



Media Release

For Release: 10 November 2009

ANZ launches Convertible Preference Share Offer

ANZ has lodged a Prospectus with the Australian Securities and Investments Commission for an offer of convertible preference shares (**CPS2**) to raise \$750 million with the ability to increase or reduce the size of the offer.

The Offer forms part of ANZ's diversified capital management strategy and follows reductions in Tier 1 capital following hybrid capital redemptions and notices of redemption totaling approximately \$1 billion over the past six months. Prior to this Offer, hybrid capital, both innovative and non-innovative, constituted approximately 14% of ANZ's Net Tier 1 capital compared to the 25% maximum imposed by the Australian Prudential Regulatory Authority (**APRA**).

Key Features of CPS2

- CPS2 will qualify as non-innovative Tier 1 capital under current APRA rules.
- CPS2 are preference shares issued by ANZ, which will Convert into Ordinary Shares on 15 December 2016 (subject to certain conditions being satisfied), unless ANZ elects for a third party to purchase the CPS2 or they are exchanged earlier.
- Dividends on CPS2 are preferred, non-cumulative, based on a floating rate and expected to be fully or substantially franked. Dividends are scheduled to be paid quarterly in arrears, subject to the Payment Tests.
- The Dividend Rate will be calculated each quarter as the sum of the Bank Bill Rate plus the Margin, together multiplied by $(1 - \text{corporate tax rate (which is currently 30\%)})$. The Margin will be determined following the Bookbuild (17 November 2009) and is expected to be in the range of 3.10% to 3.30%.
- On 15 December 2016, CPS2 Holders will receive a variable number of Ordinary Shares on Conversion unless the Mandatory Conversion Conditions are not satisfied or ANZ elects for a third party to purchase the CPS2.
- CPS2 have been assigned an indicative credit rating of A+ by Standard & Poor's.
- ANZ will apply for CPS2 to be quoted on the Australian Securities Exchange (**ASX**) and are expected to trade under ASX code 'ANZPA'.

The Offer is expected to open on 18 November 2009 and comprises:

- an ANZ Securityholder Offer, open to Australian resident holders of Ordinary Shares or convertible preference shares issued by ANZ in September 2008 (**2008 CPS**) on the Register at 7.00pm (Melbourne time) on Friday 30 October 2009;
- a General Offer, open to Australian residents who are neither an ANZ Securityholder Applicant, Broker Firm Applicant nor Institutional Investor;
- a Broker Firm Offer, open to clients of Syndicate Brokers invited to participate through the Broker Firm Offer; and
- an Institutional Offer, open to investors that have been invited by the Joint Lead Managers to bid for CPS2 through the Institutional Offer.

The closing date for the ANZ Securityholder Offer and General Offer is currently scheduled to be at 5:00pm (Melbourne time) on 10 December 2009. The Broker Firm Offer is currently scheduled to close at 10:00am (Melbourne time) on 16 December 2009.

The ANZ CPS2 Prospectus has been lodged with ASIC and the ASX and is available for download within Australia at www.CPS2Offer.anz.com or by calling the ANZ Information Line on 1800 113 399 (Australia) or +61 3 9415 4010 (international). A replacement Prospectus, containing the Margin and with Application forms will be made available when the Offer opens, expected to be on 18 November 2009. Investors should consider the Prospectus in deciding whether to apply for CPS2. Applications may only be made using the application form attached to or accompanying the replacement Prospectus.

Shareholder approval is not required for the issue of CPS2.

ANZ Securities, Commonwealth Securities, Deutsche Bank, Goldman Sachs JB Were, Macquarie, Morgan Stanley, Westpac and UBS have been appointed as Joint Lead Managers on the transaction.

For investor enquiries contact:

The ANZ Information Line on 1800 113 399 (Australia) or +61 3 9415 4010 (international).

For media enquiries contact:

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Senior Manager Corporate Communications
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Email. kevin.foley@anz.com

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

| Key dates for the Offer | |
|--|--|
| Lodgement of this Prospectus with ASIC | 10 November 2009 |
| Bookbuild to determine the Margin | 17 November 2009 |
| Announcement of the Margin and lodgement of the replacement Prospectus with ASIC | 18 November 2009 |
| Opening Date | 18 November 2009 |
| Closing Date for ANZ Securityholder Offer and General Offer | 5.00pm (Melbourne time), 10 December 2009 |
| Closing Date for Broker Firm Offer | 10.00am (Melbourne time), 16 December 2009 |
| Issue Date | 17 December 2009 |
| CPS2 commence trading on ASX (deferred settlement basis) | 18 December 2009 |
| Holding Statements despatched by | 22 December 2009 |
| CPS2 commence trading on ASX (normal settlement basis) | 23 December 2009 |
| First quarterly Dividend Payment Date | 15 March 2009 ¹ |
| Mandatory Conversion Date | 15 December 2016 ² |

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

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

¹ Dividends are scheduled to be paid at the end of each quarterly Dividend Period (on 15 March, 15 June, 15 September and 15 December each year) subject to the Payment Tests. If any of these scheduled dates are not Business Days, then the Dividend Payment Date will occur on the next Business Day.

² The Mandatory Conversion Date may be later than 15 December 2016, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied, or if ANZ elects for a third party to purchase the CPS2.



PROSPECTUS CPS2 CONVERTIBLE PREFERENCE SHARES

PROSPECTUS FOR THE ISSUE OF CONVERTIBLE
PREFERENCE SHARES TO RAISE \$750 MILLION WITH
THE ABILITY TO RAISE MORE OR LESS

JOINT LEAD MANAGERS
ANZ SECURITIES
COMMSEC
DEUTSCHE BANK
GOLDMAN SACHS JBWERE
MACQUARIE
MORGAN STANLEY
UBS
WESTPAC

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

ONLINE MANAGER
E*TRADE AUSTRALIA

E*TRADE
AUSTRALIA



IMPORTANT NOTICES

ABOUT THIS PROSPECTUS

This Prospectus relates to the offer by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ) of convertible preference shares (CPS2) to raise \$750 million with the ability to raise more or less.

This Prospectus is dated 10 November 2009 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. ASIC and ASX take no responsibility for the contents of this Prospectus nor for the merits of the investment to which this Prospectus relates.

This Prospectus expires on the date which is 13 months after 10 November 2009, being the date of the Prospectus (**Expiry Date**) and no CPS2 will be issued on the basis of this Prospectus after the Expiry Date.

CPS2 ARE NOT DEPOSIT LIABILITIES OF ANZ AND ARE NOT GUARANTEED

CPS2 are not deposit liabilities of ANZ, are not subject to the depositor protection provisions of Australian banking legislation, are not protected accounts for the purposes of the Financial Claims Scheme and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS2 are issued by ANZ under the CPS2 Terms and CPS2 Holders have no claim on ANZ except as provided in those CPS2 Terms. The investment performance of CPS2 is not guaranteed by ANZ. There are risks associated in investing in CPS2 – see Section 4.

DEFINED WORDS AND EXPRESSIONS

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

The definitions specific to CPS2 are in clause 19.2 of the CPS2 Terms in Appendix A. If there is any inconsistency in definitions between those in the Prospectus and the CPS2 Terms, the definitions in clause 19.2 of the CPS2 Terms prevail.

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

GOVERNING LAW

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

EXPOSURE PERIOD

Under the Corporations Act, ANZ is prohibited from processing Applications in the seven day period after 10 November 2009, being the date on which this Prospectus was lodged with ASIC.

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

HOW TO OBTAIN A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) is available at www.CPS2Offer.anz.com. Application Forms will not be made available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.CPS2Offer.anz.com. If you access an electronic copy of this Prospectus, then you should read "Electronic access to Prospectus" below.

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

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

ELECTRONIC ACCESS TO PROSPECTUS

The following conditions apply if this Prospectus is accessed electronically:

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

APPLICATIONS FOR CPS2

Applications for CPS2 under this Prospectus may only be made during the Offer Period (although ANZ reserves the right to accept late Applications), and pursuant to an Application Form attached to or accompanying this Prospectus.

For information on who is eligible to apply for CPS2 under the Offer and how to make an Application – see Section 2.

ASX QUOTATION AND ISSUE DATE

ANZ will apply for CPS2 to be quoted on ASX within seven days of the date of this Prospectus. If ASX does not grant permission for CPS2 to be quoted within three months after the date of the Prospectus, CPS2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

If CPS2 are accepted for quotation on ASX, ANZ will issue CPS2 on or about 17 December 2009.

It is not intended to quote CPS2 on any securities exchange apart from ASX.

PROVIDING PERSONAL INFORMATION

You will be asked to provide personal information to ANZ (directly or via its agents) if you apply for CPS2. See Section 6.13 for information on how ANZ (and its agents) collect, hold and use this personal information.

RESTRICTIONS IN FOREIGN JURISDICTIONS

For details of the foreign selling restrictions that apply to CPS2 in foreign jurisdictions – see Section 6.12.

NO REPRESENTATIONS OTHER THAN IN THIS PROSPECTUS

You should rely only on information in this Prospectus.

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

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

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

The Offer and the information in this Prospectus do not take into account your investment objectives, financial situation and particular needs (including financial and tax issues) as an investor. It is important that you read the entire Prospectus before deciding whether to apply for CPS2.

In particular, in considering whether to apply for CPS2, it is important that you:

- consider the risk factors, including those that could affect CPS2 or the financial performance and position of ANZ – see Section 4;
- carefully consider these risk factors and other information in the Prospectus in light of your investment objectives, financial situation and particular needs (including financial and tax issues); and
- seek professional investment advice from your financial adviser or other professional adviser.

DIAGRAMS

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

ENQUIRIES

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

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



10 NOVEMBER 2009

Dear Investors

On behalf of the board of Australia and New Zealand Banking Group Limited (ANZ), I am pleased to present you with an opportunity to invest in convertible preference shares (CPS2).

CPS2 are fully paid preference shares issued by ANZ, which will mandatorily convert into ordinary shares of ANZ on 15 December 2016 (subject to certain conditions being satisfied), unless ANZ elects for a third party to purchase the CPS2 or they are exchanged earlier.

ANZ intends to issue 7.5 million CPS2 to raise \$750 million with the ability to raise more or less.

The offer of CPS2 forms part of ANZ's continuing capital management strategy which targets an efficient capital structure with respect to the amount, type, term and cost of capital issued by ANZ.

CPS2 provide investors, subject to the terms, with floating rate, quarterly, non-cumulative, preferred dividends which are expected to be fully or substantially franked. CPS2 are intended to be quoted on ASX. The key features of CPS2 are set out on page 5 of this prospectus.

The directors encourage you to read this prospectus carefully and consider in particular the risk factors set out in Section 4. If, after reading this prospectus, you have any questions about the offer or how to apply for CPS2 under the ANZ Securityholder Offer or General Offer, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT) or contact your broker or other professional adviser.

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

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

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

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Charles Goode'.

CHARLES GOODE
CHAIRMAN

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

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KEY DATES

| KEY DATES FOR THE OFFER | DATE |
|--|----------------------------------|
| Lodgement of this Prospectus with ASIC | 10 November 2009 |
| Bookbuild to determine the Margin | 17 November 2009 |
| Announcement of the Margin and lodgement of the replacement Prospectus with ASIC | 18 November 2009 |
| Opening Date | 18 November 2009 |
| Closing Date for ANZ Securityholder Offer and General Offer | 5:00pm AEDT on 10 December 2009 |
| Closing Date for Broker Firm Offer | 10:00am AEDT on 16 December 2009 |
| Issue Date | 17 December 2009 |
| CPS2 commence trading on ASX (unconditional and deferred settlement basis) | 18 December 2009 |
| Holding Statements despatched by | 22 December 2009 |
| CPS2 commence trading on ASX (normal settlement basis) | 23 December 2009 |
| First quarterly Dividend Payment Date ¹ | 15 March 2010 |
| Mandatory Conversion Date ² | 15 December 2016 |

DATES MAY CHANGE

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

ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS2 are issued. If the Offer is withdrawn before the issue of CPS2, all Application Payments received by ANZ will be refunded (without interest) to Applicants as soon as possible after the withdrawal.

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

¹ Dividends are scheduled to be paid at the end of each quarterly Dividend Period (on 15 March, 15 June, 15 September and 15 December each year) subject to the Payment Tests. If any of these scheduled dates are not Business Days, then the Dividend Payment Date will occur on the next Business Day.

² The Mandatory Conversion Date may be later than 15 December 2016, or may not occur at all, if the Mandatory Conversion Conditions are not satisfied, or if ANZ elects for a third party to purchase the CPS2 – see Section 4.1.9.

KEY FEATURES OF CPS2

This Prospectus contains information about the offer by ANZ of CPS2 and you should read it in its entirety before deciding whether to apply for CPS2.

CPS2 are preference shares issued by ANZ, which will Mandatorily Convert into Ordinary Shares on 15 December 2016 (subject to certain conditions being satisfied). However, ANZ may elect for a third party to purchase the CPS2 (as described below) rather than delivering the Ordinary Shares issued on Conversion to the investor.

CPS2 are being offered as part of ANZ's capital management strategy, with the CPS2 proceeds being used for general corporate purposes.

FLOATING RATE DIVIDENDS

- Dividends on CPS2 are preferred, non-cumulative, based on a floating rate and are expected to be fully or substantially franked. Dividends are scheduled to be paid quarterly in arrears, subject to the Directors at their absolute discretion resolving to pay Dividends and the other Payment Tests.
- The Dividend Rate will be calculated each quarter as the sum of the Bank Bill Rate plus the Margin, together multiplied by $(1 - \text{Tax Rate})$. The Margin will be determined following the Bookbuild.

MANDATORY CONVERSION OR RESALE

- On 15 December 2016, CPS2 Holders will receive a variable number of Ordinary Shares on Conversion unless the Mandatory Conversion Conditions are not satisfied or ANZ elects for a third party to purchase the CPS2 for \$100.
- The Mandatory Conversion Conditions are intended to prevent CPS2 Holders from receiving less than approximately \$101.01 worth of Ordinary Shares per CPS2 on Conversion based on the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the 20 Business Days before the Mandatory Conversion Date.³ ANZ may, with APRA's prior written approval, elect to Redeem CPS2 for \$100 if any of the Mandatory Conversion Conditions are not satisfied.

EXCHANGE

- CPS2 may, subject to APRA's prior written approval where required, be Exchanged by ANZ at its election at certain times before 15 December 2016 if an Acquisition Event, a Tax Event or a Regulatory Event occurs. CPS2 must, subject to APRA's prior written approval where required, be Exchanged if a Change of Control Event occurs.

LISTING

- ANZ will apply for CPS2 to be quoted on ASX and are expected to trade under ASX code "ANZPA".

CREDIT RATING

- CPS2 have been assigned an indicative investment grade Issue Credit Rating of "A+" by Standard & Poor's.⁴

RANKING

- On a winding up of ANZ, CPS2 rank for payment ahead of Ordinary Shares, equally with the 2008 CPS, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors of ANZ.

There are risks associated with investing in CPS2 and in ANZ. The key risks are summarised in Section 1.8 and risks generally are explained in detail in Section 4.

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

⁴ Standard & Poor's has indicated that it will rate CPS2 "A+" upon issue. Any Issue Credit Rating of "BBB-" or higher from Standard & Poor's is currently considered in capital markets to be investment grade – see Section 3.5 for further information about the credit ratings associated with ANZ and CPS2 and Section 4.1.15 for risks associated with credit ratings. The above Issue Credit Rating is current as at the date of this Prospectus, but may be revised, withdrawn or suspended by Standard & Poor's at any time. The Issue Credit Rating is not a recommendation by Standard & Poor's to apply for CPS2. No consent has been obtained from Standard & Poor's for the disclosure of the credit ratings in this Prospectus and it is not liable for any statements in this Prospectus under section 729(1) of the Corporations Act. As at the date of this prospectus, ANZ has not sought a rating of CPS2 from any other rating agency.

WHAT YOU SHOULD DO

1. READ THIS PROSPECTUS

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

- important notices on the inside front cover;
- key features of CPS2 in Section 1;
- information about ANZ in Section 3;
- investment risks in Section 4; and
- CPS2 Terms in Appendix A.

2. CONSIDER AND CONSULT

Consider all risks and other information about CPS2 in light of your particular investment objectives and circumstances. Consult your financial adviser or other professional adviser if you are uncertain as to whether you should apply for CPS2.

3. WHO MAY APPLY?

The Offer is only being made to:

- ANZ Securityholders who may apply under the ANZ Securityholder Offer;
- Australian resident members of the general public who may apply under the General Offer;
- clients of Syndicate Brokers who are invited to apply under the Broker Firm Offer; and
- Institutional Investors who were invited by the Joint Lead Managers to bid for CPS2 through the Bookbuild under the Institutional Offer.

Applications must be for a minimum of 50 CPS2 (\$5,000). If your Application is for more than 50 CPS2, then you must apply in incremental multiples of 10 CPS2 – that is, for incremental multiples of at least \$1,000.

4. WHO ARE ANZ SECURITYHOLDERS?

If you were a registered holder of Ordinary Shares or 2008 CPS with a registered address in Australia at 7:00pm AEDT on 30 October 2009, you are an ANZ Securityholder.

If there is excess demand for CPS2, priority will be given to ANZ Securityholder Applicants over Applications under the General Offer in the allocation of CPS2.

ANZ has mailed a postcard to each ANZ Securityholder to advise them of the Offer.

5. COMPLETE THE APPLICATION FORM

If you have decided to apply for CPS2, you need to apply pursuant to an Application Form attached to or accompanying this Prospectus, including any online Application Form. The Prospectus and Application Forms will be available during the Offer Period. The Application process varies depending on whether you are an ANZ Securityholder Applicant, General Applicant or Broker Firm Applicant – see Section 2 for full details.

6. SUBMIT YOUR APPLICATION

If you are an ANZ Securityholder Applicant, your Application must be received by the Registry no later than the Closing Date for the ANZ Securityholder Offer, which is 5:00pm AEDT on 10 December 2009. You may submit your Application pursuant to a paper Application Form accompanied by an Application Payment using either cheque(s) and/or money order(s), or online by following the instructions at www.CPS2Offer.anz.com and completing a BPAY® payment.

If you are a General Applicant, your Application must be received by the Registry no later than the Closing Date for the General Offer, which is 5:00pm AEDT on 10 December 2009. You may submit your Application pursuant to a paper Application Form accompanied by an Application Payment using either cheque(s) and/or money order(s), or online by following the instructions at www.CPS2Offer.anz.com and completing a BPAY® payment.

If you are a Broker Firm Applicant, your Application must be received by your Syndicate Broker in time for them to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer, which is 10:00am AEDT on 16 December 2009. Please contact your Syndicate Broker for their instructions on how to submit your Application.

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

For more information on applying for CPS2 – see Section 2. If you have any questions about the Offer or how to apply for CPS2 as an ANZ Securityholder Applicant or General Applicant, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT) or contact your broker or other professional adviser.

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

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

SECTION 1

ABOUT CPS2

THIS SECTION IS DESIGNED TO PROVIDE INFORMATION ABOUT THE KEY FEATURES AND RISKS OF CPS2.

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

KEY QUESTIONS ABOUT CPS

1.1 GENERAL

- 1.1.1 Who is the issuer?
- 1.1.2 What are CPS2?
- 1.1.3 What is the Issue Price?
- 1.1.4 What is the size of the Offer?
- 1.1.5 What is the purpose of the Offer?
- 1.1.6 What is the term of CPS2?
- 1.1.7 How do CPS2 rank in relation to other ANZ instruments?
- 1.1.8 Will CPS2 be quoted on ASX?
- 1.1.9 What is the Issue Credit Rating of CPS2?
- 1.1.10 Are CPS2 guaranteed by the Australian Government?
- 1.1.11 What is Non-innovative Residual Tier 1 Capital?
- 1.1.12 What are the taxation implications of investing in CPS2?
- 1.1.13 Is brokerage or stamp duty payable?
- 1.1.14 How do the key features of CPS2 and the 2008 CPS compare?

1.2 DIVIDENDS

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

1.3 MANDATORY CONVERSION

- 1.3.1 What is Mandatory Conversion?
- 1.3.2 What is Resale?
- 1.3.3 When is the Mandatory Conversion Date?
- 1.3.4 What are the Mandatory Conversion Conditions?
- 1.3.5 How many Ordinary Shares will CPS2 Holders receive on Mandatory Conversion?
- 1.3.6 What adjustments are made to account for changes to ANZ's capital?
- 1.3.7 What can happen if the Mandatory Conversion Conditions are not satisfied?

1.4 OPTIONAL EXCHANGE BY ANZ

- 1.4.1 What is optional Exchange?
- 1.4.2 What are the requirements for Conversion to be elected as the Exchange Method?
- 1.4.3 What are the Optional Conversion Restrictions?
- 1.4.4 What are the further Conversion restrictions on the Exchange Date?
- 1.4.5 Can CPS2 Holders request Exchange?

1.5 OPTIONAL EXCHANGE BY ANZ ON CERTAIN EXTRAORDINARY EVENTS

- 1.5.1 What are the extraordinary events that give ANZ an option to Exchange CPS2?

