Group has disaster recovery and information technology governance in place. However, there can be no guarantee that the steps the Group is taking in this regard will be effective and any failure of these systems could result in business interruption, customer dissatisfaction, legal or regulatory breaches and liability and ultimately loss of customers, financial compensation, damage to reputation and/or a weakening of the Group's competitive position, which could adversely impact the Group's business and have a material adverse effect on the Group's 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. APRA's powers may be enhanced by changes in law, see further Section 5.4.5

The Group's businesses and performance are also affected by the fiscal or other policies (including taxation and levies) that are adopted by the Australian government and governments in other jurisdictions in which it conducts business. In this regard, see further Section 5.4.5 in relation to the Australian Government's bank levy. In line with other global financial institutions, ANZ has also 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 2017 in respect of the matters outlined in Note 19 to the condensed consolidated financial statements for the half year ended 31 March 2017. There is a risk that certain contingent liabilities described in Note 19 may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

Note 19 includes, among other things, descriptions of:

- bank fees litigation;
- benchmark/rate actions;
- regulatory reviews and customer exposures; and
- security recovery actions.

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, for example, currently include a range of matters including responsible lending practices, product suitability, wealth advice and conduct in financial markets and capital market transactions. During the year, the Group received various notices and requests for information from its regulators as part of both industry-wide and Group specific reviews. There may be exposures to customers which are additional to any regulatory exposures. These could include class actions, individual claims or customer remediation or compensation activities. The outcomes and total costs associated with such reviews and possible exposures remain uncertain.

In addition, recent public scrutiny of banking culture has led to an inquiry by the Australian House of Representatives Standing Committee on Economics into the four major Australian banks (including ANZ) focussed on consumer protection and transparency in the banking sector. A first report of the Committee was issued in November 2016 and a second report is expected. In April 2016, public scrutiny of banking culture led to a proposal by the Australian Labor Party (the political party in opposition to the government) to establish a Royal Commission to investigate Australian banks. Regulatory investigations, fines, other penalties or regulator 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 opportunities, including material acquisitions and disposals, with a view to determining whether those opportunities will enhance the Group's strategic position and financial performance.

Divestments by the Group in the first half of 2017 include entering into agreements to sell:

- (a) the majority of its Retail and Wealth businesses in Asia;
- (b) its 20 per cent. stake in Shanghai Rural Commercial Bank; and
- (c) UDC Finance Limited.

The Group is also considering the sale of its life insurance, advice and superannuation and investments business in Australia.

Any acquisition or divestment may result in a material positive or negative impact on the Group's financial position, including reported profit and loss and capital ratios. There can be no assurance that any acquisition (or divestment) would have the anticipated positive results, including results relating to the total cost of integration (or separation), the time required to complete the integration (or separation), the amount of longer-term cost savings, the overall performance of the combined (or remaining) entity, or an improved price for the Group's securities. The Group's operating performance, risk profile and capital structure may be affected by these corporate opportunities and there is a risk that the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

Integration (or separation) of an acquired (or divested) business can be complex and costly, sometimes including combining (or separating) relevant accounting and data processing systems, and management controls, as well as managing relevant relationships with employees, customers, regulators, counterparties, suppliers and other business partners. Integration (or separation) efforts could create inconsistencies in standards, controls, procedures and policies, as well as diverting management attention and resources. This could adversely affect the Group's ability to conduct its business successfully and impact the Group's operations or results. Additionally, there can be no assurance that employees, customers, counterparties, suppliers and other business partners of newly acquired (or retained) businesses will remain post-acquisition (or post-divestment), and the loss of employees, customers, counterparties, suppliers and other business partners could adversely affect the Group's operations or results.

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 risk of non-compliance with anti-money laundering, counter-terrorist financing and sanction laws 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. The Group's foreign operations may place the Group under increased scrutiny by regulatory authorities, and may increase the risk of a member of the Group breaching applicable rules, regulations or laws.

SECTION 7

TAXATION SUMMARY

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

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 securities 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 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) and ANZ’s website (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 of Taxation 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 will 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 of Taxation'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 33¹/₃% 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 (see Section 7.1.4(a) above).