1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT

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

1.7 OTHER

- 1.7.1 Can ANZ issue further CPS2, preference shares or other instruments?
- 1.7.2 What voting rights do CPS2 carry?
- 1.7.3 Can ANZ amend the CPS2 Terms?
- 1.7.4 What is an Approved NOHC Event?

1.8 POTENTIAL INVESTMENT RISKS

- 1.8.1 Financial market conditions and liquidity
- 1.8.2 Fluctuation in Ordinary Share price
- 1.8.3 Dividends may not be paid
- 1.8.4 Dividends may not be fully franked
- 1.8.5 Changes in Dividend Rate
- 1.8.6 Mandatory Conversion may not occur
- 1.8.7 Ranking
- 1.8.8 ANZ's financial performance and position

| Topic | Summary | Where to find more information |
|--|--|---|
| 1.1 GENERAL | | |
| 1.1.1 Who is the issuer? | <p>Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (ANZ).</p> <p>ANZ is one of the four major banking groups headquartered in Australia. ANZ began its Australian operations in 1835 and its New Zealand operations in 1840.</p> <p>ANZ provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ conducts its operations primarily in Australia and New Zealand, with the remainder of ANZ's operations conducted across the Asia Pacific region and in a number of other countries including the United Kingdom and the United States.</p> | Section 3 |
| 1.1.2 What are CPS2? | <p>CPS2 are fully paid preference shares issued by ANZ, which will Mandatorily Convert into Ordinary Shares on 15 December 2016 (subject to certain conditions being satisfied). However, ANZ may elect for a third party to purchase the CPS2 rather than delivering the Ordinary Shares issued on Conversion to the investor.</p> <p>Subject to APRA's prior written approval where required, ANZ may elect to Exchange CPS2 prior to 15 December 2016 in certain circumstances and must do so where a Change of Control Event occurs.</p> | Clauses 1.1, 4, 5 and 6 of the CPS2 Terms |
| 1.1.3 What is the Issue Price? | \$100 per CPS2. | Clause 1.2 of the CPS2 Terms |
| 1.1.4 What is the size of the Offer? | <p>The Offer is for the issue of CPS2 to raise \$750 million with the ability to raise more or less.</p> <p>Applications must be for a minimum of 50 CPS2 (\$5,000). If your Application is for more than 50 CPS2, then you must apply in incremental multiples of 10 CPS2 – that is, for incremental multiples of at least \$1,000.</p> | Section 2 |
| 1.1.5 What is the purpose of the Offer? | The Offer is being made as part of ANZ's ongoing capital management strategy, with the CPS2 proceeds being used for ANZ's general corporate purposes. | |
| 1.1.6 What is the term of CPS2? | <p>CPS2 do not have a fixed maturity date. However, CPS2 Holders will receive Ordinary Shares on Conversion of the CPS2 on 15 December 2016 unless the Mandatory Conversion Conditions are not satisfied or Resale occurs.</p> <p>Subject to APRA's prior written approval where required, ANZ may also elect to Exchange CPS2 prior to 15 December 2016 in certain circumstances and must do so where a Change of Control Event occurs.</p> | Clauses 4, 5 and 6 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
|--|---|---|
| 1.1 GENERAL (CONT) | | |
| 1.1.7 How do CPS2 rank in relation to other ANZ instruments? | <p>For the payment of Dividends, CPS2 rank ahead of Ordinary Shares and rank equally with the 2008 CPS, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors.</p> <p>On a winding up of ANZ, CPS2 rank for payment ahead of Ordinary Shares, equally with the 2008 CPS, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors.</p> | Clauses 10.1 and 10.2 of the CPS2 Terms |
| 1.1.8 Will CPS2 be quoted on ASX? | ANZ will apply for CPS2 to be quoted on ASX and are expected to trade under ASX code "ANZPA". | Section 2.6.1 |
| 1.1.9 What is the Issue Credit Rating of CPS2? | <p>CPS2 have been assigned an indicative Issue Credit Rating of "A+" by Standard & Poor's. Standard & Poor's has indicated that it will rate CPS2 "A+" upon issue.</p> <p>Any Issue Credit Rating of "BBB-" or higher from Standard & Poor's is currently considered in capital markets to be investment grade.</p> | Sections 3.5 and 4.1.15 |
| 1.1.10 Are CPS2 guaranteed by the Australian Government? | No. CPS2 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS2 do not represent deposits of ANZ and are not protected accounts for the purposes of the Financial Claims Scheme. | |
| 1.1.11 What is Non-innovative Residual Tier 1 Capital? | <p>Under APRA's capital adequacy standards for banks, Tier 1 Capital consists of Fundamental Tier 1 Capital and Residual Tier 1 Capital (divided into innovative and non-innovative) less Tier 1 Capital Deductions.</p> <p>Under these APRA standards, mandatory convertible preference shares can qualify as Non-innovative Residual Tier 1 Capital if certain requirements are met.</p> <p>APRA has confirmed that CPS2 will be treated as Non-innovative Residual Tier 1 Capital under the capital adequacy standards.</p> | |
| 1.1.12 What are the taxation implications of investing in CPS2? | <p>The taxation implications of investing in CPS2 will depend on an investor's individual circumstances. Prospective investors should obtain their own taxation advice.</p> <p>A general outline of the Australian taxation implications is included in the Taxation Summary in Section 5.</p> | Section 5 |
| 1.1.13 Is brokerage or stamp duty payable? | No brokerage or stamp duty is payable on Applications for CPS2. Holders may have to pay brokerage on any subsequent transfer of CPS2 on ASX after quotation. | |

| Topic | Summary | |
|---|--|---|
| 1.1 GENERAL (CONT) | | |
| 1.1.14 How do the key features of CPS2 and the 2008 CPS compare? | A comparison of the key features of CPS2 and the 2008 CPS is set out in summary form below. Shading represents terms that are substantially unchanged between the 2008 CPS and CPS2. The comparisons are not intended to be exhaustive. | |
| | 2008 CPS | CPS2 |
| Legal form | Preference share | Preference share |
| Term | Perpetual, subject to mandatory conversion | Perpetual, subject to Mandatory Conversion |
| Issuer | ANZ | ANZ |
| ASX code | ANZPB | ANZPA ⁵ |
| Issue Credit Rating ⁶ | A+ by Standard & Poor's ⁷ Aa3 by Moody's | A+ ⁸ by Standard & Poor's Not rated by Moody's ⁹ |
| Margin | 2.50% per annum | Expected to be in the range of 3.10% and 3.30% per annum |
| Nature of dividends | Floating rate preferred non-cumulative dividend expected to be fully or substantially franked, subject to the payment tests | Floating rate preferred non-cumulative Dividend expected to be fully or substantially franked, subject to the Payment Tests |
| Rights if dividend is not fully franked | Gross-up, subject to the payment tests | Gross-up, subject to the Payment Tests |
| Payment tests | Absolute director discretion and specific APRA payment tests including the existence of sufficient distributable profits | Absolute director discretion and specific APRA payment tests including the existence of sufficient Distributable Profits |
| Mandatory Conversion Date | 16 June 2014 | 15 December 2016 ¹⁰ |
| Exchange | May be exchanged at the option of ANZ on the occurrence of certain events including tax, acquisition and regulatory events (and in some circumstances must be exchanged). | May be exchanged at the option of ANZ on the occurrence of certain events including tax, acquisition and regulatory events (and in some circumstances must be exchanged). Note however, that the definition of "Regulatory Event" in CPS2 includes all laws and regulations, which is wider than under the terms of the 2008 CPS. |
| Ordinary Share price threshold for First Mandatory Conversion Condition | \$9.7160 | 56.00% of Issue Date VWAP (being approximately \$12.54) ¹¹ |
| Conversion discount | 2.50% | 1.00% ^{11A} |
| Ranking for dividends and in a winding up | Rank ahead of Ordinary Shares, equally with certain issued preference shares and any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors | Rank ahead of Ordinary Shares, equally with certain issued preference shares and any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors |
| Capital classification | Non-innovative Residual Tier 1 Capital | Non-innovative Residual Tier 1 Capital |
| Issue Date | 30 September 2008 | 17 December 2009 |

⁵ ANZ will apply for CPS2 to be quoted on ASX and are expected to trade under ASX code "ANZPA".

⁶ See Sections 3.5 and 4.1.15 for further information

⁷ The above Issue Credit Ratings of the 2008 CPS are current as at the date of this Prospectus, but may be revised, withdrawn or suspended by Standard & Poor's or Moody's at any time. These Issue Credit Ratings apply to the 2008 CPS and do not apply to CPS2. None of the Issue Credit Ratings are a recommendation by Standard & Poor's or Moody's to purchase the 2008 CPS or to apply for CPS2. No consent has been obtained from Standard & Poor's or Moody's for the disclosure of the credit ratings in this Prospectus and neither Standard & Poor's or Moody's is liable for any statements in this Prospectus under section 729(1) of the Corporations Act.

⁸ Standard & Poor's has assigned an indicative grade Issue Credit Rating to CPS2 of "A+" and indicated that it will rate CPS2 "A+" upon issue.

⁹ ANZ has not sought an Issue Credit Rating from Moody's for the reasons discussed in Section 4.1.15.

¹⁰ Subject to the Mandatory Conversion Conditions being satisfied and Resale not occurring.

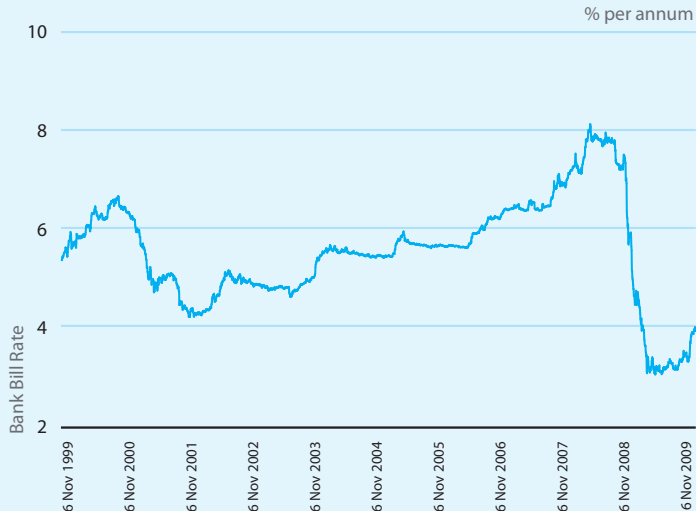
¹¹ Assuming an Issue Date VWAP equal to the closing Ordinary Share price of \$22.40 on 6 November 2009. The indicative Issue Date VWAP is for illustrative purposes only and does not indicate, guarantee or forecast the Issue Date VWAP or the price of Ordinary Shares on any other day. Actual prices (and, accordingly, the Issue Date VWAP and the Ordinary Share price thresholds for the Mandatory Conversion Conditions) may be higher or lower than this example.

^{11A} As a result of the lower conversion discount in CPS2, the percentage of the Issue Date VWAP used for the Second Mandatory Conversion Condition is 50.51% rather than 51.28% in the 2008 CPS.

| Topic | Summary | Where to find more information | | | | | | | | | | |
|--|---|--------------------------------|-------------------|-----------------|---------------------|------------------------------------|-------------------|------------------------------|--------|---|--------------------------|------------------------------|
| 1.2 DIVIDENDS | | | | | | | | | | | | |
| 1.2.1 What are Dividends? | <p>Dividends on CPS2 are preferred, non-cumulative, based on a floating rate, subject to certain Payment Tests, and expected to be fully or substantially franked. Accordingly, CPS2 Holders are expected to receive a combination of cash Dividends and franking credits. The value and availability of franking credits to a CPS2 Holder will differ depending on the CPS2 Holder's particular tax circumstances. Each CPS2 Holder will only receive the benefit of the franking credits where those credits are able to be claimed in the CPS2 Holder's tax return.</p> <p>Dividends are scheduled to be paid quarterly in arrears on the Dividend Payment Dates, subject to the Payment Tests – see Section 1.2.7.</p> <p>If any Dividend is not franked or only partially franked, the amount of the Dividend will be increased to compensate for the unfranked component, subject to the Payment Tests.</p> <p>Dividends are non-cumulative. If a Dividend or part of a Dividend is not paid on a Dividend Payment Date, CPS2 Holders have no claim or entitlement in respect of non-payment nor any right to receive that Dividend at any later time (however, the Distribution Restriction may apply in this scenario – see Section 1.2.8).</p> | Clause 3 of the CPS2 Terms | | | | | | | | | | |
| 1.2.2 How will the Dividend Rate be calculated? | <p>The Dividend Rate for each Dividend Period will be set on the first Business Day of each Dividend Period and will be calculated using the following formula:</p> <p>Dividend Rate = (Bank Bill Rate + Margin) x (1 – Tax Rate) where:</p> <p>Bank Bill Rate means the Bank Bill Rate on the first Business Day of the Dividend Period – see Section 1.2.5;</p> <p>Margin will be determined under the Bookbuild. The Margin is expected to be in the range of 3.10% and 3.30% per annum; and</p> <p>Tax Rate is the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Dividend Payment Date. As at the date of this Prospectus, the relevant rate is 30%.</p> <p>As an example, assuming the Bank Bill Rate on the first Business Day of the Dividend Period is 3.9550% per annum and the Margin is 3.2000% per annum, then the Dividend Rate for that Dividend Period will be calculated as follows:</p> <table><tr><td>Bank Bill Rate</td><td>3.9550% per annum</td></tr><tr><td>Plus the Margin</td><td>+ 3.2000% per annum</td></tr><tr><td>Equivalent unfranked dividend rate</td><td>7.1550% per annum</td></tr><tr><td>Multiplied by (1 – Tax Rate)</td><td>x 0.70</td></tr><tr><td>Indicative fully franked Dividend Rate</td><td>5.0085% per annum</td></tr></table> | Bank Bill Rate | 3.9550% per annum | Plus the Margin | + 3.2000% per annum | Equivalent unfranked dividend rate | 7.1550% per annum | Multiplied by (1 – Tax Rate) | x 0.70 | Indicative fully franked Dividend Rate | 5.0085% per annum | Clause 3.1 of the CPS2 Terms |
| Bank Bill Rate | 3.9550% per annum | | | | | | | | | | | |
| Plus the Margin | + 3.2000% per annum | | | | | | | | | | | |
| Equivalent unfranked dividend rate | 7.1550% per annum | | | | | | | | | | | |
| Multiplied by (1 – Tax Rate) | x 0.70 | | | | | | | | | | | |
| Indicative fully franked Dividend Rate | 5.0085% per annum | | | | | | | | | | | |

| Topic | Summary | Where to find more information | | | | | | | | |
|--|--|--|-------------------|-------------------------------|------------|---|------|----------------|-------|--------------------------------------|
| 1.2 DIVIDENDS (CONT) | | | | | | | | | | |
| 1.2.3 How will the Dividend be calculated for each Dividend Period? | <p>Dividends scheduled to be paid on each Dividend Payment Date will be calculated using the following formula:</p> $\text{Dividend} = \frac{\text{Issue Price} \times \text{Dividend Rate} \times N}{365}$ <p>where:</p> <p>Issue Price means \$100 per CPS2; and</p> <p>Dividend Rate means the rate (expressed as a percentage per annum) calculated as set out in Section 1.2.2;</p> <p>N means the number of days in the Dividend Period calculated as set out in the CPS2 Terms.</p> <p>As an example, if the fully franked Dividend Rate was 5.0085% per annum, then the Dividend on each CPS2 for that Dividend Period (if the Dividend Period was for 91 days) would be calculated as follows:</p> <table><tr><td>Indicative fully franked Dividend Rate</td><td>5.0085% per annum</td></tr><tr><td>Multiplied by the Issue Price</td><td>x \$100.00</td></tr><tr><td>Multiplied by the number of days in the Dividend Period¹²</td><td>x 91</td></tr><tr><td>Divided by 365</td><td>÷ 365</td></tr></table> <p>Indicative fully franked Dividend payment for the Dividend Period per CPS2 \$1.2487</p> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Dividend payable for any Dividend Period. Actual Dividends may be higher or lower than this example.</p> <p>The Dividend Rate for the first Dividend Period will be set on the Issue Date and will include the Margin as determined under the Bookbuild. For the purposes of calculating the first Dividend, there are 88 days in the first Dividend Period.</p> <p>Dividends will be paid in Australian dollars by direct credit into an Australian dollar account (excluding credit card accounts) of an Australian financial institution nominated by the CPS2 Holder or in any other manner determined by the Directors in accordance with the Constitution.</p> | Indicative fully franked Dividend Rate | 5.0085% per annum | Multiplied by the Issue Price | x \$100.00 | Multiplied by the number of days in the Dividend Period ¹² | x 91 | Divided by 365 | ÷ 365 | Clauses 3.1 and 15 of the CPS2 Terms |
| Indicative fully franked Dividend Rate | 5.0085% per annum | | | | | | | | | |
| Multiplied by the Issue Price | x \$100.00 | | | | | | | | | |
| Multiplied by the number of days in the Dividend Period ¹² | x 91 | | | | | | | | | |
| Divided by 365 | ÷ 365 | | | | | | | | | |

¹² Dividend Periods will generally contain 90–92 days with the exception of the first Dividend Period which will contain 88 days.

| Topic | Summary | Where to find more information |
|--|--|--------------------------------|
| 1.2 DIVIDENDS (CONT) | | |
| 1.2.4 What is the impact of franking credits? | <p>Dividends are expected to be fully or substantially franked and, accordingly, CPS2 Holders are expected to receive a combination of cash Dividends and franking credits. The franking credits represent the CPS2 Holder's share of tax paid by ANZ on the profits from which the cash Dividend is paid.</p> <p>If the potential value of the franking credits is taken into account in full, the fully franked Dividend Rate of 5.0085% per annum in the example on Section 1.2.3 would be equivalent to an unfranked dividend rate of approximately 7.1550% per annum. However, CPS2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS2 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 CPS2 Holder.</p> <p>CPS2 Holders should refer to the Taxation Summary in Section 5 and seek professional advice in relation to their tax position.</p> | Section 5 |
| 1.2.5 What is the Bank Bill Rate? | <p>The Bank Bill Rate is a benchmark interest rate for the Australian money market, commonly used by major Australian financial institutions to lend short-term cash to each other over a 90 day period. This rate changes to reflect the supply and demand within the cash market.</p> <p>The graph below illustrates the movement in the Bank Bill Rate over the last 10 years. The rate on 6 November 2009 was 3.9550% per annum.</p> <p>90 DAY BANK BILL RATE FROM 6 NOVEMBER 1999 TO 6 NOVEMBER 2009</p>  <p>The above graph is for illustrative purposes only and does not indicate, guarantee or forecast the actual Bank Bill Rate. The actual Bank Bill Rate for the first and subsequent Dividend Periods may be higher or lower than the rates in the above graph.</p> | Clause 3.1 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
|---|--|--|
| 1.2 DIVIDENDS (CONT) | | |
| 1.2.6 When are the Dividend Payment Dates? | <p>Subject to the Payment Tests, Dividends are payable quarterly in arrears on the Dividend Payment Dates. The first Dividend Payment Date is 15 March 2010.</p> <p>Subsequent Dividend Payment Dates occur on 15 June, 15 September, 15 December and 15 March each year, subject to adjustment for Business Days. If any of these dates are not Business Days, then the Dividend Payment Date will occur on the next Business Day.</p> | Clause 3.5 of the CPS2 Terms |
| 1.2.7 What are the Payment Tests? | <p>Dividends may not always be paid. The payment of each Dividend is subject to the following Payment Tests being satisfied:</p> <ul style="list-style-type: none"> ■ the Directors, at their absolute discretion, resolving to pay that Dividend; ■ unless APRA otherwise approves in writing: <ul style="list-style-type: none"> ■ such payment of the Dividend does not result in the Prudential Capital Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or the Group (as the case may be) at the time; and ■ the amount of the Dividend does not exceed Distributable Profits; ■ such payment does not result in ANZ becoming, or likely to become, insolvent for the purposes of the Corporations Act; and ■ APRA does not otherwise object to the payment of the Dividend. | Clauses 3.3 and 19.2 of the CPS2 Terms |
| 1.2.8 What is the Distribution Restriction and when will it apply? | <p>If for any reason a scheduled Dividend has not been paid in full within 21 Business Days of the relevant Dividend Payment Date, ANZ must not, subject to certain exceptions, without approval of a Special Resolution:</p> <ul style="list-style-type: none"> ■ declare or pay a dividend or make any distribution on any capital instruments of ANZ which rank equally with or junior to CPS2 for distributions; or ■ redeem, buy back or reduce capital on any capital instruments of ANZ which rank equally with or junior to CPS2 for a return of capital in a winding up, <p>unless:</p> <ul style="list-style-type: none"> ■ consecutive Dividends scheduled to be payable on CPS2 on the Dividend Payment Dates falling during the 12 months after the Dividend Payment Date of the Dividend that has not been paid have been paid in full; ■ with the prior written approval of APRA, an Optional Dividend has been paid to CPS2 Holders equal to the aggregate unpaid amount of any unpaid Dividends which were scheduled to be paid in the 12 months prior to the date of payment of the Optional Dividend; or ■ all CPS2 have been Redeemed or Converted. | Clauses 3.8 and 3.9 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
|---|--|-------------------------------------|
| 1.3 MANDATORY CONVERSION | | |
| 1.3.1 What is Mandatory Conversion? | <p>Investors will receive Ordinary Shares on Conversion of the CPS2 on the earliest Mandatory Conversion Date unless the Mandatory Conversion Conditions are not satisfied or Resale occurs.</p> <p>Upon Conversion, CPS2 Holders will receive approximately \$101.01 worth of Ordinary Shares per CPS2 based on the VWAP during the 20 Business Days before the Mandatory Conversion Date.¹³</p> | Clauses 4 and 7 of the CPS2 Terms |
| 1.3.2 What is Resale? | <p>Before a possible Mandatory Conversion Date, ANZ may choose to arrange that all CPS2 on issue be acquired from CPS2 Holders by a third party (a Nominated Purchaser) on the possible Mandatory Conversion Date. The obligation of the Nominated Purchaser to pay the purchase price may be subject to conditions. ANZ will reasonably endeavour to minimise these conditions but gives no assurance as to the details of any such conditions. This process is called Resale. Resale can occur whether or not the Mandatory Conversion Conditions are satisfied.</p> <p>If Resale is chosen by ANZ, CPS2 Holders will be notified and on the possible Mandatory Conversion Date they will receive \$100 from the Nominated Purchaser for each CPS2 rather than Ordinary Shares from ANZ.</p> <p>If the Nominated Purchaser does not pay the purchase price to CPS2 Holders, the Resale of the relevant CPS2 will not occur, CPS2 will not Convert and CPS2 Holders will continue to hold CPS2 until CPS2 are otherwise Redeemed, Converted or Resold in accordance with the CPS2 Terms. If Resale does not occur, ANZ may, subject to APRA's prior written approval, elect to Exchange all of the relevant CPS2 on issue no later than 45 Business Days after the possible Mandatory Conversion Date.</p> | Clauses 4.7 and 9 of the CPS2 Terms |
| 1.3.3 When is the Mandatory Conversion Date? | <p>The Mandatory Conversion Date is 15 December 2016 provided that all of the Mandatory Conversion Conditions are satisfied (see Section 1.3.4).</p> <p>If any of the Mandatory Conversion Conditions are not satisfied with respect to 15 December 2016, then the Mandatory Conversion Date will be deferred until the next Dividend Payment Date in respect of which all of the Mandatory Conversion Conditions are satisfied.</p> | Clause 4 of the CPS2 Terms |