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 (currently being 47%), unless a TFN or an ABN has been quoted by a Holder, or a relevant exemption applies (and has been notified to ANZ). In this regard, on 17 August 2017, the Coalition Government introduced the Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017 into the House of Representatives. If enacted in its current form, this Bill would increase the Medicare levy from 2% to 2.5%, which would increase the sum of the highest marginal rate plus the Medicare levy from 47% to 47.5%, for the 2019–20 income year and later income years.

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 the issue, sale, Conversion, Redemption or Resale of Notes.

7.2 SUMMARY OF AUSTRALIAN TAX CONSEQUENCES FOR ELIGIBLE CPS3 HOLDERS WHO PARTICIPATE IN THE BUY-BACK FACILITY

The following is a summary of the Australian tax consequences for certain Australian tax resident Eligible CPS3 Holders who are subject to Class Ruling CR 2011/84 (which sets out certain Australian tax consequences for Australian tax residents who invested in CPS3 in the initial offering) and hold their Participating CPS3 on capital account.

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 CPS3 Holders who:

- acquired their CPS3 otherwise than under the initial offering;
- hold their CPS3 in their business of share trading, dealing in securities or otherwise hold their CPS3 on revenue account or as trading stock;
- 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 CPS3 or the Notes that they will acquire under the Buy-Back Facility; and/or
- do not participate in the Buy-Back Facility and continue to hold their CPS3 (other than in Section 7.2.1 below, regarding the treatment of the Pro Rata Dividend).

7.2.1 PRO RATA DIVIDEND ON CPS3

Holders of CPS3, including Eligible CPS3 Holders who participate in the Buy-Back Facility, may receive a Pro Rata Dividend on their CPS3, subject to settlement of the Buy-Back and the payment conditions in the CPS3 terms.

The tax treatment of any Pro Rata Dividend should be the same as the treatment of other distributions received on the CPS3, as outlined in Class Ruling CR 2011/84. On this basis, provided that a CPS3 holder is a “qualified person” (see the general comments in Section 7.1.3 and Class Ruling CR 2011/84), a CPS3 holder should generally include the amount of the Pro Rata Dividend as well as an amount equal to any franking credits attached to the Pro Rata Dividend in their assessable income and should qualify for a tax offset equal to the franking credits.

7.2.2 DISPOSAL OF CPS3

(a) Disposal at the Buy-Back Price

Subject to Section 7.2.2(b) below, for CGT purposes, Eligible CPS3 Holders who participate in the Buy-Back Facility will be taken to have disposed of their Participating CPS3 for the Buy-Back Price, being \$100. The capital proceeds from the disposal will then either be used to subscribe for Notes or paid in cash to Eligible CPS3 Holders, depending on the extent to which each Eligible CPS3 Holder elects to reinvest the Buy-Back Price in Notes.

Eligible CPS3 Holders may make a capital gain or capital loss on the disposal of their Participating CPS3, depending on whether the capital proceeds from the disposal are more than the CGT cost base for their Participating CPS3, or whether the capital proceeds are less than the reduced cost base for their Participating CPS3, respectively. Capital losses can generally only be offset against capital gains, but can be carried forward for use in a later year.

An Eligible CPS3 Holder’s CGT cost base (or reduced cost base) for each Participating CPS3 should include the amount they paid to acquire the Participating CPS3 and may also include certain other non-deductible incidental costs (e.g. brokerage or advisory fees) associated with acquiring and/or disposing of the Participating CPS3. If the Participating CPS3 have been owned for at least 12 months prior to the disposal (excluding the days of acquisition and disposal), an Eligible CPS3 Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of CPS3, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33½% for Eligible CPS3 Holders who are individuals, trusts and complying superannuation entities respectively. Companies are generally not entitled to obtain CGT discount treatment.

(b) Additional consideration on disposal of Participating CPS3

Eligible CPS3 Holders may receive additional consideration to the extent that Participating CPS3 are sold by the Selling Broker at a price higher than the Buy-Back Price of \$100. If any Participating CPS3 are sold for more than \$100, any amount in excess of \$100 will be allocated to holders of Participating CPS3 in proportion to the number of Participating CPS3 sold on their behalf (and will not be reinvested in Notes).