¹³ The VWAP during the 20 Business Days before the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that CPS2 Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

| Topic | Summary | Where to find more information |
|--|--|--|
| 1.3 MANDATORY CONVERSION (CONT) | | |
| 1.3.4 What are the Mandatory Conversion Conditions? | <p>The Mandatory Conversion Conditions are as follows:</p> <p>First Mandatory Conversion Condition: the VWAP on the 25th Business Day before (but not including) a possible Mandatory Conversion Date (or, if no trading in Ordinary Shares took place on that 25th Business Day, the first Business Day on which trading in Ordinary Shares took place before that date) is greater than 56.00% of the Issue Date VWAP.</p> <p>The Issue Date VWAP means the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to certain adjustments.</p> <p>Second Mandatory Conversion Condition: the VWAP during the period of 20 Business Days before (but not including) a possible Mandatory Conversion Date (Second Test Period) is greater than 50.51% of the Issue Date VWAP. This condition partly satisfies one of the criteria that enables CPS2 to qualify as Non-innovative Residual Tier 1 Capital under APRA’s capital adequacy guidelines, which require that the number of Ordinary Shares per CPS2 that CPS2 Holders are issued on Conversion may not be greater than the number determined using the following formula:</p> <div><div>Issue Price</div><div>Issue Date VWAP × 0.5</div></div> <p>This number is known as the Maximum Conversion Number.</p> <p>The Maximum Conversion Number is set to reflect a VWAP of 50.00% of the Issue Date VWAP.</p> <p>As an example, if the Issue Date VWAP is \$22.40, then the Maximum Conversion Number would be calculated as follows:</p> <div><div>Issue Price</div><div>Divided by Issue Date VWAP × 0.5</div><div>\$100.00</div><div>÷ \$11.20</div></div> <p>Indicative Maximum Conversion Number 8.9286</p> <p>The above example is for illustrative purposes only and does not indicate, guarantee or forecast the actual Issue Date VWAP or Maximum Conversion Number. The actual Issue Date VWAP and Maximum Conversion Number may be higher or lower than in the example and these factors may be adjusted after the Issue Date (see Section 1.3.6).</p> <p>Setting the Second Mandatory Conversion Condition at 50.51% reflects this 50.00% limit adjusted for the 1.00% conversion discount.</p> | Clauses 4.3 and 19.2 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
|--|--|--|
| 1.3 MANDATORY CONVERSION (CONT) | | |
| 1.3.4 (continued) What are the Mandatory Conversion Conditions? | <p>The First Mandatory Conversion Condition and the Second Mandatory Conversion Condition are intended to provide protection to CPS2 Holders from receiving less than approximately \$101.01 worth of Ordinary Shares per CPS2 on Conversion (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).¹⁴</p> <p>Third Mandatory Conversion Condition: Ordinary Shares remain listed and admitted to trading on ASX, and trading of Ordinary Shares has not been suspended for at least five consecutive Business Days prior to a possible Mandatory Conversion Date and the suspension is continuing on the possible Mandatory Conversion Date.</p> <p>The Third Mandatory Conversion Condition is intended to provide protection to CPS2 Holders to enable them to sell the Ordinary Shares they receive on ASX, if they wish to do so. See Section 4.1.1 regarding the risk of liquidity as it relates to Ordinary Shares.</p> | Clauses 4.3 and 19.2 of the CPS2 Terms |
| 1.3.5 How many Ordinary Shares will CPS2 Holders receive on Mandatory Conversion? | <p>If CPS2 are Converted, CPS2 Holders will receive a number of Ordinary Shares per CPS2 that is equivalent to the number calculated using the following formula:</p> $\frac{\text{Issue Price}}{99\% \times \text{VWAP}}$ <p>VWAP for this purpose is the VWAP during the 20 Business Days before the Mandatory Conversion Date. Conversion is subject to the Maximum Conversion Number (see Section 1.3.4).</p> | Clause 7 of the CPS2 Terms |
| 1.3.6 What adjustments are made to account for changes to ANZ's capital? | The Issue Date VWAP, and consequently the Maximum Conversion Number, may be adjusted to reflect transactions affecting the capital of ANZ (including capital reconstructions, off-market buy-backs, returns of capital and bonus and rights issues) as set out in the CPS2 Terms. | Clauses 7.3 to 7.9 of the CPS2 Terms |
| 1.3.7 What can happen if the Mandatory Conversion Conditions are not satisfied? | If any of the Mandatory Conversion Conditions are not satisfied, ANZ may (subject to APRA giving its prior written approval) Redeem all CPS2 for \$100 each. Otherwise, Conversion is deferred until the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied. Regardless of whether the Mandatory Conversion Conditions are satisfied, ANZ may arrange for CPS2 to be Resold (see Section 1.3.2). | Clauses 4.5, 4.7, 7, 8 and 9 of the CPS2 Terms |

¹⁴ The VWAP during the 20 Business Days before the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

| Topic | Summary | Where to find more information |
|---|--|---------------------------------------|
| 1.4 OPTIONAL EXCHANGE BY ANZ | | |
| 1.4.1 What is optional Exchange? | <p>ANZ may choose to Exchange all or some CPS2 on issue after the occurrence of a Tax Event or Regulatory Event, and may choose to Exchange all (but not some only) CPS2 on issue after the occurrence of an Acquisition Event.</p> <p>Exchange means:</p> <ul style="list-style-type: none"> ■ subject to APRA's prior written approval and provided certain conditions are satisfied (see below), CPS2 may be Converted into a variable number of Ordinary Shares with a value (based on the VWAP during the 20 Business Days before the Exchange Date) of approximately \$101.01 per CPS2;¹⁵ ■ subject to APRA's prior written approval and provided certain conditions are satisfied (see below), CPS2 may be Redeemed for \$100 per CPS2; ■ CPS2 may be Resold for \$100 per CPS2; or ■ a combination of the above. | Clause 5 of the CPS2 Terms |
| 1.4.2 What are the requirements for Conversion to be elected as the Exchange Method? | <p>ANZ may not choose to Convert CPS2 under an optional Exchange if, on the second Business Day before the date on which ANZ sends a notice advising CPS2 Holders that it wishes to Convert CPS2 (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-Conversion Test Date), an Optional Conversion Restriction applies (see Section 1.4.3).</p> <p>Further, if ANZ has chosen to Convert CPS2, ANZ may not proceed to Convert CPS2 if, on the Exchange Date, certain further restrictions apply (see Section 1.4.4).</p> | Clauses 5.4 and 5.5 of the CPS2 Terms |
| 1.4.3 What are the Optional Conversion Restrictions? | <p>The Optional Conversion Restrictions are:</p> <p>First Optional Conversion Restriction: the VWAP on the Non-Conversion Test Date is less than 56.00% of the Issue Date VWAP; and</p> <p>Second Optional Conversion Restriction: Ordinary Shares are not listed and admitted to trading on ASX, or trading of Ordinary Shares has been suspended for at least five consecutive Business Days prior to the Non-Conversion Test Date and remains suspended on the Non-Conversion Test Date.</p> | Clause 5.4 of the CPS2 Terms |

¹⁵ The VWAP of Ordinary Shares during the 20 Business Days before the Exchange Date that is used to calculate the number of Ordinary Shares that CPS2 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 |
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| 1.4 OPTIONAL EXCHANGE BY ANZ (CONT) | | |
| 1.4.4 What are the further Conversion restrictions on the Exchange Date? | <p>The further Conversion restrictions on the Exchange Date are that the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Exchange Date if the Exchange Date were a possible Mandatory Conversion Date.</p> <p>If the Conversion restrictions on the Exchange Date apply, ANZ will notify CPS2 Holders and the Conversion will be deferred until the next Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date unless otherwise Exchanged in accordance with the CPS2 Terms.</p> | Clause 5.5 of the CPS2 Terms |
| 1.4.5 Can CPS2 Holders request Exchange? | CPS2 Holders do not have a right to request Exchange. | Clause 10.10(g) of the CPS2 Terms |
| 1.5 OPTIONAL EXCHANGE BY ANZ ON CERTAIN EXTRAORDINARY EVENTS | | |
| 1.5.1 What are the extraordinary events that give ANZ an option to Exchange CPS2? | <p>The extraordinary events giving ANZ a right to Exchange CPS2 are:</p> <ul style="list-style-type: none"> ■ a Tax Event, which will broadly occur if ANZ receives professional advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Issue Date, there is a more than insubstantial risk which the Directors determine to be unacceptable that ANZ would be exposed to more than an insignificant increase in its costs in relation to CPS2 being on issue, any Dividend would not be a frankable dividend or distribution for tax purposes or franking credits may not be available to Australian tax resident CPS2 Holders generally or the CPS2 would cease to be disregarded for certain purposes in relation to a NOHC; ■ a Regulatory Event, which will broadly occur if ANZ receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on ANZ in relation to CPS2 which the Directors determine to be unacceptable, or the Directors determine that ANZ will not be entitled to treat all CPS2 as Non-innovative Residual Tier 1 Capital; or ■ an Acquisition Event, which will broadly occur if certain takeover bids or schemes of arrangement occur in relation to ANZ. | Clauses 5.1 and 19.2 of the CPS2 Terms |
| 1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT | | |
| 1.6.1 What must ANZ do on a Change of Control Event? | Subject to APRA's prior written approval where required, ANZ must Exchange all CPS2 on issue if a Change of Control Event occurs. | Clauses 6 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
|---|---|--|
| 1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT (CONT) | | |
| 1.6.2 What Exchange Method can be elected by ANZ on a Change of Control Event? | <p>If a Change of Control Event occurs, ANZ must elect (by giving a Change of Control Exchange Notice) to do one of the following in relation to CPS2, subject to APRA's prior written approval where required and certain further restrictions:</p> <ul style="list-style-type: none"> ■ Convert each CPS2 into a number of Ordinary Shares with a value of approximately \$101.01 (based on the VWAP during the 20 Business Days before the Exchange Date), provided certain conditions are satisfied (see below);¹⁶ or ■ Redeem each CPS2 for \$100. <p>If APRA does not approve Redemption and the restrictions to electing Conversion apply, ANZ will not be required to give a Change of Control Exchange Notice to CPS2 Holders and, accordingly, will not be required to make this election.</p> | Clauses 6.3(c) and 6.4 of the CPS2 Terms |
| 1.6.3 What are the requirements for Conversion to be elected as the Exchange Method? | The same restrictions apply on electing Conversion as the Exchange Method following a Change of Control Event as apply to optional Exchange (see Sections 1.4.2 and 1.4.3). | Clauses 5.4 and 6.3(c) of the CPS2 Terms |
| 1.6.4 What are the further Conversion restrictions on the Change of Control Exchange Date? | <p>If ANZ has elected to Convert CPS2 as the Exchange Method on the occurrence of a Change of Control Event, ANZ may not proceed to Convert CPS2 if, on the date on which Exchange is to occur (Change of Control Exchange Date), certain further restrictions apply.</p> <p>These Conversion restrictions on the Change of Control Exchange Date apply if the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of the Change of Control Exchange Date if the Change of Control Exchange Date were a possible Mandatory Conversion Date.</p> | Clause 6.5 of the CPS2 Terms |
| 1.6.5 What happens if Exchange does not occur? | If ANZ is not required to give a Change of Control Exchange Notice or the restrictions prevent Conversion, ANZ will, unless APRA does not approve Redemption and the restrictions to electing Conversion apply, give a new Change of Control Exchange Notice which will specify either Redemption or Conversion (as elected by ANZ) as the Exchange Method for Exchange on the next Dividend Payment Date. This will be repeated until an Exchange occurs. | Clause 6.5 of the CPS2 Terms |

¹⁶ The VWAP during the 20 Business Days before the Change of Control Exchange Date that is used to calculate the number of Ordinary Shares that CPS2 Holders receive may differ from the Ordinary Share price on or after the Change of Control Exchange Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

| Topic | Summary | Where to find more information |
|---|--|---|
| 1.6 EXCHANGE ON A CHANGE OF CONTROL EVENT (CONT) | | |
| 1.6.6 What other obligations does ANZ have in connection with a takeover or scheme of arrangement? | On the occurrence of a recommended takeover or scheme of arrangement which would result in an Acquisition Event, if the Directors consider that APRA will not approve Exchange where required or the Second Mandatory Conversion Condition or Third Mandatory Conversion Condition will not be satisfied, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to CPS2 Holders or that CPS2 Holders are entitled to participate in the scheme of arrangement or a similar transaction. | Clause 12 of the CPS2 Terms |
| 1.7 OTHER | | |
| 1.7.1 Can ANZ issue further CPS2, preference shares or other instruments? | <p>ANZ reserves the right to issue further preference shares (including further CPS2) or other instruments, or permit the conversion of shares to preference shares or other instruments, which rank behind, equal with or (to the maximum extent permitted by the Constitution) ahead of CPS2, whether in respect of dividends, return of capital on a winding up of ANZ or otherwise.</p> <p>CPS2 do not confer on CPS2 Holders any right to subscribe for new securities in ANZ, to participate in any bonus issues of shares in ANZ's capital or to participate in ANZ's dividend reinvestment or bonus option plans.</p> | Clauses 10.3 and 10.12(b) of the CPS2 Terms |
| 1.7.2 What voting rights do CPS2 carry? | CPS2 Holders generally do not have voting rights, except in the limited circumstances described in the CPS2 Terms. | Clause 11.2 of the CPS2 Terms |
| 1.7.3 Can ANZ amend the CPS2 Terms? | <p>Subject to complying with all applicable laws, and with APRA's prior written approval, ANZ may amend the CPS2 Terms without the consent of CPS2 Holders in certain circumstances.</p> <p>ANZ may also, with APRA's prior written approval, amend the CPS2 Terms if the amendment has been approved by a Special Resolution.</p> | Clause 16 of the CPS2 Terms |
| 1.7.4 What is an Approved NOHC Event? | <p>An Approved NOHC Event is an event that would otherwise be an Acquisition Event, except that:</p> <ul style="list-style-type: none"> ■ the event is initiated by the Directors and would result in the ultimate holding company of ANZ becoming a "non-operating holding company" within the meaning of the Banking Act (NOHC); ■ the ordinary shares of the NOHC are listed on ASX; and ■ the NOHC assumes all of ANZ's obligations to Convert the CPS2 into ordinary shares in the NOHC. <p>If an Approved NOHC Event occurs, the CPS2 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 CPS2 nor does it entitle CPS2 Holders to Exchange their CPS2.</p> | Clauses 13, 16 and 19.2 of the CPS2 Terms |

| Topic | Summary | Where to find more information |
|--|--|--------------------------------|
| 1.8 POTENTIAL INVESTMENT RISKS | | |
| Before deciding whether to apply for CPS2, you should consider whether CPS2 are a suitable investment for you. There are risks associated with investing in CPS2 and in ANZ. Many of those risks are outside the control of ANZ and its Directors. A summary of the key risks which are detailed in Section 4 follows. | | |
| 1.8.1 Financial market conditions and liquidity | <p>The market price of CPS2 may fluctuate due to various factors that affect financial market conditions. It is possible that CPS2 may trade at a market price below their Issue Price of \$100.</p> <p>There may be no liquidity or an illiquid market for CPS2 and that market may be volatile. The market for CPS2 may be less liquid and/or more volatile than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. CPS2 Holders who wish to sell their CPS2 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CPS2 or the market for CPS2 is volatile.</p> | Sections 4.1.1 and 4.1.2 |
| 1.8.2 Fluctuation in Ordinary Share price | The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions and ANZ's financial performance and position – see Sections 4.1.2 and 4.1.3. As a result, the value of Ordinary Shares received by CPS2 Holders upon Conversion may be greater than or less than anticipated when they are issued or thereafter. | Section 4.1.4 |
| 1.8.3 Dividends may not be paid | <p>There is a risk that Dividends will not be paid. If for any reason a scheduled Dividend has not been paid in full within 21 Business Days after the relevant Dividend Payment Date, then the Distribution Restriction will apply.</p> <p>The CPS2 Terms contain no events of default and, accordingly, a failure to pay a scheduled Dividend on CPS2 will not constitute an event of default. Further, in the event that ANZ does not pay a scheduled Dividend on CPS2, a CPS2 Holder has no right to apply for ANZ to be wound up and will have no right of set-off or offsetting rights or claim on ANZ.</p> | Section 4.1.5 |
| 1.8.4 Dividends may not be fully franked | <p>ANZ expects Dividends to be fully or substantially franked. However, there is no guarantee that ANZ will have sufficient franking credits in the future to fully frank Dividends.</p> <p>If a Dividend is unfranked or partially franked, the Dividend will be increased to compensate for the unfranked component, subject to the Payment Tests.</p> <p>The value and availability of franking credits to a CPS2 Holder will differ depending on the CPS2 Holder's particular tax circumstances.</p> | Section 4.1.6 |
| 1.8.5 Changes in Dividend Rate | The Dividend Rate will fluctuate (both increasing and decreasing) over time as a result of movements in the Bank Bill Rate. There is a risk that this rate may become less attractive when compared to the rates of return available on comparable securities. | Section 4.1.7 |

| Topic | Summary | Where to find more information |
|---|---|--------------------------------|
| 1.8 POTENTIAL INVESTMENT RISKS (CONT) | | |
| 1.8.6 Mandatory Conversion may not occur | CPS2 are expected to Convert into Ordinary Shares on the Mandatory Conversion Date, unless ANZ requires CPS2 to be Resold or CPS2 are otherwise Exchanged prior to that date. However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if Ordinary Shares cease to be quoted on ASX or have been suspended from trading for a certain period. Mandatory Conversion may therefore not occur when scheduled or at all. | Section 4.1.9 |
| 1.8.7 Ranking | <p>CPS2 are not deposit liabilities of ANZ, do not have the benefit of the depositor protection provisions of the Banking Act and are not protected accounts for the purposes of the Financial Claims Scheme. CPS2 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.</p> <p>CPS2 are issued by ANZ on the CPS2 Terms and CPS2 Holders have no claim on ANZ in respect of CPS2 except as provided in those CPS2 Terms. CPS2 are not secured.</p> <p>On a winding up of ANZ, CPS2 rank for payment ahead of Ordinary Shares, equally with the 2008 CPS, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities or instruments, and all depositors and other creditors. On a winding up, there is a risk that CPS2 Holders will lose all or some of their investment.</p> | Section 4.1.14 |
| 1.8.8 ANZ's financial performance and position | <p>The market price of CPS2 (and the Ordinary Shares into which they are expected to Convert) may be affected by ANZ's financial performance and position. For specific risks associated with an investment in ANZ, see Section 4.2.</p> <p>ANZ's financial performance and position may also affect the credit rating associated with CPS2, which may impact the market price and liquidity of CPS2. The credit rating may be revised, withdrawn or suspended by Standard & Poor's at any time.</p> | Section 4.2 |

WHERE CAN I GET MORE INFORMATION?