Any such excess amount allocated and paid to holders of Participating CPS3 should be treated by the holders as additional capital proceeds for the purposes of calculating their capital gain or capital loss, as the case may be, on the disposal of their Participating CPS3 (see Section 7.2.2(a) above).

7.2.3 COST BASE OF NOTES ACQUIRED UNDER THE BUY-BACK FACILITY

The amount of the Buy-Back Price for CPS3 that is applied in subscribing for Notes under the Buy-Back Facility should be included in a Holder's cost base (and reduced cost base) for the purposes of determining any future capital gain or capital loss on the disposal of Notes on-market, or through a Conversion, Redemption or Resale (see Section 7.1.4 above).

SECTION 8

ADDITIONAL INFORMATION

THIS SECTION SETS OUT A NUMBER OF OTHER MATTERS THAT MAY NOT HAVE BEEN ADDRESSED IN DETAIL ELSEWHERE IN THIS PROSPECTUS. THESE INCLUDE THE INCORPORATION BY REFERENCE OF A SUMMARY OF THE OFFER MANAGEMENT AGREEMENT AND THE RIGHTS ATTACHING TO ORDINARY SHARES THAT MAY BE ISSUED ON CONVERSION, 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 (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 2016;
- the consolidated financial report and dividend announcement for the half year ended 31 March 2017;
- 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 2016 and before lodgement of this Prospectus with ASIC;
- ANZ's trading update for the 9 months to 30 June 2017; and
- the Constitution.

The financial reports for the year ended 30 September 2016 and the half year ended 31 March 2017, together with copies of continuous disclosure notices lodged with ASX and the trading update for the 9 months to 30 June 2017 are available at asx.com.au or at shareholder.anz.com/announcements.

The Constitution is available at 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 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 Bookbuilds and the Allocation processes in relation to the Offer, for certain fees which are described in Section 8.5 ("**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 Shareholders 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 capitalnotes5.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

8.4 CONSENTS

8.4.1. DIRECTORS

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

8.4.2 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"> • ANZ Securities²⁷ • J.P. Morgan • Morgans • Morgan Stanley • UBS • Westpac
Co-Managers	<ul style="list-style-type: none"> • Crestone Wealth Management • Ord Minnett
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
Buying Broker	UBS
Custodian	ANZ Capital No. 1 Pty Ltd
Selling Broker	Morgan Stanley

27. 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.

8.5 INTERESTS OF ADVISERS

ANZ Securities, 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:

- other than in respect of Allocations to Institutional Investors, each Joint Lead Manager will receive a selling fee of 0.75% of valid Applications received in respect of their Broker Firm Reinvestment Amount and Broker Firm New Money Amount (and in each case in respect of which they have assumed obligations of another Joint Lead Manager (if any));
- ANZ Securities will receive a selling fee of 0.50% of valid Applications received in respect of Allocations to certain Institutional Investors; and
- each Joint Lead Manager will also receive a base fee of 0.50% of that Joint Lead Manager's Broker Firm Reinvestment Amount and a base fee of 0.75% of that Joint Lead Manager's Broker Firm New Money Amount (and in each case in respect of which they have assumed obligations of another Joint Lead Manager (if any)) in respect of which valid Applications are received.

Under the terms of the OMA, ANZ Securities may pay fees on behalf of ANZ to financial services licensees and representatives ("**Brokers**") for procuring subscriptions of Notes by their clients, among other things. Joint Lead Managers may pay selling fees to their affiliated Brokers (agreed with ANZ). Under the OMA, the amount of the selling fee payable to an affiliated Broker (including a Co-Manager) by a Joint Lead Manager may not exceed 0.75% of valid applications received from that Broker, unless approved by ANZ.

For the purposes of the fees described above "**Broker Firm Reinvestment Amount**" or "**Broker Firm New Money Amount**" means, in relation to a Joint Lead Manager, the number of Notes allocated on a firm basis to that that Joint Lead Manager and its Affiliates under the relevant Bookbuild.

Each of the Selling Broker and Buying Broker have provided brokerage services in respect of the Buy-Back Facility. ANZ has agreed to pay \$150,000 (excluding GST) to each of the Selling Broker and Buying Broker for their respective services.

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 the Original 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 \$520,000 (excluding disbursements and GST) to King & Wood Mallesons for work up to the date of the Original 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 \$80,000 (excluding disbursements and GST) to Greenwoods & Herbert Smith Freehills for work up to the date of the Original 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.

8.6 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.

The Directors (and their related parties) may acquire Notes offered under this Prospectus including through the Buy-Back Facility to the extent they hold CPS3 subject to the Listing Rules (including any waivers as described in Section 8.7).

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. 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.

8.7 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 BUY-BACK FACILITY

ASX has confirmed in relation to the Buy-Back Facility that:

- the amendments to the CPS3 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 CPS3 the subject of an Eligible CPS3 Holder Application Form; and
- the timetable for the Buy-Back Facility is acceptable.

8.8 ASIC RELIEF

ASIC has granted the following relief in accordance with ASIC Class Order 08/10 to accommodate the Custodian holding (and potentially dealing in) CPS3 which are to be sold under the Buy-Back Facility:

- relief from section 601ED of the Corporations Act in relation to the Buy-Back Facility; and
- relief from the requirement to hold an AFSL for the provision of the following financial services:
 - dealing in an interest in the Buy-Back Facility;
 - providing a custodial or depository service in relation to the Buy-Back Facility; and
 - dealing in an interest in CPS3 purchased under the Buy-Back Facility.

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 Broker Firm Reinvestment Offer or Broker Firm New Money 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 the ANZ Group and its agents. The ANZ Group and its agents will seek to ensure that it collects, holds, uses and discloses 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 your controlling persons (where applicable) and may include tax residency details and/or tax residency status and other information required under any Australian or foreign legislation, regulation or treaty or pursuant to any tax regime or intergovernmental agreement for tax purposes. Without this information the ANZ Group 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), the Tax Act, and the Tax Laws Amendment (Implementation of the Common Reporting Standard) Act 2016 (Cth), requires various items of personal information to be collected.

To do these things, the ANZ Group may disclose your personal information to its agents, contractors or third party service providers to whom the ANZ Group outsources services such as mailing and registry functions. The ANZ Group 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 the ANZ Group 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 the ANZ Group using or disclosing your personal information in the way described in the previous sentence. 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.

The ANZ Group 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.

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 the ANZ Group. You can request access to your personal information or obtain further information about the ANZ Group's management of your personal information by contacting the Registry or ANZ.

ANZ's Privacy Policy (available at anz.com/privacy) contains information about:

- the circumstances in which the ANZ Group 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 the ANZ Group has breached the Privacy Act or an applicable code and how the ANZ Group 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 CPS3

To facilitate the Buy-Back Facility, certain amendments have been made to the terms of the CPS3 under clause 15 of those terms. These amendments have been released to ASX.

The amendments include terms permitting the payment of any Pro Rata Dividend on the CPS3.

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).

APPENDIX A

**NOTE
TERMS**

THIS APPENDIX A CONTAINS THE FULL NOTE TERMS.

1 ANZ CAPITAL NOTES

1.1 ANZ CAPITAL NOTES 5

ANZ Capital Notes 5 are fully paid mandatorily convertible subordinated perpetual securities (**ANZ Capital Notes 5 or Notes**) in the form of unsecured notes issued by ANZ. ANZ Capital Notes 5 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 5 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 Thomson Reuters Screen BBSW Page (or any designation which replaces that designation on that page, or any page that replaces that 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 Thomson Reuters Screen BBSW Page (or any page that replaces that 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 Broker Firm Reinvestment Offer Bookbuild;

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 2017 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 2027 (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, subject to clauses 4.8 and 4.9.

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, the ANZ Level 2 Group and, if applicable, the ANZ Level 3 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
- (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 multiplying such VWAP 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;

V₀ 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.