If you have any questions about the Offer or how to apply for CPS2 under ANZ Securityholder Offer or General Offer, please call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT) or contact your broker or other professional adviser.

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

SECTION 2

ABOUT THE OFFER

THIS SECTION SETS OUT:

- WHO THE OFFER IS MADE TO;
- WHAT YOU MUST DO IF YOU WISH TO APPLY FOR CPS2;
- DETAILS OF ASX QUOTATION AND TRADING; AND
- OTHER INFORMATION RELEVANT TO THE OFFER AND YOUR APPLICATION.

2.1 OFFER

The Offer is for the issue of CPS2 to raise \$750 million with the ability to raise more or less.

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

The Offer comprises:

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

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. As at the date of this Prospectus, no action has been taken to register or qualify CPS2 or the Offer or to otherwise permit a public offering of CPS2 outside Australia. This Prospectus does not constitute an offer of securities in the United States or to any US Persons, or to any person acting for the account or benefit of a US Person. CPS2 may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 6.12.

For details of how to apply for CPS2 under the Offer – see Section 2.2.1.

2.1.1 AUSTRALIAN RESIDENT ANZ SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS

If you apply online, you will be required to pay for CPS2 using BPAY® – see Section 2.3.1 for BPAY® payment instructions.

BPAY® is an electronic payment service that enables you to pay for your CPS2 directly from your cheque or savings account online through participating Australian banks, credit unions or building societies.

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

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

2.2 OBTAINING A PROSPECTUS AND APPLICATION FORM

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at www.CPS2Offer.anz.com. Application Forms will not be made available until after the Exposure Period. During the Offer Period, an electronic version of this Prospectus with an Application Form will be available at www.CPS2Offer.anz.com and may be available through your Syndicate Broker. If you access an electronic copy of this Prospectus, then you should read the paragraphs below and the “Electronic access to Prospectus” paragraph in the “Important Notices” section at the start of this Prospectus.

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

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

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

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

Applying for CPS2

2.2.1 OVERVIEW

| WHO CAN APPLY FOR CPS2? | HOW MANY CPS2 CAN YOU APPLY FOR? | WHEN TO APPLY ¹⁷ | HOW DO I APPLY ONLINE? | HOW DO I APPLY USING A PAPER APPLICATION FORM? |
|--|---|--|---|--|
| ANZ Securityholder Applicant – that is, a holder of Ordinary Shares or a holder of 2008 CPS shown on the Register at 7:00pm AEDT on 30 October 2009 with an address in Australia – applying through the ANZ Securityholder Offer. | <p>Your Application must be for a minimum of 50 CPS2 (\$5,000).</p> <p>If your Application is for more than 50 CPS2, then you must apply in incremental multiples of 10 CPS2 – that is, for incremental multiples of at least \$1,000.</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any ANZ Securityholder Applicant a lesser number of CPS2 than that applied for.</p> | <p>Applications will only be accepted during the Offer Period, which is expected to open on 18 November 2009.</p> <p>The Closing Date¹⁸ for the ANZ Securityholder Offer is 5:00pm AEDT on 10 December 2009.</p> <p>Your completed personalised blue paper ANZ Securityholder Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>You can apply online at www.CPS2Offer.anz.com.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>You will be asked to identify the holding that gives you the entitlement to apply by providing your SRN or HIN which can be found on your holding statement or payment advice.</p> <p>When applying online, you will be required to pay for CPS2 using BPAY[®] – see Section 2.3.1.</p> | <p>You can request a paper copy of the Prospectus and your personalised blue ANZ Securityholder Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT).</p> <p>Instructions on how to complete your personalised blue ANZ Securityholder Application Form are set out on the Application Form.</p> <p>You will be required to pay for CPS2 by 10 December 2009. The method of payment may be either by cheque(s) and/or money order(s) – see Section 2.3.1. BPAY[®] is not available for ANZ Securityholder Applicants using a personalised blue paper ANZ Securityholder Application Form. If you wish to pay by BPAY[®] you need to make an online Application.</p> <p>You will be required to post your completed personalised blue paper ANZ Securityholder Application Form to the Registry – see Section 2.2.2.</p> |
| <p>General Applicant – that is, a member of the general public who is an Australian resident applying through the General Offer.</p> <p>An ANZ Securityholder who does not use their personalised blue ANZ Securityholder Application Form will be treated as a General Applicant.</p> | <p>Your Application must be for a minimum of 50 CPS2 (\$5,000).</p> <p>If your Application is for more than 50 CPS2, then you must apply in incremental multiples of 10 CPS2 – that is, for incremental multiples of at least \$1,000.</p> <p>ANZ, in consultation with the Joint Lead Managers, reserves the right to reject any Application, or to allocate any General Applicant a lesser number of CPS2 than that applied for.</p> | <p>Applications will only be accepted during the Offer Period, which will open on 18 November 2009.</p> <p>The Closing Date¹⁹ for the General Offer is 5:00pm AEDT on 10 December 2009.</p> <p>Your completed white paper Application Form or online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>You can apply online at www.CPS2Offer.anz.com.</p> <p>Instructions on how to complete your Application are provided online.</p> <p>When applying online, you will be required to pay for CPS2 using BPAY[®] – see Section 2.3.1.</p> | <p>There are white paper Application Forms contained in the back of this Prospectus that should be used by General Applicants. You can request a paper copy of the Prospectus and white paper Application Form by calling the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT).</p> <p>Instructions on how to complete the white paper Application Form are set out on the Application Form.</p> <p>If applying using the white Application Form, you will be required to pay for CPS2 using cheque(s) and/or money order(s) – see Section 2.3.1. BPAY[®] is not available for General Applicants using a white paper Application Form. If you wish to pay by BPAY[®] you need to make an online Application.</p> <p>You will be required to post your completed white paper Application Form to the Registry – see Section 2.2.2.</p> |

17 The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS2 are issued.

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

19 The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS2 are issued.

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

Applying for CPS2

2.2.1 OVERVIEW

| WHO CAN APPLY FOR CPS2? | HOW MANY CPS2 CAN YOU APPLY FOR? | WHEN TO APPLY ²⁰ | HOW DO I APPLY? |
|--|---|--|---|
| Broker Firm Applicant – that is, a retail client of a Syndicate Broker invited to participate through the Broker Firm Offer. ²¹ | <p>Your Application must be for a minimum of 50 CPS2 (\$5,000).</p> <p>If your Application is for more than 50 CPS2, then you must apply in incremental multiples of 10 CPS2 – that is, for incremental multiples of at least \$1,000.</p> <p>Your Syndicate Broker will inform you of your Allocation.</p> | <p>Applications will only be accepted during the Offer Period, which is expected to open on 18 November 2009.</p> <p>The Closing Date²² for the Broker Firm Offer is 10:00am AEDT on 16 December 2009.</p> <p>Your completed white paper Application Form and Application Payment must be received by your Syndicate Broker in accordance with arrangements made between you and your Syndicate Broker.</p> | <p>There are white paper Application Forms in the back of this Prospectus that should be used by Broker Firm Applicants.</p> <p>General instructions on how to complete the white paper Application Form are set out on the Application Form.</p> <p>You must contact your Syndicate Broker for their specific instructions on how to submit the white paper Application Form and your Application Payment to your Syndicate Broker.</p> <p>You must NOT return your white paper Application Form to the Registry.</p> <p>Your Syndicate Broker:</p> <ul style="list-style-type: none"> ■ must have received your completed white paper Application Form and Application Payment in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer – being 10:00am AEDT on 16 December 2009; and ■ will act as your agent in processing your white paper Application Form and providing your Application details and Application Payment to ANZ. |
| Institutional Investor – that is, an investor who was invited by the Joint Lead Managers to bid for CPS2 in the Bookbuild, who is not an ANZ Securityholder Applicant, General Applicant or Broker Firm Applicant and who is applying through the Institutional Offer. ²¹ | Applications by Institutional Investors are subject to the terms and conditions of the Bookbuild and this Prospectus. | The Bookbuild will be conducted on 17 November 2009. | Application and settlement procedures for Institutional Investors will be advised by the Joint Lead Managers. |

20 The key dates for the Offer are indicative only and may change without notice. ANZ and the Joint Lead Managers may agree to vary the timetable, including extending any Closing Date, closing the Offer early without notice, or withdrawing the Offer at any time before CPS2 are issued.

21 CPS2 may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction – see Section 6.12.

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

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

If you are an ANZ Securityholder Applicant or you are a General Applicant and paying by cheque and/or money order, you must return your completed paper Application Form and Application Payment to the address below so that they are received by the Registry before the Closing Date, which is 5:00pm AEDT on 10 December 2009.

By mail to the Registry:

ANZ CPS2 Offer
Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 8060
Australia

Paper Application Forms and Application Payments will not be accepted at any other address or office without prior arrangements and will not be accepted at ANZ's registered office or any other ANZ office or branch or at other offices or branches of the Registry.

2.3 How to pay

2.3.1 OVERVIEW

| | ONLINE | PAPER APPLICATION FORM |
|--------------------------|---|--|
| ANZ Securityholder Offer | <p>If you apply using an online Application Form at www.CPS2Offer.anz.com, you must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for that Application. Follow the BPAY® instructions below to complete your Application. If you do not make a BPAY® payment, your Application will be incomplete and will not be accepted by ANZ.</p> <p>Using the provided BPAY® details, you need to:</p> <ul style="list-style-type: none"> ■ access your participating BPAY® financial institution either through telephone banking or internet banking; ■ select BPAY® and follow the prompts; ■ enter the biller code supplied; ■ enter the unique Customer Reference Number supplied for each Application; ■ enter the total amount to be paid which corresponds to the number of CPS2 you wish to apply for under each Application (that is, a minimum of \$5,000 – 50 CPS2, and incremental multiples of \$1,000 – 10 CPS2). Note that your financial institution may apply limits on your use of BPAY® and that you should make enquiry about the limits that apply in your own personal situation; ■ select the account you wish your payment to be made from; ■ schedule your payment for the same day that you complete your online Application Form since Applications without payment cannot be accepted; and ■ record your BPAY® receipt number and date paid. Retain these details for your records. <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>If you apply under the ANZ Securityholder Offer using a personalised blue paper ANZ Securityholder Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ CPS2 Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply under the ANZ Securityholder Offer using a personalised blue paper ANZ Securityholder Application Form. If you wish to pay by BPAY®, you will need to make an online Application – see adjacent column.</p> <p>Your completed personalised blue paper ANZ Securityholder Application Form and Application Payment must be received by the Registry by the Closing Date.</p> |

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2.3 How to pay

2.3.1 OVERVIEW (CONT)

| | ONLINE | PAPER APPLICATION FORM |
|-------------------|--|--|
| General Offer | <p>If you apply using an online Application Form at www.CPS2Offer.anz.com, you must complete your Application by making a BPAY® payment.</p> <p>Once you have completed your online Application Form, you will be given a BPAY® biller code and unique Customer Reference Number for each of your Applications. Follow the BPAY® instructions above for the ANZ Securityholder Offer to complete your Application. If you do not make a BPAY® payment your Application will be incomplete and will not be accepted by ANZ.</p> <p>BPAY® payments must be made from an Australian dollar account of an Australian financial institution.</p> <p>Your completed online Application Form and Application Payment must be received by the Registry by the Closing Date.</p> | <p>If you apply under the General Offer using a white paper Application Form, your completed Application Form must be accompanied by an Application Payment in the form of cheque(s) and/or money order(s) drawn on an Australian dollar account of an Australian financial institution and made payable to 'ANZ CPS2 Offer'.</p> <p>Cheque(s) should be crossed 'Not Negotiable'. Cash payments will not be accepted.</p> <p>You cannot pay by BPAY® if you apply under the General Offer using a white paper Application Form. If you wish to pay by BPAY®, you need to make an online Application – see adjacent column.</p> <p>Your completed white paper Application Form and Application Payment must be received by the Registry by the Closing Date.</p> |
| Broker Firm Offer | <p>You must contact your Syndicate Broker for information on how to submit the white paper Application Form and your Application Payment to your Syndicate Broker. You may be able to apply for CPS2 under the Broker Firm Offer using an online application and payment facility.</p> | |

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2.3.2 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty is payable on your Application. You may have to pay brokerage, but will not have to pay any stamp duty, on any later sale of your CPS2 on ASX after CPS2 have been quoted on ASX.

2.3.3 APPLICATION PAYMENTS HELD ON TRUST

All Application Payments received before CPS2 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 CPS2 are issued to successful Applicants, the Application Payments held on trust will be payable to ANZ.

2.3.4 REFUNDS

If you are not allotted any CPS2 or you are allotted fewer CPS2 than the number that you applied and paid for as a result of a scale back, all or some of your Application Payment (as applicable) will be refunded to you (without interest) as soon as practicable after the Issue Date.

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

2.4 PROVISION OF PERSONAL INFORMATION

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your CPS2. For information about the acknowledgements and privacy statement in relation to personal information that you provide to ANZ by completing an Application Form – see Section 6.13.

2.5 ALLOCATION POLICY

2.5.1 OVERVIEW

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

Allocations for the ANZ Securityholder Offer and the General Offer will be determined by ANZ in consultation with the Joint Lead Managers after the Closing Date – as set out in Section 2.5.4. There is no specified proportion of the Offer that may be allocated to the ANZ Securityholder Offer or the General Offer. ANZ (at its discretion and in consultation with the Joint Lead Managers) reserves the right to scale back Applications from ANZ Securityholder Applicants and General Applicants. Any scale back will be announced on ASX on the day CPS2 commence trading on a deferred settlement basis – expected to be 18 December 2009.

2.5.2 BOOKBUILD

The Bookbuild is a process that is conducted by the Joint Lead Managers in consultation with ANZ before the Opening Date to determine the Margin and firm Allocations of CPS2 to Syndicate Brokers and Institutional Investors. In this process, the Syndicate Brokers (including the Joint Lead Managers) and Institutional Investors are invited to lodge bids for a number of CPS2. On the basis of those bids, the Joint Lead Managers and ANZ will, by mutual agreement, determine the Margin and the firm allocations to Syndicate Brokers and Institutional Investors. The Bookbuild will be conducted in the manner contemplated in this Prospectus and otherwise on the terms and conditions agreed to by ANZ and the Joint Lead Managers in the Offer Management Agreement – see Section 6.6.

ANZ Securities, as a Syndicate Broker, may increase the size of its allocation following the close of the Bookbuild, in order to meet demand for allocation from its clients and from ANZ customers.

2.5.3 SETTLEMENT SUPPORT

The Joint Lead Managers have agreed with ANZ to provide settlement support for the number of CPS2 that are allocated to Syndicate Brokers (other than ANZ Securities) and Institutional Investors under the Bookbuild. This means that if any of the Syndicate Brokers (other than ANZ Securities) or Institutional Investors fail to deliver Applications including Application Payments to ANZ by the Issue Date, the Joint Lead Managers will be issued with and pay for a proportion of those CPS2.

Under the Offer Management Agreement, as part of this settlement support, the Joint Lead Managers will pay to ANZ, or procure payment to ANZ of, the aggregate proceeds raised from Syndicate Brokers (other than ANZ Securities) and Institutional Investors under the Bookbuild by the Issue Date.

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

2.5.4 ALLOCATIONS

| | |
|--|--|
| Institutional Offer | Allocations to Institutional Investors will be agreed by the Joint Lead Managers and ANZ. |
| Broker Firm Offer | Allocations to Syndicate Brokers will be agreed by the Joint Lead Managers and ANZ. Allocations to Broker Firm Applicants by a Syndicate Broker are at the discretion of that Syndicate Broker. |
| ANZ Securityholder Offer and General Offer | <p>ANZ Securityholder Applicants and General Applicants who submit a valid Application Form and Application Payment may receive an Allocation, subject to the right of ANZ in consultation with the Joint Lead Managers to determine the Allocations, when the Offer closes.</p> <p>If there is excess demand for CPS2, priority will be given to ANZ Securityholder Applicants over General Applicants.</p> <p>ANZ, after consultation with the Joint Lead Managers, has absolute discretion to determine the method and extent of the priority Allocation.</p> <p>ANZ (at its discretion and in consultation with the Joint Lead Managers) and the Joint Lead Managers reserve the right to:</p> <ul style="list-style-type: none"> ■ allocate to any ANZ Securityholder Applicant or General Applicant all CPS2 for which they have applied; ■ reject any Application by an ANZ Securityholder Applicant or a General Applicant; or ■ allocate to any ANZ Securityholder Applicant or General Applicant a lesser number of CPS2 than that applied for, including less than the minimum Application of CPS2 or none at all. <p>No assurance is given that any ANZ Securityholder Applicant or General Applicant will receive an Allocation.</p> |

2.6 ASX QUOTATION, HOLDING STATEMENTS AND OTHER INFORMATION

2.6.1 ASX QUOTATION

ANZ will apply to ASX for CPS2 to be quoted on ASX. If ASX does not grant permission for CPS2 to be quoted within three months after the date of this Prospectus, CPS2 will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as practicable.

It is expected that CPS2 will begin trading on ASX on a deferred settlement basis on 18 December 2009 under ASX code "ANZPA". Trading is expected to continue on that basis until 23 December 2009, when it is anticipated that trading of CPS2 will begin on a normal settlement basis. Deferred settlement will occur as a consequence of trading which takes place before entries are made in the Register by the Registry in respect of your holdings of CPS2 and before Holding Statements are despatched to successful Applicants.

You are responsible for confirming your holding before trading in CPS2. If you are a successful Applicant and sell your CPS2 before receiving your Holding Statement, you do so at your own risk.

You may call the ANZ Information Line on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT) or your Syndicate Broker, after the Issue Date to enquire about your Allocation.

2.6.2 HOLDING STATEMENTS

ANZ will apply for CPS2 to participate in CHESS. No certificates will be issued for CPS2. ANZ expects that Holding Statements for issuer sponsored holders and confirmations for CHESS holders will be despatched to successful Applicants by 22 December 2009.

2.6.3 PROVISION OF BANK ACCOUNT DETAILS FOR DIVIDENDS

ANZ's current policy is that Dividends will be paid in Australian dollars by direct credit into nominated Australian financial institution accounts (excluding credit card accounts), for CPS2 Holders with a registered address in Australia. For all other CPS2 Holders, ANZ's current policy is that Dividends will be paid by Australian dollar cheque.

2.6.4 PROVISION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER

If you are an ANZ Securityholder Applicant or a General Applicant who has not already quoted your TFN or ABN to the Registry and you are issued any CPS2, then the Registry may contact you to obtain your TFN, ABN or both.

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

You do not have to provide your TFN or ABN and it is not an offence if you fail to do so. However, in respect of CPS2 Holders who have a registered address in Australia, ANZ may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.50% including the Medicare levy) on the amount of any Dividend unless you provide one of the following:

- TFN;
- TFN exemption number (if applicable); or
- ABN (if CPS2 are held in the course of an enterprise carried on by you).

Successful Applicants who do not have an address in Australia registered with the Registry may be subject to Australian withholding tax on the amount of any Dividend paid, to the extent that the Dividend is not fully franked.

2.7 ENQUIRIES

2.7.1 ANZ SECURITYHOLDER APPLICANTS AND GENERAL APPLICANTS

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

- have further questions on how to apply for CPS2;
- require assistance to complete your Application Form;
- require additional copies of this Prospectus and Application Forms; or
- have any other questions about the Offer.

If you are unclear in relation to any matter relating to the Offer or are uncertain whether CPS2 are a suitable investment for you, you should consult your financial adviser or other professional adviser.

2.7.2 BROKER FIRM APPLICANTS

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

SECTION 3

ABOUT ANZ

THIS SECTION SETS OUT:

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

3.1 OVERVIEW OF ANZ

3.1.1 OVERVIEW OF ANZ

ANZ is one of the four major banking groups headquartered in Australia. ANZ began its Australian operations in 1835 and its New Zealand operations in 1840. 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 14, 100 Queen Street, Melbourne, Victoria, 3000, Australia. The Australian Company Number is ACN 005 357 522. As at the close of trading on 30 September 2009, ANZ had a market capitalisation of approximately A\$61.1 billion.

As at 30 September 2009, the Group had total assets of A\$477.0 billion, and shareholders' equity of A\$32.4 billion, ANZ's principal ordinary share listing and quotation is on the ASX. Its ordinary shares are also quoted on the New Zealand Stock Exchange.

The Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. The Group conducts its operations primarily in Australia and New Zealand and the Asia Pacific region. It also operates in a number of other countries including the United Kingdom and the United States. As at 30 September 2009 the Group had 1,352 branches and other points of representation worldwide excluding Automatic Telling Machines (ATMs).

The Group's strategy is to become a super regional bank in the Asia Pacific region. One aim is to increase Asia Pacific's profit contribution to the Group to around 20% by 2012. While there is a strong focus on organic growth, ANZ will continue to explore appropriate acquisitions throughout the region where opportunities arise.