6.14 NO DUTIES ON SALE

For the purposes of clauses 6.10 and 6.11, none of ANZ or the nominee owes any obligations or duties to Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

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 transfer or Conversion 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 Level 3 Group) 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 5 has the meaning given in clause 1.1.

ANZ Capital Notes 5 Deed Poll means the deed poll relating to the Notes made by ANZ on or about 16 August 2017.

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 Level 3 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 3 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.

Broker Firm Reinvestment Offer has the meaning given in the Prospectus.

Broker Firm Reinvestment Offer Bookbuild means the process conducted prior to the opening of the Broker Firm Reinvestment Offer whereby certain investors lodge bids for Notes under the Broker Firm Reinvestment Offer 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 Notes 4 means the convertible notes issued by ANZ in 2016 under a prospectus dated 24 August 2016 (which replaced a prospectus dated 16 August 2016).

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.

CHES 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).

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) CPS3;
- (b) 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);
- (c) Capital Notes 1;
- (d) Capital Notes 2;
- (e) Capital Notes 3;
- (f) Capital Notes 4;
- (g) ANZ Perpetual Subordinated Contingent Convertible Securities; and
- (h) any present or future 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 5 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 2025.

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, Capital Notes 4, 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.

APPENDIX B

GLOSSARY

THIS APPENDIX B IS A GLOSSARY OF TERMS USED THROUGHOUT THIS PROSPECTUS AND THE APPLICATION FORMS. THERE IS ALSO A LIST OF DEFINED TERMS IN CLAUSE 17.2 OF THE NOTE TERMS.

Term	Meaning
ABN	Australian Business Number
Additional Tier 1 Capital	the Additional Tier 1 Capital of the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Level 3 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"> - Ord Minnett is deemed to be an Affiliate of J.P. Morgan; and - Crestone Wealth Management is deemed to be an Affiliate of UBS
AFSL	Australian Financial Services Licence
Allocation	<p>the number of Notes allocated under this Prospectus to:</p> <ul style="list-style-type: none"> - ANZ Securityholder Applicants at the end of the Offer Period; and - Syndicate Brokers and Institutional Investors under the Broker Firm Reinvestment Offer Bookbuild or the Bookbuild for the Broker Firm New Money Offer (should it proceed)
ANZ	Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, AFSL 234527)
ANZ Capital Notes 5 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 5 Deed Poll	the deed poll relating to the Notes made by ANZ on 16 August 2017
ANZ Capital Securities	CPS3, CN1, CN2, CN3, CN4 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 Level 3 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 3 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, CPS3, CN1, CN2, CN3 or CN4 on the Register at 7:00pm AET on 11 August 2017
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

Term	Meaning
ANZ Securityholder Offer Application Form	the blue personalised paper application form made available to ANZ Securityholder Applicants upon request or the equivalent form made available online at capitalnotes5.anz.com
ANZ Securityholder Offer	the invitation to: <ul style="list-style-type: none"> - in the case of Eligible CPS3 Holders, apply directly to ANZ to sell their CPS3 under the Buy-Back Facility and to reinvest the Buy-Back Price in Notes or to receive the Buy-Back Price in cash; or - in the case of ANZ Securityholders, apply directly to ANZ for Notes under this Prospectus
ANZ Share Investing	Share Investing Limited (ABN 93 078 174 973, AFSL 238277)
Applicant	a valid application for a specified number of Notes made at capitalnotes5.anz.com or by using the applicable Application Form
Application	a valid application for a specified number of Notes made at capitalnotes5.anz.com or by using the applicable Application Form
Application Form	each of the application forms accompanying this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> - the blue paper personalised ANZ Securityholder Offer Application Form; - the white paper personalised Eligible CPS3 Holder Application Form; and - the white paper Application Form to be used by Broker Firm Applicants
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
Attorney	an attorney of a Holder appointed in accordance with clause 9.9 of the Note Terms
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 Thomson Reuters Screen BBSW Page (or any designation which replaces that designation on that page, or any page that replaces that 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 Thomson Reuters Screen BBSW Page (or any page that replaces that 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	each of the Broker Firm Reinvestment Offer Bookbuild and the bookbuild undertaken in relation to the Broker Firm New Money Offer, as applicable, as described in this Prospectus
Broker Firm Applicant	a retail client of a Syndicate Broker or an Institutional Investor who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Reinvestment Offer or the Broker Firm New Money Offer
Broker Firm New Money Offer	the invitation to clients of Syndicate Brokers or Institutional Investors, to apply for an allocation of Notes from Syndicate Brokers under this Prospectus (other than under the Broker Firm Reinvestment Offer)
Broker Firm Reinvestment Offer	the invitation to Eligible CPS3 Holders to apply through their Syndicate Broker to sell their CPS3 under the Buy-Back Facility and to reinvest the Buy-Back Price in Notes
Broker Firm Reinvestment Offer Bookbuild	the process conducted prior to the opening of the Broker Firm Reinvestment Offer whereby certain investors lodged bids for Notes under the Broker Firm Reinvestment Offer and, on the basis of those bids, ANZ and the Joint Lead Managers to the Offer determined the Margin, as described in this Prospectus
Business Day	<ul style="list-style-type: none"> - a day which is a business day within the meaning of the ASX Listing Rules; and - 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	the on-market buy-back by ANZ of CPS3 for the purposes of the Buy-Back Facility
Buy-Back Date	26 September 2017
Buy-Back Facility	the facility under which Eligible CPS3 Holders may apply to sell some or all of their CPS3 that were registered to them as at 7.00pm AET on 11 August 2017 and pursuant to which ANZ will undertake the Buy-Back
Buy-Back Price	the price paid to an Eligible CPS3 Holder for each Participating CPS3 under the Buy-Back, being \$100
Buy-Back Settlement Date	the date on which settlement of the CPS3 which are sold through the Buy-Back Facility occurs, expected to be 28 September 2017
Buying Broker	UBS

Term	Meaning
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	the date on which Conversion as a result of a Change of Control Event is to occur, as discussed in Section 2.4.3 For the full definition – see clause 4.10(b) of the Note Terms
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	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 For the full definition – see clause 17.2 of the Note Terms
CHESS	Clearing House Electronic Subregister System operated by ASX Settlement
Closing Date	the last day on which Applications will be accepted, which is expected to be: <ul style="list-style-type: none"> - 5:00pm AET on 13 September 2017 for Applications under the Buy-Back Facility under either the ANZ Securityholder Offer or the Broker Firm Reinvestment Offer; - 5:00pm AET on 13 September 2017 for other Applications under the ANZ Securityholder Offer; or - 10:00am AET on 27 September 2017 for other Applications under the Broker Firm New Money Offer (should it proceed)
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)
CN4	fully paid convertible notes issued by ANZ under a prospectus dated 24 August 2016 (which replaced a prospectus dated 16 August 2016)
Co-Managers	Crestone Wealth Management and Ord Minnett
Common Equity Capital Ratio	either of: <ul style="list-style-type: none"> - 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 - 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	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

Term	Meaning
Common Equity Tier 1 Capital Deductions	the deductions from Common Equity Tier 1 Capital as described by APRA from time to time, which includes 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
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 8.4.2
Constitution	the constitution of ANZ as amended from time to time
Conversion	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 For the full description of the Conversion mechanics – see clause 6 of the Note Terms
Corporations Act	Corporations Act 2001 (Cth)
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), and amended with effect from 18 January 2013
Crestone Wealth Management	Crestone Wealth Management Limited (ABN 50 005 311 937)
Custodian	ANZ Capital No. 1 Pty Ltd (ABN 59 157 741 056)
Delisting Event	in respect of a date, that: <ul style="list-style-type: none"> - Ordinary Shares have ceased to be listed or admitted to trading on ASX on or before that date; - 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 - an Inability Event subsists For the full definition – see clause 17.2 of the Note Terms
Distribution	a distribution on Notes For the full definition – see clause 3.1 of the Note Terms
Distribution Payment Date	in respect of a Note, 20 December 2017, and after that each 20 March, 20 June, 20 September and 20 December until the date that each Note is Converted or Redeemed For the full definition – see clause 3.5 of the Note Terms
Distribution Period	a period from (and including) either the Issue Date or a subsequent Distribution Payment Date until (but not including) the following Distribution Payment Date
Distribution Rate	the distribution rate on Notes calculated using the formula described in Section 2.1.1 For the full definition – see clause 3.1 of the Note Terms
Distribution Restriction	the restriction discussed in Section 2.1.7 For more information – see clauses 3.8 and 3.9 of the Note Terms