The Group is managed along the geographic regions of Australia, New Zealand and Asia Pacific, Europe and America, and the matrix segment of its global institutional client business which is viewed as a separate segment but also impacts each region.

The principal activities of the Group's segments are outlined below, although as the Group continuously reviews its business structure this is subject to change from time to time.

3.1.2 AUSTRALIA

The Australia region consists of Retail, Commercial Institutional, and Wealth segments together with the Group Centre.

RETAIL

- Retail Distribution operates the Australian branch network, Australian call centre, specialist businesses (including specialist mortgage sales staff, mortgage broking and franchisees, direct channels (Mortgage Direct and One Direct)) and distribution services.
- Retail Products is responsible for delivering a range of products including mortgages, cards, unsecured lending, transaction banking, savings and deposits.
 - Mortgage provide housing finance to consumers in Australia for both owner occupied and investment purposes.
 - Cards and Unsecured Lending provides consumer credit cards, ePayment products, personal loans and ATM facilities in Australia.
 - Deposits provide transaction banking and savings products, such as term deposits and cash management accounts.

COMMERCIAL

- Esanda provides motor vehicle and equipment finance and investment products.
- Regional Commercial Banking provides a full range of banking services to personal customers and to small business and agribusiness customers in rural and regional Australia.
- Business Banking provides a full range of banking services, including risk management, to metropolitan based small to medium sized business clients with a turnover of up to A\$50 million.
- Small Business Banking Products provides a full range of metropolitan banking services.

INSTITUTIONAL

Institutional provides a full range of financial services to institutional customers within Australia along the product lines of Transaction Banking, Markets and Specialised Lending. It also provides balance sheet management, relationship and infrastructure services. See Section 3.1.5 for further information about the Institutional business.

WEALTH

- Private Bank specialises in assisting high net worth individuals and families to manage, grow and preserve their family assets.
- Investments and Insurance Products comprises Australia's Financial Planning, Margin Lending, Insurance Distribution and Trustees businesses in addition to E*TRADE Australia, an online broking business.
- ING Australia Limited (**INGA**) is a joint venture between ANZ and the ING Group. ANZ owns 49% of INGA and receives proportional equity accounted earnings. On 25 September 2009, ANZ announced the agreement to acquire the 51% of INGA that it does not own from ING Group. The acquisition is subject to various conditions and is expected to complete before the end of 2009.

GROUP CENTRE

Group Centre includes the Australian portion of Operations, Technology & Shared Services, Treasury, Group Human Resources, Group Strategy, Group Financial Management, Group Risk Management and Group Items.

3.1.3 ASIA PACIFIC, EUROPE & AMERICA

The Asia Pacific, Europe & America region includes the following divisions.

- Retail provides retail and small business banking services to customers in the Asia Pacific region.
- Asia Partnerships is a portfolio of strategic retail partnerships in the Asia Pacific Region. This includes partnerships or joint venture investments in Indonesia with PT Panin Bank, in the Philippines with Metrobank, in Cambodia with the Royal Group, in China with Bank of Tianjin and Shanghai Rural Commercial Bank, in Malaysia with AMMB Holdings Berhad and in Vietnam with Sacombank and Saigon Securities Incorporation.
- Wealth includes investment and insurance products and services across the Asia Pacific region and under the Private Bank banner assisting customers in the Asia Pacific region to manage, grow and preserve their assets.
- Institutional Asia Pacific, Europe and America reports to the Asia Pacific, Europe & America region. See Section 3.1.5 for further information about the Institutional business.
- Executive & Support provides the central support functions for the region.
- Bangalore operations encompasses Operations, Technology & Shared Services support services across all geographic regions.

In August 2009, ANZ announced it had reached agreement with the Royal Bank of Scotland Group plc (**RBS**) to acquire selected RBS businesses in Asia. The acquisition of each business is subject to regulatory approvals, including local prudential regulatory approval, with completion and integration into the Asia Pacific, Europe and America Retail, Wealth and Institutional segments anticipated progressively from late 2009.

3.1.4 NEW ZEALAND

New Zealand comprises three customer segments (Retail, Commercial and Institutional), a Wealth segment and an operations and support area which includes Treasury funding:

RETAIL

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

COMMERCIAL

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

INSTITUTIONAL

Institutional provides a full range of financial services to institutional customers within New Zealand along the product lines of Transaction Banking, Markets and Specialised Lending. It also provides balance sheet management, relationship and infrastructure services. Refer to the detailed description of the Institutional business under the paragraph below entitled "Institutional".

WEALTH

- Private Banking includes the private banking operations under the ANZ and ANZ National Bank brands and Bonus Bonds.
- ING New Zealand Limited (**INGNZ**) is a joint venture between ANZ and the ING Group. ANZ owns 49% of INGNZ and receives proportional equity accounted earnings. As announced on 25 September 2009, ANZ has entered into an agreement to acquire the 51% of INGNZ that it does not already own. The acquisition is subject to various conditions and expected to complete before the end of 2009.

OPERATIONS AND SUPPORT

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

3.1.5 INSTITUTIONAL

The Institutional division provides a full range of financial services to institutional customers in all geographies. Multinationals, institutions and corporates with sophisticated needs and multiple relationships are served globally. Institutional has a major presence in Australia and New Zealand and also has operations in the Asia Pacific region, Europe and the United States.

- Transaction Banking provides working capital solutions including lending and deposit products, cash transaction banking management, trade finance, international payments, securities lending, clearing and custodian services principally to institutional and corporate customers.
- Global Markets provides risk management services to corporate and institutional clients globally in relation to foreign exchange, interest rates, credit and commodities. This includes the business providing origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Global markets also manages proprietary and the Group's interest rate risk position.
- Specialised Lending provides complex financing and advisory services, structured financial products, leasing, project finance, leveraged finance and investment products to the Group's global client set.
- Balance Sheet Management manages the Institutional and Corporate balance sheets with a particular focus on credit quality, diversification and maximisation of risk adjusted returns.
- Relationship banking includes client relationship teams for global institutional customers and corporate customers in Australia, and central support functions.

3.2 FINANCIAL INFORMATION ABOUT ANZ

3.2.1 2009 FINANCIAL YEAR

ANZ's profit after tax for the year ended 30 September 2009 was \$2,943 million, as compared to \$3,319 million for the year ended 30 September 2008, representing a decrease of 11%. Underlying profit²³ was \$3,772 million, as compared to \$3,426 million for the year ended 30 September 2008, representing an increase of 10% and the underlying profit before provisions and tax was \$8,299 million for the year ended 30 September 2009, as compared to \$6,889 million for the year ended 30 September 2008, representing an increase of 20%.

The dividend for the year ended 30 September 2009 was 102 cents per Ordinary Share (fully franked), representing a dividend payout ratio of 82.3%, as compared to 136 cents per Ordinary Share (fully franked) for the year ended 30 September 2008 representing a dividend payout ratio of 82.7%.

Underlying revenue increased 17% (excluding non-core items) for the year ended 30 September 2009 to \$14,367 million. While underlying operating expenses increased 12%, from \$5,406 million to \$6,068 million, the cost to income ratio fell to 42.2% from 44.0% for the year ended 30 September 2009. Underlying provision for credit impairment increased 46% to \$3,056 million reflecting the economic conditions across Australia and New Zealand.

3.2.2 HISTORICAL RESULTS

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

²³ Adjusted for material items that are not part of the normal ongoing operations of the Group including one-off gains and losses, gains and losses on the sale of businesses, non-continuing businesses, timing differences on economic hedges, and acquisition related costs.

3.2.3 IMPACT OF THE OFFER ON ANZ'S CONSOLIDATED BALANCE SHEET

The issue of the CPS2 will increase ANZ's bonds and note liabilities by \$736 million and increase ANZ's liquid assets by \$736 million, with no impact on ANZ's net assets or shareholders' equity. Total assets and Total liabilities will increase by approximately 0.2%.

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

3.3 CAPITAL ADEQUACY

3.3.1 PRUDENTIAL REGULATION

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

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

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

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

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

The effect of the Offer on ANZ's capital adequacy ratio is set out in Section 3.3.5.

3.3.2 PRUDENTIAL CAPITAL CLASSIFICATION

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

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

APRA has provided confirmation that CPS2 will, once issued, qualify for Non-innovative Residual Tier 1 Capital treatment under Prudential Standards current at the date of this Prospectus.

3.3.3 CAPITAL MANAGEMENT STRATEGY

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

- regulatory compliance, particularly those required by APRA, the RBNZ and the US Federal Reserve Board;
- an appropriate level of capital to meet the risks in the business as measured by ANZ's economic capital methodology;
- a long-term "AA" credit rating category for senior debt (refer also Section 3.5);
- sufficient capital to meet strategic and business development plans; and
- an appropriate balance between maximising shareholder returns and prudent capital management principles.

3.3.4 CAPITAL MANAGEMENT INITIATIVES

In the period between 30 September 2009 and the launch of the Offer, ANZ's main capital management initiatives have included:

- ANZ issued a notice on 6 November 2009 to redeem US\$350 million US Trust Securities issued by ANZ Capital Trust I for cash on 15 January 2010.

3.3.5 PRO FORMA CONSOLIDATED CAPITAL ADEQUACY POSITION AS AT 30 SEPTEMBER 2009

ANZ's summarised consolidated capital management report set out below is derived from supplementary information included in the consolidated results and dividend announcement for the year ended 30 September 2009. This information is not subject to KPMG's audit opinion.

The purpose of the pro forma capital management report is to present ANZ's regulatory capital adequacy position as at 30 September 2009 adjusted for:

- the effect of the issue of CPS2 pursuant to the Offer;
- the impact of the acquisition by ANZ of certain Asian assets from RBS as announced on 4 August 2009 (which is expected to complete from late 2009, through 2010 as each acquisition remains subject to regulatory approval in the relevant jurisdiction);
- the impact of the acquisition by ANZ of the remaining 51% interest in each of INGA and INGNZ, which are the Australian and New Zealand life and funds management joint ventures between ANZ and the ING Group, as announced on 25 September 2009 (which is expected to complete in the fourth quarter of 2009, subject to regulatory approval in Australia and New Zealand); and
- the fact that ANZ issued a notice on 6 November 2009 to redeem US\$350 million US Trust Securities for cash issued by ANZ Capital Trust I on 15 January 2010, with the effect that from the date of that notice those securities no longer constitute Tier 1 Capital.

The first column presents the summarised consolidated regulatory capital position of ANZ as at 30 September 2009 the second column reflects the impact of the pro forma adjustments as a result of the transactions outlined above, and the third column reflects the impact of the issue of CPS2 pursuant to the Offer.

ANZ SUMMARISED CONSOLIDATED REGULATORY CAPITAL POSITION AS AT 30 SEPTEMBER 2009

| (\$ million) | ANZ 30 September 2009 ²⁴ | Pro-forma Adjustments ^{25, 26, 27} | Pro-forma Adjustments ²⁸ | Pro forma ANZ ²⁹ |
|---|---|---|--|--------------------------------|
| TIER 1 CAPITAL | | | | |
| Shareholders' equity and outside equity interests | 32,429 | 0 | 0 | 32,429 |
| Prudential adjustments to shareholders' equity | -2,341 | 0 | 0 | -2,341 |
| FUNDAMENTAL TIER 1 CAPITAL | 30,088 | 0 | 0 | 30,088 |
| Non-innovative Tier 1 Capital | 1,901 | 0 | 750 | 2,651 |
| Innovative Tier 1 Capital | 2,122 | -398 | | 1,724 |
| Tier 1 Capital Deductions | -7,492 | -2,073 | -14 | -9,579 |
| TIER 1 CAPITAL | 26,619 | -2,471 | 736 | 24,884 |
| TIER 2 CAPITAL | | | | |
| Upper Tier 2 Capital | 1,390 | -264 | 0 | 1,126 |
| Subordinated Notes | 9,082 | 0 | 0 | 9,082 |
| Tier 2 Capital Deductions | -2,661 | 149 | 0 | -2,512 |
| TIER 2 CAPITAL | 7,811 | -115 | 0 | 7,696 |
| TOTAL REGULATORY CAPITAL | 34,430 | -2,586 | 736 | 32,580 |
| RISK WEIGHTED ASSETS | 252,069 | 7,279 | 0 | 259,348 |
| CAPITAL ADEQUACY RATIOS | | | | |
| Tier 1 | 10.6% | -1.3% | 0.3% | 9.6% |
| Tier 2 | 3.1% | -0.1% | 0.0% | 3.0% |
| TOTAL | 13.7% | -1.4% | 0.3% | 12.6% |

24 ANZ's capital adequacy position as at 30 September 2009.

25 ANZ has agreed to purchase certain Asian assets from RBS which are expected to increase Risk Weighted Assets by approximately US\$6.4 billion and increase Tier 1 Capital Deductions by approximately US\$145 million (based upon June 2009 unaudited management accounts).

26 ANZ has agreed to purchase the remaining 51% interest in INGA and INGNZ, which is expected to increase Tier 1 Capital Deductions by approximately \$1.9 billion and increase Tier 2 deductions by \$115 million (based upon June 2009 unaudited management accounts).

27 ANZ has issued a notice to redeem US\$350 million US Trust Securities for cash on 15 January 2010.

28 Tier 1 Capital Deductions are \$14 million, being the estimated costs of the Offer. If there is over or under-subscription for CPS2, the volume shown for Non-innovative Tier 1 Capital and Tier 1 Capital Deductions will be adjusted for the amount of the over or under-subscription and associated transaction costs.

29 ANZ's capital adequacy ratios will have also been impacted by the capital initiatives identified in Section 3.3.4 along with organic capital growth, changes in provisions and Risk Weighted Assets growth since 30 September 2009.

3.4 FUNDING AND LIQUIDITY

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

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

- Name Crisis scenario modelling: ANZ requires that it remains cash flow positive under stressed "name-crisis" scenarios, whereby a proportion of deposits are assumed to be withdrawn by customers and ANZ's access to wholesale capital markets is severely restricted. These stresses capture "name-crisis" scenarios under both normal and stressed financial market conditions.
- Funding Market Stress scenario modelling: ANZ requires that it remains cash flow positive for an extended period of time under stressed funding market scenarios, whereby access to wholesale funding markets is severely restricted. These stresses capture both global and offshore specific funding market disruptions.
- Normal Business Conditions scenario modelling: ANZ monitors its expected liquidity position under normal conditions, based on statistical modelling of balance sheet behaviour.
- Liquid Asset Portfolio: ANZ's liquidity and funding risk is reduced through the holding of a portfolio of highly liquid assets. In a market stress event, these assets are pledgeable securities with the RBA and other central banks for cash.
- Wholesale Funding Maturity Concentration Limits: to ensure that ANZ's wholesale funding requirements are not overly reliant on large issuance over a short period, maturity concentration limits are used. These limits require funding to be issued for an appropriate and well diversified duration.

ANZ strictly observes its prudential obligations in relation to liquidity and funding risk as required by APRA Prudential Standard APS 210, as well the prudential requirements of overseas regulators on ANZ's offshore operations. APRA is currently in the process of revising its Liquidity Risk prudential standard (see Section 4.2.18 for further information).

ANZ targets a range of funding sources, and aims to diversify its funding in relation to tenor, currency and investor market. The monitoring of internal balance sheet metrics ensures that a high proportion of the funding is sourced from both "sticky" customer deposits and long-term wholesale funding.

3.5 CREDIT RATINGS

ANZ and CPS2 have been rated by Standard & Poor's. ANZ has been rated by Moody's but ANZ will not be seeking a rating for CPS2 from Moody's (see Section 4.1.15 for further information). The following ratings are current at the date of this Prospectus.

| Credit rating type | Standard & Poor's | Moody's |
|--------------------------------|-------------------|---------|
| CPS2 – Issue Credit Rating | A+ (indicative) | N/A |
| ANZ – Long-term credit ratings | AA | Aa1 |

The indicative CPS2 Issue Credit Rating was issued in respect of the CPS2 by Standard & Poor's on 9 November 2009.

Standard & Poor's affirmed ANZ's long-term credit rating of "AA" on 27 July 2009. The rating outlook was "outlook stable", which means that the rating is not likely to change in the near term.

Moody's affirmed ANZ's long-term credit rating of "Aa1" on 2 March 2009. The rating outlook was revised from "outlook stable" to "outlook negative", which means there are potential downward rating pressures over the next 12 to 18 months – see Section 4.1.15.

These credit rating references are current but may be withdrawn, revised or suspended by the relevant credit rating agency at any time. These credit rating references are not a recommendation by the relevant credit rating agency to apply for CPS2 offered under this Prospectus. Neither Standard & Poor's nor Moody's have consented to the use of their credit rating references in this Prospectus and they are not liable for any statements in this Prospectus under section 729(1) of the Corporations Act.

For a description of what each of these ratings mean, see Sections 3.5.1 and 3.5.2 below.

Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities (including CPS2). Ratings may be withdrawn, revised or suspended at any time.

As at the date of this Prospectus, ANZ has not approached any other rating agency for a rating of CPS2.

3.5.1 CPS2 – ISSUE CREDIT RATING

An Issue Credit Rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program.

Issues rated “BBB–” or higher by Standard & Poor’s are generally considered in capital markets to be investment grade. CPS2 have been assigned an Issue Credit Rating of “A+” by Standard & Poor’s and are therefore expected to be considered investment grade once issued. An obligation rated “A” category is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still considered to be strong.

Standard & Poor’s ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories.

3.5.2 ANZ LONG-TERM CREDIT RATINGS

A long-term credit rating is a current opinion of an obligor’s overall financial capacity to pay its financial obligations (that is, its creditworthiness).

Standard & Poor’s and Moody’s have rated ANZ.

The Standard & Poor’s long-term credit rating for ANZ is “AA”. An obligation rated “AA” differs from the highest-rated obligations only to a small degree. According to Standard & Poor’s, a credit rating of “AA” means that the obligor’s capacity to meet its financial commitment on the obligation is very strong.

The outlook applied to ANZ’s long-term credit rating above is “outlook stable”, which means that the rating is not likely to change in the near term.

The Moody’s long-term credit rating for ANZ is “Aa1”. According to Moody’s, obligations rated “Aa1” are judged to be of high quality and are subject to very low credit risk, and the obligation ranks in the higher end of the “Aa” rating category.

The outlook applied to ANZ’s long-term credit rating above is “outlook negative”, which means there are potential downward rating pressures over the next 12 to 18 months – see Section 4.1.15.

SECTION 4

INVESTMENT RISKS

THIS SECTION DESCRIBES SOME OF THE POTENTIAL RISKS ASSOCIATED WITH AN INVESTMENT IN CPS2 AND IN ANZ.

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

BEFORE APPLYING FOR CPS2, YOU SHOULD CONSIDER WHETHER CPS2 ARE A SUITABLE INVESTMENT FOR YOU. THERE ARE RISKS ASSOCIATED WITH AN INVESTMENT IN CPS2 AND IN ANZ, MANY OF WHICH ARE OUTSIDE THE CONTROL OF ANZ AND ITS DIRECTORS. THESE RISKS INCLUDE THOSE IN THIS SECTION AND OTHER MATTERS REFERRED TO IN THIS PROSPECTUS.

4.1 RISKS ASSOCIATED WITH INVESTING IN CPS2

4.1.1 LIQUIDITY

There may be no liquid market for CPS2. The market for CPS2 may be less liquid than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. CPS2 Holders who wish to sell their CPS2 may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CPS2.

CPS2 are expected to Convert into Ordinary Shares on 15 December 2016 (subject to certain conditions being satisfied). However, ANZ may elect for a third party to purchase the CPS2 rather than delivering the Ordinary Shares to be issued on Conversion to the investor. Where CPS2 are Converted, there may be no liquid market for Ordinary Shares at the time of Conversion or the market for Ordinary Shares may be less liquid than that for comparable securities issued by other entities at the time of Conversion.

4.1.2 FINANCIAL MARKET CONDITIONS

The market price of CPS2 may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, movements in the market price of Ordinary Shares or senior or subordinated debt, and factors that may affect ANZ's financial performance and position. CPS2 may trade at a market price below the Issue Price.

The market price of CPS2 may be more sensitive than that of Ordinary Shares to changes in interest rates. Increases in relevant interest rates may adversely affect the market price of CPS2.

In recent years equity 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 CPS2.

The Ordinary Shares held as a result of any Conversion of CPS2 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 CPS2 are Converted. That market is also subject to the factors outlined above and may also be volatile.