Term	Meaning
D-SIB	A domestic systematically important bank, as determined by APRA from time to time
Eligible CPS3 Holder	Eligible CPS3 Holders are persons who: <ul style="list-style-type: none"> - were registered as a holder of CPS3 at 7:00pm AET on 11 August 2017; - are shown on the CPS3 register as having an address in Australia; and - 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 invitation to participate in the Buy-Back Facility and the Offer or receiving ANZ Capital Notes 5 under the laws of any jurisdiction
Eligible CPS3 Holder Application Form	the white personalised paper form made available to Eligible CPS3 Holders on request or the equivalent form made available to those holders online at capitalnotes5.anz.com on which they can apply to sell their CPS3 under the Buy-Back Facility
Equal Ranking Instruments	in respect of the return of capital in a winding-up: <ul style="list-style-type: none"> - CPS3; - 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); - Capital Notes 1; - Capital Notes 2; - Capital Notes 3; - Capital Notes 4; - ANZ Perpetual Subordinated Contingent Convertible Securities; and - any present or future 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	any of the following: <ul style="list-style-type: none"> - Conversion in accordance with clause 6 of the Note Terms; - Redemption in accordance with clause 7 of the Note Terms; or - Resale in accordance with clause 8 of the Note Terms <p>Exchanged has a corresponding meaning</p> <p>For the full definition – see clause 17.2 of the Note Terms</p>
Exchange Date	the date on which Exchange is to occur
	For the full definition – see clause 5.2(b) of the Note Terms
Exchange Method	the means by which Exchange is effected
	For the full definition – see clause 5.3 of the Note Terms
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 the Original 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

Term	Meaning
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 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
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
First Test Date	has the meaning given in clause 4.3(a) of the Note Terms
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 Broker Firm Reinvestment Offer Bookbuild (where they are an Eligible CPS3 Holder) or the Bookbuild under the Broker Firm New Money Offer
Issue Date	the date Notes are issued to Holders under this Prospectus, expected to be 28 September 2017
Issue Date VWAP	the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to any adjustments under clause 6 of the Note Terms For the full definition – see clause 17.2 of the Note Terms
Joint Lead Managers	ANZ Securities, 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

Term	Meaning
Mandatory Conversion	the mandatory conversion under clause 4 of the Note Terms of the Notes to Ordinary Shares on the Mandatory Conversion Date. Mandatorily Convert has a corresponding meaning
Mandatory Conversion Conditions	the following conditions: <ul style="list-style-type: none"> - First Mandatory Conversion Condition; - Second Mandatory Conversion Condition; and - Third Mandatory Conversion Condition. For the full definition – see clause 4.3 of the Note Terms
Mandatory Conversion Date	the earlier of 20 March 2027 and the next Distribution Payment Date after that date on which the Mandatory Conversion Conditions are satisfied
Margin	3.8 per cent per annum as determined under the Broker Firm Reinvestment Offer 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	an event which: <ul style="list-style-type: none"> - is initiated by the Directors, acting as a Board; and - 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 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
Non-Viability Trigger Event	the earlier of: <ul style="list-style-type: none"> - 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
Note Terms	the full terms of issue of Notes, as set out in Appendix A
Notification Date	has the meaning given in the provisions for the convening of meetings of, and passing of resolutions by, Holders set out in schedule 2 of the ANZ Capital Notes 5 Deed Poll
Offer	the offer by ANZ of Notes under this Prospectus to raise up to \$1 billion
Offer Management Agreement or OMA	the offer management agreement entered into between ANZ and the Joint Lead Managers