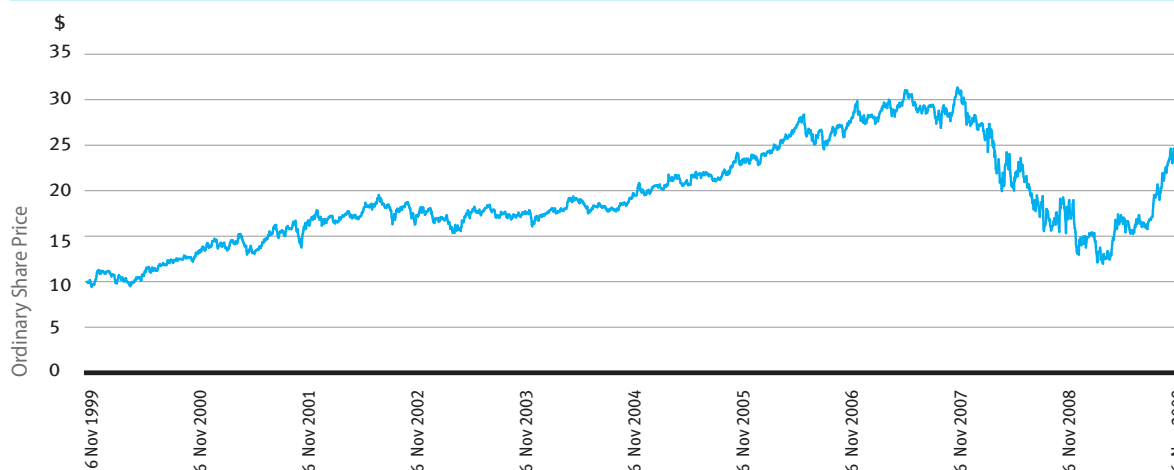
4.1.3 EXPOSURE TO ANZ'S FINANCIAL PERFORMANCE AND POSITION

If ANZ's financial performance or position declines, or if market participants anticipate that it may decline, an investment in CPS2 could decline in value even if CPS2 have not been Converted. Accordingly, when you evaluate whether to invest in CPS2 you should carefully evaluate the investment risks associated with an investment in ANZ – see Section 4.2.

4.1.4 FLUCTUATION IN ORDINARY SHARE PRICE

Upon Conversion, CPS2 Holders will receive approximately \$101.01 worth of Ordinary Shares per CPS2 (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date or other date on which CPS2 are Converted).³⁰ The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions and ANZ's financial performance and position – see Section 4.1.2. As a result, the value of Ordinary Shares received upon Conversion may be greater than or less than \$101.01 per CPS2 when they are issued or thereafter, and could be less than the Issue Price of CPS2.

ANZ SHARE PRICE FROM 6 NOVEMBER 1999 – 6 NOVEMBER 2009



³⁰ The VWAP during the 20 Business Days before the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that CPS2 Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

4.1.5 DIVIDENDS MAY NOT BE PAID

There is a risk that Dividends will not be paid. CPS2 do not oblige ANZ to pay Dividends.

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

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

For each level, the amount of Distributable Profits as at any Dividend Payment Date is calculated by taking the current year profits (excluding certain interest, dividends and distributions on Upper Tier 2 Capital and Tier 1 Capital) for the 12 month period that ended on 31 March or 30 September immediately before the relevant Dividend Payment Date, and subtracting from that amount the amount of dividends or other distributions paid by the Group (at the relevant level) in the 12 months up to and including that date on Tier 1 Capital and Upper Tier 2 Capital securities.

The CPS2 Terms contain no events of default and, accordingly, failure to pay a Dividend when scheduled will not constitute an event of default. Further, in the event that ANZ does not pay a Dividend when scheduled, a CPS2 Holder:

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

Dividends are non-cumulative, and therefore if a Dividend is not paid CPS2 Holders will have no recourse whatsoever to payment from ANZ and will not receive payment of those Dividends unless the Directors, at their absolute discretion and with the prior written approval of APRA, determine to pay an Optional Dividend at a later time.

However, if ANZ does not declare a Dividend or pay a declared Dividend in full within 21 Business Days of a Dividend Payment Date, then the Distribution Restriction applies to ANZ – see Section 1.2.8 for more details.

ANZ may also be prevented from paying Dividends by the terms of other securities (such as Tier 1 Capital and Upper Tier 2 Capital securities) if a dividend or other distribution has not been paid on those securities. If such a constraint applies, ANZ may not be able to pay Dividends on CPS2 without the approval of the holders of those other securities – see Section 4.1.8.

4.1.6 DIVIDENDS MAY NOT BE FULLY FRANKED

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

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

The value and availability of franking credits to a CPS2 Holder will differ depending on the CPS2 Holder's particular tax circumstances. CPS2 Holders should be aware that the potential value of any franking credits does not accrue at the same time as the receipt of any cash Dividend. CPS2 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 CPS2 Holder. CPS2 Holders should also refer to the Taxation Summary in Section 5 and seek professional advice in relation to their tax position.

4.1.7 CHANGES IN DIVIDEND RATE

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

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

4.1.8 DISTRIBUTIONS ON CPS2 MAY BE RESTRICTED BY THE TERMS OF OTHER SIMILAR SECURITIES

The terms of ANZ's other outstanding and future securities could limit ANZ's ability to make payments on CPS2. If ANZ does not make payments on CPS2, payments may not be permitted to be made in respect of other similar capital securities (such as certain other Tier 1 Capital and Upper Tier 2 Capital securities). Similarly, if ANZ does not make payments on other similar securities, payments may not be permitted to be made in respect of CPS2.

The payment tests applying to other securities (whether currently outstanding or issued in the future) may be different to the Payment Tests applying to CPS2. Accordingly, ANZ may not be permitted to make a payment on another security in circumstances where it would otherwise be permitted to make a payment on CPS2. In these circumstances, the distribution restrictions on the other securities may then apply, preventing ANZ from making a payment on CPS2. Similarly, ANZ may not be permitted to make a payment on CPS2 in circumstances where the payment tests on other securities have been passed.

If distribution restrictions for another security apply to payments on CPS2, ANZ may not be able to pay Dividends when scheduled to do so under the CPS2 Terms and may not be able to Redeem CPS2. ANZ is not restricted from issuing other securities of this kind or from agreeing in the terms of issue of other securities to additional or different payment tests or distribution restrictions – see also Section 4.1.20.

4.1.9 CPS2 ARE PERPETUAL AND MANDATORY CONVERSION MAY NOT OCCUR ON THE INITIAL MANDATORY CONVERSION DATE OR AT ALL

CPS2 are expected to Convert into Ordinary Shares on 15 December 2016 (subject to certain conditions being satisfied). ANZ may, but is not obliged to, elect that CPS2 be Resold rather than delivering Ordinary Shares issued on Conversion to the investor. However, there is a risk that Conversion will not occur because the Mandatory Conversion Conditions are not satisfied due to a large fall in the Ordinary Share price relative to the Issue Date VWAP, or if Ordinary Shares cease to be quoted on ASX, or have been suspended from trading for at least five consecutive Business Days prior to, and remain suspended on, the Mandatory Conversion Date. Mandatory Conversion would then occur on the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied unless CPS2 are otherwise Exchanged before that date. If Mandatory Conversion does not occur on a possible Mandatory Conversion Date and CPS2 are not otherwise Exchanged, Dividends will continue to be paid on CPS2, subject to the Payment Tests.

However, CPS2 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, CPS2 will never Convert.

If a Mandatory Conversion Condition is not satisfied, ANZ may, subject to APRA's prior written approval, elect to Redeem CPS2 for cash. However, in the case of ANZ electing to Redeem where the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition is not satisfied, this Redemption may be deferred for up to 30 Business Days after the possible Mandatory Conversion Date. This may be disadvantageous to CPS2 Holders in terms of individual preference and timing.

Regardless of whether the Mandatory Conversion Conditions are satisfied, ANZ may choose to arrange for a Resale to occur from CPS2 Holders to the Nominated Purchaser on a possible Mandatory Conversion Date, which would mean CPS2 Holders would receive \$100 for each CPS2 that was Resold rather than a number of Ordinary Shares upon Conversion – see Sections 4.1.10 and 4.1.11.

Any Redemption or Resale is subject to the discretion of ANZ, and, in the case of Redemption, to obtaining APRA's prior written approval. Accordingly, it is also possible that neither of these will ever occur.

4.1.10 EXCHANGE AND EXCHANGE METHOD ARE AT ANZ'S OPTION

ANZ may (subject to APRA's prior written approval if required) elect to Exchange some or all CPS2 on the occurrence of a Tax Event or a Regulatory Event and may elect to Exchange all (but not some) CPS2 on the occurrence of an Acquisition Event. ANZ may also elect to Redeem all (but not some) CPS2 if a Mandatory Conversion Condition is not satisfied in respect of a possible Mandatory Conversion Date or to Resell all (but not some) CPS2 on a Mandatory Conversion Date regardless of whether the Mandatory Conversion Conditions are satisfied. In addition, ANZ must (subject to certain conditions) Exchange all CPS2 on the occurrence of a Change of Control Event. CPS2 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 CPS2 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 CPS2 Holders will be entitled to the benefit of the rights attaching to CPS2 (such as Dividends) is unknown.

Subject to certain conditions, ANZ also has in many cases a discretion to elect which Exchange Method will apply to an Exchange. The method chosen by ANZ may be disadvantageous to CPS2 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 ANZ elects to Resell the CPS2, CPS2 Holders will receive cash equal to \$100 per CPS2 rather than Ordinary Shares and, accordingly, they will not benefit from any subsequent increases in the Ordinary Share price after the Exchange occurs. In addition, where CPS2 Holders receive cash on Redemption or Resale, the rate of return at which they could reinvest their funds may be lower than the Dividend Rate at the time. Where CPS2 Holders receive Ordinary Shares on Conversion, they will have the same rights as other Shareholders, which are different to the rights attaching to CPS2.

4.1.11 EXCHANGE BY ANZ IS SUBJECT TO CERTAIN EVENTS OCCURRING

If ANZ elects to Exchange by way of Conversion or Redemption, APRA's prior written approval is required. Additionally, ANZ may choose to arrange for a Resale to occur from CPS2 Holders to the Nominated Purchaser on a possible Exchange Date, which would mean CPS2 Holders would receive \$100 for each CPS2 – see Section 4.1.12.

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

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

If the conditions to Conversion on the Exchange Date are not satisfied, ANZ will notify CPS2 Holders and the Conversion will be deferred until the next Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a possible Mandatory Conversion Date.

Where ANZ has chosen to Exchange all CPS2 following an Acquisition Event, the Exchange of CPS2 is subject to obtaining APRA's prior written approval. APRA is not obliged to give this approval and, depending on the facts and circumstances existing at the time of any Acquisition Event, may not do so. If the Directors consider that APRA will not approve the Exchange where required to do so, or the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied, the Directors are required to use all reasonable endeavours to procure that equivalent takeover offers are made to CPS2 Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction (see clause 12 of the CPS2 Terms). However, any acquirer of ANZ may not agree to do so.

4.1.12 RESALE MAY NOT COMPLETE

If ANZ chooses to Resell CPS2, ANZ will appoint one or more Nominated Purchasers to acquire all CPS2 for cash equal to \$100 per CPS2 based on the terms and conditions agreed between ANZ and the Nominated Purchaser. It will be the Nominated Purchaser's obligation to pay the consideration to CPS2 Holders for CPS2 that are to be Resold. The obligation of a Nominated Purchaser to pay the aggregate purchase price to CPS2 Holders may be subject to conditions. Although ANZ will reasonably endeavour to minimise these conditions, ANZ can give no assurance as to the details of any such conditions. ANZ will have no obligation to pay this amount if it is not paid by the Nominated Purchaser (whether because a condition is not satisfied or otherwise). Accordingly, there is a risk that despite ANZ appointing the Nominated Purchaser, they may not deliver cash equal to \$100 for each CPS2 to be Resold.

If a Nominated Purchaser does not pay cash equal to \$100 for each CPS2 to be Resold, or the Resale otherwise does not complete, if CPS2 would otherwise Convert on that date the relevant CPS2 will not Convert on that date and CPS2 Holders will continue to hold the relevant CPS2 until CPS2 are otherwise Redeemed, Converted or Resold in accordance with the CPS2 Terms.

In addition, in these circumstances, ANZ may, subject to APRA's prior written approval, choose to Exchange all relevant CPS2 at a later date by giving a new Exchange Notice. The new timing and Exchange Method chosen by ANZ may be disadvantageous to the CPS2 Holder in light of market conditions or individual circumstances at the time of Exchange.

If CPS2 Holders receive cash on the Resale, the rate of return at which the cash could be reinvested may be lower than the Dividend Rate at the time.

4.1.13 CONVERSION CONDITIONS

The only conditions to Conversion are the Mandatory Conversion Conditions or the Optional Conversion Restrictions (as the case may be). CPS2 Holders acknowledge that no other conditions will affect the Conversion except as expressly provided by the CPS2 Terms – see clause 10.10(e) of the CPS2 Terms.

Although one condition to Conversion is that a Delisting Event has not occurred, other events and conditions may affect the ability of CPS2 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.

4.1.14 RESTRICTIONS ON RIGHTS AND RANKING IN A WINDING UP OF ANZ

CPS2 are not deposit liabilities of ANZ and the payment of Dividends and payment on Resale or Redemption is not guaranteed by ANZ. CPS2 are not subject to the depositor protection provisions of the Banking Act and are not protected accounts for the purposes of the Financial Claims Scheme. CPS2 are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction. CPS2 are issued by ANZ under the CPS2 Terms. A CPS2 Holder has no claim on ANZ in respect of CPS2 except as provided in the CPS2 Terms. CPS2 are unsecured.

In the event of a winding up of ANZ, and assuming CPS2 have not been Exchanged, CPS2 Holders will be entitled to claim for the Liquidation Sum for each CPS2. This is an amount for each CPS2 up to \$100 in respect of its Issue Price and any Dividend (including any Optional Dividend) resolved by the Directors to be paid but unpaid at the commencement of the winding up of ANZ. The claim for the Liquidation Sum ranks ahead of Ordinary Shares, equally with the 2008 CPS, equally with the preference shares comprised in the 2003 Trust Securities, the 2004 Trust Securities and the 2007 Stapled Securities and equally with any other equal ranking instruments, but behind all senior ranking securities and instruments and all depositors and other creditors. Claims in respect of CPS2 are subordinated notwithstanding a winding up of ANZ, as to rank as preference shares as set out in the CPS2 Terms.

If there is a shortfall of funds on a winding up of ANZ to pay all amounts ranking senior to and equally with CPS2, there is a significant risk that CPS2 Holders will not receive a full (or any part of the) Liquidation Sum in a winding up of ANZ. Although the CPS2 may pay a higher rate of dividend than comparable instruments which are not subordinated, there is a significant risk that a CPS2 Holder will lose all or some of their investment should ANZ become insolvent.

4.1.15 CHANGES TO CREDIT RATINGS

ANZ has been assigned a long-term credit rating of “AA” (outlook stable) by Standard & Poor’s and “Aa1” (outlook negative) by Moody’s. CPS2 have been assigned an indicative Issue Credit Rating of “A+” by Standard & Poor’s – see Section 3.5 for further information.

There is a risk that:

- any of the long-term credit ratings assigned to ANZ could be withdrawn, revised or suspended; or
- the Issue Credit Rating assigned to CPS2 or an Issue Credit Rating assigned to one of ANZ’s other rated securities could be withdrawn, revised or suspended,

either of which may impact the market price and liquidity of CPS2. In addition, ANZ currently understands that credit rating agencies may be required to obtain an AFSL by 1 January 2010 and that, if a credit rating agency does not obtain a licence that would permit it to assign or maintain a rating, the credit rating agency may be legally required to withdraw that rating. This increases the risk of withdrawal of ratings. ANZ has no control over whether credit ratings agencies obtain AFSLs and understands that Moody’s may not seek a licence which would permit it to assign or maintain a rating of a retail hybrid security such as the 2008 CPS or CPS2.

Credit ratings are not “market” ratings, nor are they a recommendation to buy, hold or sell securities and are subject to revision or withdrawal at any time.

The credit ratings may not reflect the potential impact of all risks related to the CPS2 structure, market conditions and additional factors discussed in this Section 4, and other factors that may affect the value of CPS2 or ANZ’s financial performance or position.

Credit rating agencies may revise the methodology by which hybrid securities are rated, and ANZ considers it is likely that such changes will shortly be made by Moody’s. If these changes occur, they may result in the rating of CPS2 (if rated by the relevant credit rating agency revising its methodology) and/or other hybrid securities issued by ANZ being materially downgraded. Any such methodology change or downgrade (even if CPS2 are not rated by the relevant credit rating agency or are not themselves downgraded) could adversely affect the market price and liquidity of CPS2.

If ANZ fails to maintain its current corporate credit ratings, this may adversely affect its cost of funds and related margins, access to capital markets, competitive position and other aspects of its performance, and consequently the performance of CPS2.

4.1.16 REGULATORY CLASSIFICATION

APRA has provided confirmation that CPS2 will, once issued, qualify for Non-innovative Residual Tier 1 Capital treatment under Prudential Standards current at the date of this Prospectus. However, if APRA subsequently determines that CPS2 are not or will not qualify for Non-innovative Residual Tier 1 Capital treatment, ANZ may decide that a Regulatory Event has occurred. This will allow Exchange of all or some CPS2 on issue at the option of ANZ (subject to APRA's prior written approval of any Exchange by way of Conversion or Redemption). For the risks attaching to ANZ's discretion to Exchange in certain specified circumstances – see Sections 4.1.10 and 4.1.11.

4.1.17 AUSTRALIAN TAX CONSEQUENCES

A general outline of the tax consequences of investing in CPS2 for certain potential investors who are Australian residents for tax purposes is set out in the Taxation Summary in Section 5. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position.

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

- a significant increase in ANZ's costs in relation to CPS2 being on issue;
- a dividend on CPS2 not being frankable;
- franking credits not being available to Australian tax resident CPS2 Holders generally; or
- the CPS2 not being disregarded in accordance with section 703-37 of the Tax Act,

ANZ is entitled to Exchange all or some CPS2 (subject to APRA's prior written approval where required) – see Section 4.1.10.

If the corporate tax rate were to change, the relative components of CPS2 Holder Dividends, which are in the form of cash and franking credits, will change.

ANZ has applied for a class ruling from the Australian Taxation Office for confirmation of certain Australian tax consequences for CPS2 Holders as discussed in the Taxation Summary in Section 5. The issue of any class ruling is expected in December 2009.

4.1.18 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 Dividends.

4.1.19 EXCHANGE ON CHANGE OF CONTROL EVENT

If a Change of Control Event occurs, ANZ is required to Exchange all CPS2 in accordance with the CPS2 Terms (see clause 6 of the CPS2 Terms). However, the obligation of ANZ to Exchange CPS2 is subject to obtaining APRA's prior written approval where required. APRA is not obliged to give this approval and, depending on the facts and circumstances existing at the time of any Change of Control Event, may not do so.

As detailed in Section 1.6.2, if ANZ is not required to give a Change of Control Exchange Notice as a result of APRA failing to approve Redemption as the Exchange Method, and ANZ is prevented from electing Conversion as the Exchange Method (see clauses 5.4 and 6.4 of the CPS2 Terms), ANZ will, as noted in Section 1.6.5, give a new Change of Control Exchange Notice which, subject to APRA's prior written approval where required, will specify either Redemption or Conversion (as elected by ANZ) as the Exchange Method for Exchange on the next Dividend Payment Date. This process will be repeated for each Dividend Payment Date until an Exchange occurs.

4.1.20 FUTURE ISSUES OR REDEMPTIONS OF SECURITIES BY ANZ

CPS2 do not in any way restrict ANZ from issuing further securities or from incurring further indebtedness. ANZ's obligations under CPS2 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 CPS2 will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to CPS2.

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 CPS2;
- have the same or different dividend, interest or distribution rates as CPS2;
- have payment tests and distribution restrictions or other covenants which affect CPS2 (including by restricting circumstances in which Dividends can be paid on CPS2 or CPS2 can be Redeemed); or
- have the same or different terms and conditions as CPS2.

ANZ may incur further indebtedness and may issue further securities including further Tier 1 Capital securities before, during or after the issue of CPS2. For example, as part of its ongoing capital management program, ANZ continually considers the issuance of hybrid securities in domestic and offshore markets.

An investment in CPS2 carries no right to participate in any future issue of securities (whether equity, hybrid, 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 CPS2 or of the likelihood of ANZ making payments on CPS2.

Similarly, CPS2 do not restrict ANZ from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with CPS2 (other than to the extent the Distribution Restrictions apply or insofar as CPS2 Holders have a right to vote in respect of a buy back or reduction of capital on a security in the form of a share).

ANZ may redeem or otherwise repay existing securities including existing equal ranking Tier 1 Capital securities before, during or after the issue of CPS2. An investment in CPS2 carries no right to be redeemed or otherwise repaid at the same time as ANZ redeems or otherwise repays other securities (whether equity, hybrid, 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 CPS2 or on ANZ's financial position or performance.

4.1.21 APPROVED NOHC EVENT

Certain events which would otherwise constitute Acquisition Events are categorised under the CPS2 Terms as Approved NOHC Events. Where an Approved NOHC Event occurs and certain other conditions are satisfied, the Approved NOHC Event will not trigger an Exchange of CPS2 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 CPS2 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 CPS2 Terms, CPS2 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 CPS2 Holders acknowledge and agree pursuant to the CPS2 Terms that they have no right to vote on any proposal to approve, implement or give effect to a NOHC Event.

Any consideration by ANZ of proposals that would constitute an Approved NOHC Event has only been preliminary and no formal decision has been made to pursue such an event.

Following an Approved NOHC Event, ANZ would continue to be regulated by APRA. However, depending on the structure of the acquirer following an Approved NOHC Event and the capital framework which APRA determines to apply to it, the composition of ANZ's three capital measurement levels may be affected, which in turn may affect the likelihood of ANZ having Distributable Profits in an amount sufficient to enable Dividends to be paid on CPS2. It may also affect ANZ's credit rating, and the net assets of ANZ which may affect the likelihood CPS2 Holders will receive their claims in full if ANZ is wound up.

4.1.22 SHAREHOLDING LIMITS

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

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

CPS2 Holders should take care to ensure that by acquiring any CPS2 (taking into account any Ordinary Shares into which they may Convert), CPS2 Holders do not breach any applicable restrictions on ownership.

4.2 PRINCIPAL RISKS AND UNCERTAINTIES ASSOCIATED WITH ANZ

4.2.1 BUSINESS RISKS

The Group's performance is primarily influenced by economic conditions in Australia, New Zealand and the Asia Pacific region including the level and cyclical nature of the Group's business activity in these regions, which in turn are affected by both domestic and international economic and political events. The Australian and New Zealand economies, as well as the economies of Asian countries in which the Group operates, may be significantly and adversely affected by events in global markets.

The Group would be at risk of loss of earnings if it were unable to adapt cost structures, products, pricing, or activities in response to lower than expected revenues, or higher than expected costs (including credit costs), caused by an adverse change in the economy and general business conditions or operating environment.

Economic and political factors and events in Australia, New Zealand and Asian countries in which the Group operates which can adversely affect the Group's performance and results include, but are not limited to, short term and long-term interest rates, inflation and monetary supply, commodity price volatility, fluctuations in both debt and equity capital markets, relative changes in foreign exchange rates, consumer confidence and the strength of the Australian and New Zealand economies as well as the economies of Asian countries in which the Group operates.

Australian, New Zealand and Asian economic conditions may also be affected by geo-political instability, including, among other factors, actual or potential conflict and terrorism. The Group's future performance may also be affected by the economic conditions of other regions in which the Group's operations are conducted.

The ongoing dislocation in credit and capital markets has impacted global economic activity and created many challenges for financial services companies worldwide. Australian economic conditions in early 2009 revealed a weakening trend in retail sales, rapid declines in personal and business credit growth, lower growth in housing credit and subdued business and consumer confidence. The New Zealand economy contracted sharply in 2008 and the first half of 2009. Conditions still remain difficult, especially in the rural and commercial sectors. A continued or worsening general economic downturn, reduced asset values in the housing, commercial or rural property markets (including a decrease in housing, commercial or rural property prices), an increase in unemployment or other events that negatively impact household or corporate incomes or asset values could have a negative effect on the demand for the Group's loan and non-loan products and services and increase the number of customers who fail to pay interest or repay principal on their loans.

In the Group's wealth management business, earnings are in part dependent on asset and equity values and demand is affected by past investment performance. Deterioration in global markets, including equity, property and other asset markets, could impact our customers and the security we hold against loans which may impact the Group's operation and profitability.

Climatic events (e.g. droughts), geological events (e.g. volcanic or seismic activity) or other extrinsic events (e.g. flu pandemic) could have a negative effect on the Group's ability and the ability of customers to pay interest or repay principal on their loans. As a consequence of the Group's large market share in the New Zealand rural sector (particularly the dairy sector), the Group has exposure to events affecting this sector.

4.2.2 COMPETITION, ESPECIALLY IN AUSTRALIA, NEW ZEALAND AND ASIAN MARKETS

The financial services sector in which the Group operates is highly competitive and could become even more so, particularly in those segments that are considered to provide higher growth prospects or are in greatest demand (e.g. deposits). Factors that contribute to competition risk include industry deregulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods and increased diversification of products by competitors. For example, changes in the financial services sector in Australia and New Zealand have made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic payment systems, mortgages and credit cards. In addition, banks in different jurisdictions are subject to different levels of regulation and consequently some may have lower cost structures.

The effect of the competitive market conditions in which the Group operates may have a material adverse effect on its financial performance and position, especially in Australia, New Zealand and the Asian markets. For example, increasing competition for customers can lead to a compression in the Group's net interest margins, or increased advertising and related expenses to attract and retain customers.

4.2.3 GENERAL ACQUISITION RISK

The Group regularly examines a range of corporate opportunities including material acquisitions and dispositions with a view to determining whether those opportunities will enhance the Group's financial performance and position. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on the Group. The successful implementation of the Group's corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to an acquired business.

There can be no assurance that any acquisitions will have the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the amount of longer-term cost savings, the overall performance of the combined entity, or an improved price for the Group's securities, including CPS2. Integration of an acquired business can be complex and costly, sometimes including combining relevant accounting and data processing systems and management controls, as well as managing relevant relationships with employees, clients, suppliers and other business partners. Integration efforts could divert management attention and resources, which could adversely affect the Group's operations or results.

Acquisitions may also result in business disruptions that cause the Group to lose customers or cause customers to remove their accounts from the Group and move their business to competing financial institutions. It is possible that the integration process related to acquisitions could result in the disruption of the Group's ongoing businesses or inconsistencies in standards, controls, procedures and policies that could adversely affect the Group's ability to maintain relationships with clients, customers, depositors and employees. The loss of key employees in connection with an acquisition could adversely affect the Group's ability to conduct its business successfully.

The Group's operating performance, risk profile or capital structure may also be affected by these corporate opportunities and there is a risk that any of the Group's credit ratings may be placed on credit watch or downgraded if these opportunities are pursued.

The Group announced on 4 August 2009 it had reached agreement with RBS to acquire selected RBS businesses in Asia for around \$626 million (US\$550 million). The acquisition includes the RBS retail, wealth and commercial businesses in Taiwan, Singapore, Indonesia and Hong Kong, and the institutional businesses in Taiwan, the Philippines and Vietnam. On 25 September 2009, the Group announced it had reached agreement with the ING Group to acquire its 51% shareholding in the ANZ-ING wealth management and life insurance joint ventures in Australia and New Zealand for \$1,760 million. As at the date of this Prospectus these transactions have not yet completed.

4.2.4 UNCERTAINTY OF GLOBAL FINANCIAL STABILISATION PACKAGES

In response to the ongoing global financial crisis affecting the banking system and financial markets generally and deteriorating global financial conditions, on 12 October 2008 the Australian Government announced a program to guarantee deposits and certain wholesale term funding of eligible Australian financial institutions including ANZ. In addition, the Minister of Finance of New Zealand announced an opt-in retail deposit guarantee scheme on 12 October 2008 and, on 1 November 2008, a wholesale funding guarantee facility, available to financial institutions that have an investment grade credit rating and have substantial New Zealand borrowing and lending operations. Similar stabilising actions have been announced by governments and regulatory bodies in the United States, United Kingdom, Europe and other jurisdictions.

Stabilisation packages announced by governments and regulators have contributed to an improvement in credit and capital market conditions. Specific programs have also enabled banks to support their capital and funding positions by debt and equity. It is not certain that these or other government sponsored economic stabilisation efforts will be successful.

Internationally, financial stabilisation packages are progressively being withdrawn. This may result in unexpected stress on the global financial system, including ANZ and its customers and counterparties.

The withdrawal of the Australian Government guarantee scheme for deposits and wholesale funding may adversely impact Bank's ability to access sources of funding and lead to a decrease in the Group's liquidity position and increase in funding costs.

It is also possible that new risks may emerge as a result of markets experiencing stress, or existing risks manifest in ways that are not currently foreseeable.

4.2.5 CHANGES IN MONETARY POLICIES

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

4.2.6 CREDIT RISK

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties. Less favourable business or economic conditions, whether generally or in a specific industry sector or geographic region, could cause customers or counterparties to experience adverse financial consequences, thereby exposing the Group to the increased risk that those customers or counterparties will fail to meet their obligations in accordance with agreed terms.

The Group holds provisions for credit impairment. The amount of these provisions is determined by assessing the extent of impairment inherent within the current lending portfolio, based on current information. This process, which is critical to the Group's financial results and condition, requires difficult, subjective and complex judgements, including forecasts of how current and future economic conditions might impair the ability of borrowers to repay their loans. However, if the information upon which the assessment is made proves to be inaccurate, or if the Group fails to identify proper factors or fails to accurately estimate the impact of factors the Group does identify, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on the Group's financial performance.

Although an increase in credit costs is to be expected as the economic cycle turns after a long period of low interest rates, high liquidity and robust economic growth in Australia and New Zealand, there can be no guarantee as to when or if impairment charges will begin to decline.

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

4.2.7 WEAKENING OF THE REAL ESTATE MARKETS IN AUSTRALIA OR NEW ZEALAND

Residential, commercial and rural property lending, together with property finance, including real estate development and investment property finance, constitute important businesses to the Group. As of 30 September 2009, housing loans represented approximately 56%, and commercial property finance represented approximately 8%, of the Group's net loans and advances respectively. Property values have been quite volatile and in some locations there has been substantially reduced asset values. A decrease in property valuations in Australia and New Zealand could decrease the amount of new lending the Group is able to write and/or increase the losses that the Group may experience from existing loans, which, in either case, could materially and adversely impact the Group's financial condition and results of operations. In particular, a significant slowdown in the Australian and New Zealand housing markets could adversely affect the results of operations of the Group.

4.2.8 COUNTERPARTY RISK

The Group is exposed to the potential risk of credit related losses that can occur as a result of a counterparty being unable or unwilling to honour its contractual obligations. As with any financial services organisation, the Group assumes counterparty risk in connection with its lending, trading, derivatives and other businesses where it relies on the ability of a third party to satisfy its financial obligations to the Group on a timely basis. The resultant credit exposure will depend on a number of factors including declines in the financial condition of the counterparty, the value of assets the Group holds as collateral and the market value of the counterparty instruments and obligations it holds. Credit losses can and have resulted in financial services organisations realising significant losses and in some cases failing altogether. To the extent the Group's credit exposure increases, the increase could have an adverse effect on the Group's business and profitability if material unexpected credit losses occur. The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances.

4.2.9 LITIGATION AND CONTINGENT LIABILITIES

From time to time, the Group may be subject to material litigation, regulatory actions, legal or arbitration proceedings and other contingent liabilities which, if they crystallise, may adversely affect the Group's results. Details regarding the Group's material contingent liabilities as at 30 September 2009 are contained in Note 15 ("Contingent liabilities and contingent assets") to the Group's Condensed Consolidated Financial Information and Other Disclosures for the full year ended 30 September 2009. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

4.2.10 LIQUIDITY AND FUNDING RISK

Liquidity risk is the risk that the Group 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 wholesale debt. Liquidity risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows which is closely monitored by the Group. Reduced liquidity could also lead to an increase in the cost of the Group's borrowings and possibly constrain the volume of new lending, which could adversely affect the Group's profitability. A significant deterioration in investor confidence in the Group could materially impact the Group's ongoing operations and funding.

The Group utilises a variety of funding sources including customer deposits and wholesale funding to ensure that it continues to meet its funding obligations and to maintain or grow its business generally. As at 30 September 2009, approximately 22% of ANZ's overall funding requirement was comprised of wholesale debt with a term to maturity of less than 12 months.

In times of systemic liquidity stress, or in the event of damage to market confidence in the Group, the Group's ability to access sources of funding and liquidity may be constrained. Deterioration in global markets and systemic market liquidity stress may limit the Group's ability to access sources of funding and liquidity.

Since the second half of 2007, developments in the US mortgage industry and in the US and European markets more generally, have adversely affected the liquidity in global credit and capital markets. This has resulted in an increase in funding costs and in many cases a reduction in the availability of some funding sources. Ongoing instability or future deterioration in these market conditions may limit the Group's ability to replace maturing liabilities and access capital in a timely manner necessary to fund and grow its business. The duration and ramifications of global credit and capital markets are unknown.

4.2.11 CHANGE IN CREDIT RATING

The Group's credit rating has a significant impact on both its access to, and cost of, wholesale funding. A reduction in the Group's credit rating could reduce its access to wholesale debt markets and lead to an increase in funding costs. Credit rating references may be withdrawn revised, or suspended by the relevant credit rating agency at any time. Credit rating references are not a recommendation by the relevant credit rating agency to invest in securities, including the CPS2, offered by ANZ.

4.2.12 MARKET RISK

Market risk is the risk to the Group's earnings arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and indices prices of commodities, debt securities and other financial contracts including derivatives. Losses arising from these risks may have a material adverse effect on the Group.

As the Group conducts business in several different currencies, mainly Australian and New Zealand dollars, its businesses may be affected by a change in currency exchange rates. Additionally, as ANZ's annual and interim reports are prepared and stated in Australian dollars, any appreciation in the Australian dollar against other currencies in which the Group earns revenues may adversely affect the reported earnings.

4.2.13 CAPITAL ADEQUACY RISK

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

Under Basel II, risk weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound the reduction in capital resulting from increased provisions for loan losses. Accordingly, greater volatility in capital ratios may arise.

4.2.14 FAIR VALUE ADJUSTMENTS

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

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

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

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

4.2.15 CREDIT INTERMEDIATION AND EXPOSURE TO FINANCIAL GUARANTORS

ANZ entered into a series of structured credit intermediation trades from 2004 to 2007. The underlying structures involve credit default swaps (CDSs) over synthetic collateralised debt obligations (CDOs) (78%), portfolios of external collateralised loan obligations (CLOs) (13%) and specific bonds/floating rate notes (9%).

Under these credit intermediation trades, ANZ sold protection using CDSs over structures to investment banks and purchased protection from eight financial guarantors.

As derivatives, both the sold protection and purchased protection are marked-to-market. Prior to the commencement of the global credit crisis, gains and losses were not significant and were offset. As at 30 September 2009, the value of the obligation under the sold protection is \$1.020 billion (US\$0.897 billion), for which the purchased protection has provided only a partial offset as a result of:

- one of the purchased protection counterparties defaulting and many of the remaining counterparties being downgraded;
- ANZ making a credit valuation adjustment on the remaining counterparties which reflects changes to credit spreads; and
- realised losses related to restructuring trades to reduce risks and foreign exchange hedging losses.

As a result of the two points above, as at 30 September 2009, the aggregate life to date credit risk on derivatives expense for these trades was \$584 million (US\$427 million) before tax.

It is expected that there will continue to be volatility in the credit risk on derivative charge. This volatility could continue to have a material adverse effect on the Group's reported results and capital.

4.2.16 OPERATIONAL RISK

Operational risk refers to risks arising from day-to-day operational activities which may result in direct or indirect losses. These losses may result from both internal and external events.

Operational risks that the Group is exposed to include the risks arising from process error or failure, inadequate processes, people or systems, fraud, systems failure, failure and breach of security, physical protection and recovery systems, failure of customer services, staff skills and performance, product development and maintenance, and breaches of the Group's internal policies and of laws and regulations. Similarly, there are operational risks in the management, design and implementation of major projects.

Further, the Group is exposed to operational failures by third party providers, including outsourcing, natural disasters, political, security and social events and to failings in the financial services sector.

4.2.17 FAILURE OF INFORMATION TECHNOLOGY SYSTEMS

The Group is highly dependent on information systems and technology and there is a risk that these, or the services it uses or is dependent upon, might fail. Most of the Group's daily operations are computer based and information technology systems are essential to maintaining effective communications with customers. The exposure to systems risks includes the complete or partial failure of information technology systems or data centre infrastructure, the inadequacy of internal 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 planned growth and integrate existing and future acquisitions and alliances. To manage some of these risks, the Group has disaster recovery and systems continuity plans in place. However, any failure of these systems could result in business interruption, loss of customers, damage to reputation and/or a weakening of the Group's competitive position and could adversely impact the Group's business and have a material adverse effect on the Group's financial condition and operations. In addition, the Group must constantly update and implement new information technology systems, in part to assist it to satisfy regulatory demands, ensuring information security, enhancing computer based banking services for the Group's customers and integrating the various segments of its business. The Group may not organise these implementation projects effectively or execute them efficiently, which could lead to increased project costs, delays in the ability to comply with regulatory requirements, failure of the Group's information security controls or a decrease in the Group's ability to enhance services to customers.

4.2.18 REGULATORY RISK

There is a risk of significant change in the global regulatory environment in response to the ongoing global financial crisis that has affected financial markets around the world. It is difficult to predict the impact of any such changes on the Group.

One potential outcome of the ongoing global financial crisis is that capital regulations may be tightened and minimum capital requirements increased. The impact of those changes on the Group and holders of CPS2 are unable to be predicted at this stage.

Entities in the Group are subject to laws, regulations, policies and codes of practice in Australia, New Zealand and in the other countries (including but not limited to the United Kingdom, the United States and different countries within Asia) in which they have operations, trade or raise funds or in respect of which it has some other connection. Regulations vary from country to country but generally are designed to protect depositors and the banking system as a whole.

The Australian Government and its agencies, including APRA, the RBA and other financial industry regulatory bodies including ASIC, have supervisory oversight of the Group. The New Zealand Government and its agencies, including the RBNZ, have supervisory oversight of the Group's operations in New Zealand. To the extent that a member of the Group has operations, trades or raises funds in, or has some other connection with, countries other than Australia or New Zealand, then such activities may be subject to the laws of, and regulation by agencies in, these countries. Such regulatory agencies include, by way of example, the US Federal Reserve Board, the US Department of Treasury, the US Office of the Comptroller of the Currency, the UK's Financial Services Authority, the Monetary Authority of Singapore, the Hong Kong Monetary Authority and other financial regulatory bodies in those countries and in other relevant countries. A failure to comply with any laws, regulations or policies in any of those jurisdictions could result in sanctions by these or other regulatory agencies, or the exercise of any discretionary powers that the regulators hold, which may cause substantial damage to the Group's reputation. To the extent that these regulatory requirements limit the Group's operations or flexibility, they could adversely impact the Group's profitability and prospects, and the Group's ability to pay coupons, distributions and principal on securities issued by the Group.

Consistent with global regulatory changes relating to liquidity risk, APRA is currently revising the prudential standard for Liquidity Risk management, APS 210. The process is currently at the consultative stage, with final details not expected until mid 2010. The changes may impact the Group's future funding capacity and may have adverse earnings implications for the Group.

In addition, the Group's failure to comply with laws, regulations or codes of practice could result in the imposition of sanctions by regulatory agencies and compensatory action by affected persons, and could damage the Group's reputation, in any jurisdiction.

These regulatory and other governmental agencies (including revenue and tax authorities) frequently review banking and tax laws, regulations, codes of practice and policies. Changes to laws, regulations, codes of practice or policies

including changes in interpretation or implementation of laws, regulations, codes of practice or policies, could affect the Group in substantial and unpredictable ways. These may include increasing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products the Group can offer and/or increasing the ability of non-banks to offer competing financial services or products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements.

4.2.19 REPUTATION RISK

Reputation risk may arise as a result of an external event or as a result of the Group's own actions and adversely affect perceptions about the Group held by the public, shareholders, investors, regulators or rating agencies. The impact of a risk event on the Group's reputation may exceed any direct cost of the risk event itself and may adversely impact the Group's results.

Damage to the Group's reputation may have wide ranging impacts, including the Group's profitability, capacity to source funding and liquidity, cost of sourcing funding and liquidity and business opportunities.

4.2.20 CHANGES TO ACCOUNTING POLICIES

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

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

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SECTION 5 TAXATION SUMMARY

THIS SECTION CONTAINS A SUMMARY OF THE AUSTRALIAN TAX CONSEQUENCES FOR POTENTIAL CPS2 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 CPS2 HOLDERS. ACCORDINGLY, EACH PROSPECTIVE CPS2 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 CPS2.

The Directors
Australia and New Zealand Banking Group Limited
Level 14
100 Queen Street
Melbourne VIC 3000

10 November 2009

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Dear Directors

Australian tax consequences of investing in CPS2

We have been instructed by Australia and New Zealand Banking Group Limited (**ANZ**) to prepare a tax summary for inclusion in the Prospectus dated 10 November 2009 in relation to the issue of CPS2.

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Scope

This letter provides a summary of the Australian income tax, capital gains tax (**CGT**) and goods and services tax (**GST**) consequences for Australian tax resident CPS2 Holders (**Resident CPS2 Holders**) and CPS2 Holders who are not tax residents of Australia (**Non Resident CPS2 Holders**) who subscribe for CPS2 and hold them on capital account for tax purposes.

Tax considerations which may arise for Resident CPS2 Holders who are in the business of share trading, are dealing in securities or otherwise hold CPS2 on revenue account, or Non Resident CPS2 Holders who carry on a business at or through a permanent establishment in Australia, have not been considered in this summary.

This summary is based on the Australian tax law and administrative practice currently in force as at the date of the Prospectus. It is necessarily general in nature and is not intended to be definitive tax advice to Resident CPS2 Holders or Non Resident CPS2 Holders. Accordingly, each Resident CPS2 Holder and each Non Resident CPS2 Holder should seek their own tax advice that is specific to their particular circumstances.