Term	Meaning
Offer Period	the period from the first Opening Date to the last Closing Date
Opening Date	in respect of the: <ul style="list-style-type: none"> - ANZ Securityholder Offer and the Broker Firm Reinvestment Offer, the day those offers open which is 24 August 2017; and - Broker Firm New Money Offer, the day that offer opens which is expected to be 15 September 2017 (should it proceed)
Optional Conversion Restrictions	the First Optional Conversion Restriction and the Second Optional Conversion Restriction
Optional Exchange Date	means 20 March 2025 – 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 (or in the event of a NOHC Event, the NOHC (where applicable))
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
Original Prospectus	the prospectus dated 16 August 2017 and lodged with ASIC on that date, which this Prospectus replaces
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 a Bookbuild
Participating CPS3	CPS3 held by an Eligible CPS3 Holder that are, or are to be, reinvested in Notes or sold for cash, under the terms of the Buy-Back Facility
Payment Conditions	the tests which need to be satisfied so that ANZ can pay a Distribution, summarised as follows: <ul style="list-style-type: none"> - 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; - payment of the Distribution not resulting in ANZ becoming, or being likely to become, insolvent; and - APRA not otherwise objecting to the payment of the Distribution For the full description of the tests – see the definition of Payment Condition in clause 17.2 of the Note Terms
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)
Pro Rata Dividend	a dividend accrued over the period from (and including) 1 September 2017 to (but excluding) the Buy-Back Settlement Date, in respect of each CPS3 which is on issue as at the relevant record date (which is expected to be 20 September 2017), expected to be paid on the Buy-Back Settlement Date (subject to the payment conditions in the CPS3 terms, including that the Board resolves to pay the dividend)

Term	Meaning
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
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, CPS3, CN1, CN2, CN3, CN4 and/or ANZ Capital Notes 5 (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 Regulatory Change), 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
Related Entity	has the meaning given by APRA from time to time
Relevant Date	each of: <ul style="list-style-type: none"> - the Scheduled Mandatory Conversion Date; and - the first Distribution Payment Date after the Scheduled Mandatory Conversion Date
Relevant Distribution Payment Date	a Distribution Payment Date if, for any reason, a Distribution has not been paid in full on 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, CN4, 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 2027

Term	Meaning
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
Selling Broker	Morgan Stanley
Senior Creditors	all present and future creditors of ANZ, including depositors, whose claims are: <ul style="list-style-type: none"> - entitled to be admitted in the winding-up of ANZ; and - not expressed to rank equally with, or subordinate to, the claims of a Holder
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"> - 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 - any other Act setting the rate of income tax payable and any regulation promulgated under it
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	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%

Term	Meaning
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"> - 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 - 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
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	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
Westpac or Westpac Institutional Bank	Westpac Institutional Bank, 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"> - 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 - 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

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CORPORATE DIRECTORY

ISSUER

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

AUDITOR

KPMG
Tower Two
Collins Square
727 Collins Street
Melbourne VIC 3000

AUSTRALIAN LEGAL ADVISERS

King & Wood Mallesons
Level 50, Bourke Place
600 Bourke Street
Melbourne VIC 3000

AUSTRALIAN TAX ADVISER

Greenwoods & Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

HOW TO CONTACT US:

Call us on the ANZ Information Line
1800 113 399 (within Australia)
+ 61 3 9415 4010 (international)
(Monday to Friday – 8:30am to 5:30pm AET)
Website: capitalnotes5.anz.com
Find us on the web at
anz.com

JOINT LEAD MANAGERS

ANZ Securities Limited
ANZ Centre Melbourne
Level 9, 833 Collins Street
Docklands VIC 3008

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
Level 29, Riverside Centre
123 Eagle Street
Brisbane QLD 4000

UBS AG, Australia Branch
Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Westpac Institutional Bank
Level 20, Westpac Place
275 Kent Street
Sydney NSW 2000

CO-MANAGERS

Crestone Wealth Management Limited
Level 32 Chifley Tower
2 Chifley Square
Sydney NSW 2000

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