The representatives of Greenwoods & Freehills involved in preparing this tax summary are not licensed to provide financial product advice in relation to dealing in securities. Accordingly, Greenwoods & Freehills does not seek to recommend, promote or otherwise encourage any party to participate in the issue of CPS2. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services licence holder before making any investment decision. Potential investors should also note that taxation is only one of the matters that may need to be considered.

Unless defined in this letter or the context indicates otherwise, all capitalised terms in this letter bear the same meaning as those contained in the Prospectus and the CPS2 Terms.

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

2

Anticipated Class Ruling – applicable to certain Resident CPS2 Holders

ANZ has applied to the Australian Taxation Office (**ATO**) for a public class ruling (**Class Ruling**) confirming certain tax consequences for Resident CPS2 Holders. The Class Ruling does not become operative until it is published in the Government Gazette.

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

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

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

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- only apply to Resident CPS2 Holders that are within the class of entities specified in the Class Ruling (**Applicable Resident CPS2 Holders**), being Resident CPS2 Holders who acquire their CPS2 by initial subscription and hold them on capital account for tax purposes. Accordingly, the Class Ruling will not apply to Resident CPS2 Holders who hold their CPS2 as trading stock or revenue assets;
- only rule on the taxation laws as at the date the Class Ruling is issued;
- not consider the tax implications of the Exchange of CPS2 by Conversion, Redemption or Resale; and
- not consider the taxation treatment of Dividends received by partnerships or trustee investors.

You should also be aware that the Class Ruling will not mean the ATO guarantees or endorses the commercial viability of investing in CPS2.

Subject to the above qualifications or where otherwise indicated, it is expected that the Class Ruling will confirm the taxation consequences as outlined in sections 3.1 to 3.4 below.

3 Tax consequences for Resident CPS2 Holders expected to be addressed in the Class Ruling

3.1 Dividends on CPS2

Dividends paid on the CPS2 (together with the attached franking credits) must be included in the assessable income of an Applicable Resident CPS2 Holder.

Provided an Applicable Resident CPS2 Holder is a “**qualified person**” (see discussion below in section 4.1 for further details) in relation to their CPS2 holding, the Applicable Resident CPS2 Holder will be entitled to a tax offset equal to the amount of the franking credits attached to the Dividends. To the extent that the tax offset attributable to the franking credits on a Dividend exceeds the income tax liability for an income year of an Applicable Resident CPS2 Holder who is an individual or complying superannuation entity, the excess tax offset may be refunded to the Applicable Resident CPS2 Holder.

The Resale facility in CPS2 will not, of itself, affect an Applicable Resident CPS2 Holder’s ability to satisfy the “qualified person” rules discussed below.

If a Dividend (or a part of it) is either exempt income or non-assessable non-exempt income in the hands of an Applicable Resident CPS2 Holder, then the amount of any franking credit on the Dividend is not included in the assessable income of the CPS2 Holder and the CPS2 Holder is not entitled to a tax offset.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to deny the whole or any part of the imputation benefits received by Applicable Resident CPS2 Holders in relation to the Dividends payable in respect of CPS2.

3.2 CGT cost base and acquisition date for CPS2

The cost base (or reduced cost base) of each CPS2 acquired by an Applicable Resident CPS2 Holder may include \$100 (being the issue price of CPS2). Although it is not expected to be addressed in the Class Ruling, the cost base (or reduced cost base) of each CPS2 should also include any incidental costs (e.g. broker fees, adviser fees) associated with the acquisition and disposal of CPS2. This will be relevant in determining the capital gain or capital loss resulting on a disposal of CPS2 (see discussion below for further details).

Each CPS2 will be taken to have been acquired by an Applicable Resident CPS2 Holder on the date the CPS2 are issued (which is expected to be 17 December 2009).

3.3 Conversion of CPS2¹

The Conversion of each CPS2 into an Ordinary Share and the allotment of additional Ordinary Shares will not result in a CGT event for CGT purposes.

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

The value of any additional Ordinary Shares that are issued on a Conversion of CPS2 will not be assessable as dividend income or ordinary income in the hands of the Applicable Resident CPS2 Holders.

It is anticipated that the Commissioner will not apply the anti-avoidance provisions contained in the Australian tax law to treat the additional Ordinary Shares acquired on Conversion of CPS2 as an unfranked dividend in the hands of Applicable Resident CPS2 Holders.

3.4 CGT cost base and acquisition date for Ordinary Shares

Upon Conversion, the cost base (or reduced cost base) of the Ordinary Shares issued to an Applicable Resident CPS2 Holder will be determined by spreading the cost base (or reduced cost base) of the original CPS2 of an Applicable Resident CPS2 Holder across all of the Ordinary Shares issued to that holder, being the additional Ordinary Shares and each CPS2 that has been converted into an Ordinary Share.

The additional Ordinary Shares will be taken to have been acquired by an Applicable Resident CPS2 Holder at the time the relevant CPS2 were acquired by the Applicable Resident CPS2 Holder.

4 Other tax consequences for Resident CPS2 Holders not expected to be addressed in the Class Ruling

The following tax consequences for Resident CPS2 Holders are not expected to be addressed in the Class Ruling.

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

A Resident CPS2 Holder is not required to include the amount of the franking credits in their assessable income and is not entitled to the tax offset unless the Resident CPS2 Holder is a “qualified person” in relation to a Dividend.

A Resident CPS2 Holder is a “qualified person” if the “holding period” and “related payments” rules are satisfied in respect of the Dividend.

In relation to the holding period rule, a Resident CPS2 Holder must have held CPS2 “at risk” for a continuous period of at least 90 days (excluding the days of acquisition and disposal) within a period beginning on the day after the date on which the Resident CPS2 Holder acquired CPS2 and ending on the 90th day after the date on which CPS2 became ex Dividend.

If the related payments rule applies, a Resident CPS2 Holder is required to hold CPS2 “at risk” for at least 90 days (excluding the days of acquisition and disposal) within a period beginning 90 days before and ending 90 days after the date on which CPS2 became ex Dividend. Broadly speaking, the related payments rule would apply where a Resident CPS2 Holder makes a payment which passes the benefit of a Dividend to another person.

Alternatively, a Resident CPS2 Holder is automatically taken to be a qualified person in relation to Dividends if the total amount of the tax offsets in respect of all franked distributions to which the Resident CPS2 Holder would be entitled in an income year is \$5,000 or less. This is referred to as the “small shareholder rule”. However, a Resident CPS2 Holder will not be a “qualified person” by virtue of the small shareholder rule if related payments have been made, or will be made, in respect of a Dividend.

4.2 Sale of CPS2

A sale of CPS2 by a Resident CPS2 Holder on ASX or to a Nominated Purchaser will give rise to a capital gain if the sale proceeds exceed the cost base of CPS2. Conversely, a capital loss will result if the reduced cost base of CPS2 exceeds the sale proceeds.

If CPS2 have been owned for at least 12 months prior to the sale (excluding the days of acquisition and disposal), a Resident CPS2 Holder (other than a company) may be entitled to receive CGT discount treatment in respect of any gain arising on disposal of CPS2, such that a percentage of the gain is not included in assessable income. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33⅓% for Resident CPS2 Holders who are individuals, trusts and complying superannuation entities respectively.

Resident CPS2 Holders who dispose of CPS2 within 12 months of acquiring them, or who dispose of CPS2 under an agreement entered into within 12 months of acquiring them, will not receive CGT discount treatment. Companies are not entitled to obtain CGT discount treatment in respect of any gain arising on disposal of CPS2.

4.3 Redemption of CPS2

ANZ may elect to Redeem CPS2 in certain circumstances. For each CPS2 that is being Redeemed, an amount equal to the Redemption Price will be paid by ANZ in cash. The Redemption proceeds should not be treated as a dividend to the extent to which they are debited against an amount standing to the credit of ANZ's share capital account, provided that ANZ gives the Resident CPS2 Holder a notice specifying the amount paid up on each CPS2 to be Redeemed.

Redemption of CPS2 will constitute a disposal of CPS2 for CGT purposes. Accordingly, a Resident CPS2 Holder may derive a capital gain or a capital loss on such disposal to the extent to which the Redemption proceeds paid to the Resident CPS2 Holders are greater than the cost base or are less than the reduced cost base of CPS respectively. A Resident CPS2 Holder (other than a company) may be entitled to CGT discount treatment in respect of any remaining capital gain, in the same manner as discussed above.

4.4 Conversion after an Approved NOHC Event

An Approved NOHC Event will not of itself result in CGT consequences for Resident CPS2 Holders on the basis that there will be no Conversion or other Exchange at that time.

If a Conversion of CPS2 occurs subsequent to an Approved NOHC Event, then CPS2 may be Converted into ordinary shares in the Approved NOHC (**Approved NOHC Ordinary Shares**).

A Conversion into Approved NOHC Ordinary Shares (**NOHC Conversion**) should not give rise to a capital gain or loss for Resident CPS2 Holders, due to special rules in the CGT provisions that deal with convertible interests.

The cost base (or reduced cost base) of the Approved NOHC Ordinary Shares issued to a Resident CPS2 Holder following a NOHC Conversion will be determined by spreading the cost base (or reduced cost base) of the original CPS2 across the Approved NOHC Ordinary Shares issued to that CPS2 Holder.

For CGT purposes, Approved NOHC Ordinary Shares will be taken to have been acquired on the Conversion date. This means that the 12 month holding period for the purposes of the CGT discount mentioned in section 4.2 above will run from the acquisition date of the Approved NOHC Ordinary Shares, and not from the time of acquisition of CPS2.

4.5 Pay-as-you-go withholding tax

Resident CPS2 Holders may, if they choose, notify ANZ of their tax file number (**TFN**), Australian Business Number (**ABN**), or a relevant exemption from withholding tax with respect to Dividends.

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

ANZ is required to withhold and remit to the ATO such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Resident CPS2 Holders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the Dividends in their income tax returns.

4.6 Goods and services tax (GST)

CPS2 Holders should not be liable for GST in respect of their investment in CPS2 or the disposal or Conversion of CPS2.

CPS2 Holders registered for GST are unlikely to be entitled to an input tax credit for any GST paid in respect of costs associated with the acquisition of CPS2 (e.g. adviser fees).

5 Taxation of Financial Arrangements

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* (**TOFA Act**) was enacted earlier this year. The TOFA Act contains a new regime for the taxation of financial arrangements.

Subject to certain exceptions, the TOFA Act will apply on a mandatory basis to defined "financial arrangements" entered into during a taxpayer's first year of income commencing on or after 1 July 2010 (unless the taxpayer elects to apply TOFA to income years commencing on or after 1 July 2009), where the taxpayer exceeds certain relevant asset/turnover thresholds. Taxpayers below the relevant asset/turnover thresholds may elect to join the TOFA regime. Taxpayers can also elect to bring their pre-existing financial arrangements into the TOFA regime.

Due to certain relevant exceptions, in general the TOFA Act should not apply to individual CPS2 Holders in respect of their investment in CPS2. In addition, the TOFA Act should have limited application to other CPS2 Holders in respect of their investment in CPS2 unless certain elections under the TOFA Act are made by the relevant CPS2 Holder. However, it is recommended that CPS2 Holders obtain specific tax advice pertaining to their particular circumstances regarding the application of the TOFA Act to their investment in CPS2.

6 Non Resident CPS2 Holders

Below is a summary of the Australian income tax consequences for Non Resident CPS2 Holders with respect to Dividends received on CPS2:

- Non Resident CPS2 Holders should not be subject to dividend withholding tax in respect of fully franked Dividends that may be paid by ANZ. A separate credit or refund for the attached franking credits is not available to Non Resident CPS2 Holders.
- In the event that part of a Dividend is unfranked, the payment will be made to the Non Resident CPS2 Holders net of dividend withholding tax. If applicable, dividend withholding tax would be payable at the rate of 30% but reduced to 15%, 10% or nil depending on the applicable Double Tax Agreement that Australia may have with the Non Resident CPS2 Holder's home jurisdiction. Such withholding tax may be available as a credit against local tax payable by the Non Resident CPS2 Holder, depending upon applicable laws in the relevant jurisdiction.

ANZ may source the unfranked portion of the Dividend from its "conduit foreign income" (CFI). Unfranked Dividends paid out of CFI to Non Resident CPS2 Holders will be exempt from Australian dividend withholding tax.


For Non Resident CPS2 Holders, any capital gain or capital loss resulting from a disposal of CPS2 should be disregarded for CGT purposes provided that:

- the Non Resident CPS2 Holder (together with their associates) holds less than 10% of the shares in ANZ at any time throughout a 12 month period that began no earlier than 24 months before the disposal of CPS2 and ending no later than that time; and
- the Non Resident CPS2 Holder does not hold CPS2 at any time in carrying on a business at or through a permanent establishment in Australia.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per:



Tony Frost
Director
Greenwoods & Freehills

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SECTION 6

ADDITIONAL INFORMATION

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

6.1 REPORTING AND DISCLOSURE OBLIGATIONS

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

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

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

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

6.2 AVAILABILITY OF DOCUMENTS

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

- the half year financial reports for the half year ended 31 March 2009 lodged with ASIC by ANZ (being the most recent half yearly financial report reviewed and lodged with ASIC before lodgement of this Prospectus with ASIC);
- the annual financial report for the year ended 30 September 2008 lodged with ASIC by ANZ;
- the consolidated results and dividend announcement for the year ended 30 September 2009;
- any continuous disclosure notices given by ANZ in the period after the lodgement of the annual financial statements of ANZ for the year ended 30 September 2008 and before lodgement of this Prospectus with ASIC; and
- the Constitution.

On or about 17 November 2009 until the Closing Date, ANZ will provide a copy of its annual financial report for the year ended 30 September 2009 that is lodged with ASIC.

The financial reports for the year ended 30 September 2008 and half year ended 31 March 2009, together with copies of continuous disclosure notices lodged with ASX, are available at www.asx.com.au or at www.anz.com/aus/about/media/ASX-Announcements/default.asp. On or about 17 November 2009, the financial report for the year ended 30 September 2009 will also be available at these web addresses.

The Constitution is available at www.anz.com.au/documents/au/policies/Constitution.pdf.

All written requests for copies of the above documents should be addressed to as follows.

Investor Relations Department
Australia and New Zealand Banking Group Limited
Level 22
100 Queen Street
Melbourne VIC 3000

6.3 RIGHTS AND LIABILITIES ATTACHING TO CPS2

The rights and liabilities attaching to CPS2 are contained in the CPS2 Terms set out in Appendix A. Rights and liabilities attaching to CPS2 may also arise under the Corporations Act, the Listing Rules, the Constitution and other laws.

6.4 RIGHTS AND LIABILITIES ATTACHING TO ORDINARY SHARES

CPS2 Holders may receive Ordinary Shares on Conversion. The rights and liabilities attaching to the Ordinary Shares are set out in the Constitution and are also regulated by the Corporations Act, Listing Rules and the general law.

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

6.4.1 VOTING RIGHTS

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

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

6.4.2 GENERAL MEETINGS

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

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

6.4.3 DIVIDEND ENTITLEMENT

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, the Board may resolve to pay dividends on ordinary shares which are considered by the Board to be appropriate, in proportion to the capital paid up on the ordinary shares held by each shareholder (subject to the rights of holders of shares carrying preferred rights including CPS2).

6.4.4 DIVIDEND REINVESTMENT PLAN AND BONUS OPTION PLAN

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

6.4.5 RIGHTS OF SHAREHOLDERS ON A WINDING UP OF ANZ

If ANZ is wound up and its property is more than sufficient to pay all debts, preference share capital of ANZ and expenses of the winding up, the excess must be divided among shareholders in proportion to the capital paid up on the ordinary shares at the commencement of the winding up (subject to the rights of holders of shares carrying preferred rights on winding up including CPS2). A partly paid ordinary share is counted as a fraction equal to the proportion which the amount paid on it bears to the total issue price of the ordinary share.

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

6.4.6 TRANSFER OF ORDINARY SHARES

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

6.4.7 ISSUES OF FURTHER SHARES

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

6.4.8 VARIATION OF RIGHTS

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

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

6.4.9 VARIATION OF THE CONSTITUTION

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

6.5 RIGHTS AND LIABILITIES ATTACHING TO APPROVED NOHC ORDINARY SHARES

If an Approved NOHC Event occurs and the CPS2 Terms are amended to enable substitution of the Approved NOHC as the issuer of ordinary shares on Conversion (including Mandatory Conversion), the rights and liabilities of the Approved NOHC ordinary shares will not be materially different to the rights and liabilities of Ordinary Shares. It is a condition to substitution that the Approved NOHC ordinary shares be quoted on ASX – see clause 19.2 of the CPS2 Terms.

6.6 SUMMARY OF THE OFFER MANAGEMENT AGREEMENT

ANZ has entered into an Offer Management Agreement with ANZ Securities, CommSec, Deutsche Bank, Goldman Sachs JBWere, Macquarie, Morgan Stanley, UBS and Westpac (together, the Joint Lead Managers). Under the OMA, the Joint Lead Managers have agreed to manage the Offer, including the Bookbuild and Allocation process in relation to the Offer, and to provide settlement support for the settlement obligations of Syndicate Brokers (other than ANZ Securities) and Institutional Investors under the Bookbuild.

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

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

6.6.1 FEES

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

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

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

6.6.3 ANZ'S REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

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

ANZ has undertaken that it will not (and will ensure that its related bodies corporate do not), without the Joint Lead Managers' prior written consent, allot or agree to allot, announce an issue of, indicate an intention to allot, or otherwise authorise the issue of, any ASX listed hybrid or preference securities in Australia, with Tier 1 Capital status, at any time prior to 17 December 2009. This undertaking does not apply to the issue by ANZ of CPS2 or securities pursuant to an employee share or option plan, a bonus share plan, a dividend reinvestment plan or an underwriting of a dividend reinvestment plan, a share purchase plan or an underwriting of a share purchase plan or in accordance with the terms of issue of securities or financial products on issue as at the date of the OMA.

6.6.4 TERMINATION EVENTS

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

- a credit rating of ANZ or CPS2 is downgraded;
- ASIC issues a stop order or similar proceeding in relation to the Prospectus;
- ASX does not grant its approval or indicates that the approval will not be granted (other than in respect of the customary pre-listing conditions), for official quotation of CPS2, or the approval is, or ASX indicates it is likely to be, subsequently withdrawn, qualified or withheld;
- a supplementary prospectus is required under section 719 of the Corporations Act;
- any of the All Ordinaries Index of ASX, the S&P/ASX200 and the Dow Jones Industrial Average (**Relevant Index**):
 - closes on three consecutive business days at a level that is 10% or more below the level of the Relevant Index as at the close of trading on the business day before the date of the OMA (**Starting Level**); or
 - closes at a level that is 10% or more below the Starting Level at any time in the period of three business days prior to 17 December 2009; or
 - closes at a level that is 15% or more below the Starting Level;
- an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of ANZ or its related bodies corporate;

- certain breaches of the OMA;
- any licence, permit, authorisation or consent which is material to anything referred to in this Prospectus, or necessary to conduct ANZ's business or a business of any of its related bodies corporate, is repealed, revoked, terminated or expires in a manner unacceptable to the Joint Lead Managers (acting reasonably);
- trading of ANZ's securities is suspended for a certain period of time;
- unauthorised alterations to ANZ or any of its Group members' share capital or constitution; and
- ANZ withdraws the Prospectus or the Offer other than in accordance with the OMA.

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

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

In addition, if any Joint Lead Manager terminates its obligations under the OMA, then the obligations of the Syndicate Brokers or Institutional Investors under the Bookbuild may, by the terms of the invitation to participate in the Bookbuild, terminate.

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

6.7 CONSENTS

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

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

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

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

| Role | Consenting Parties | | | |
|---------------------------|---|---------------------------------|---------------------------------|--|
| Joint Lead Managers | ANZ Securities ³¹ Goldman Sachs JBWere UBS | CommSec Macquarie Westpac | Deutsche Bank Morgan Stanley | |
| Online Manager | E*TRADE Australia | | | |
| Auditor | KPMG | | | |
| Australian legal advisers | Blake Dawson | Mallesons Stephen Jaques | | |
| Australian tax adviser | Greenwoods & Freehills | | | |
| Registry | Computershare Investor Services Pty Limited | | | |

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

6.8 INTERESTS OF ADVISERS

ANZ Securities, CommSec, Deutsche Bank, Goldman Sachs JBWere, Macquarie, Morgan Stanley, UBS and Westpac have acted as Joint Lead Managers to the Offer, in respect of which they will receive fees from ANZ not exceeding the following:

- a retail selling fee of 1.00% of that portion of the Offer proceeds in respect of Applications received from retail investors attributable to the selling efforts of that Joint Lead Manager.
- in respect of ANZ Securities, Deutsche Bank, Goldman Sachs JBWere, Macquarie and UBS only, an institutional selling fee of 0.50% of that portion of the Offer proceeds in respect of Applications received from Institutional Investors;
- a base fee of 0.60% of the amount that is allocated to each Joint Lead Manager provided that the amount committed into the Bookbuild is at least \$75 million
- additional fees of up to \$2.5 million may be payable by ANZ at its discretion.

KPMG has performed specific agreed-upon procedures relating to certain financial matters disclosed in this Prospectus. In respect of this work, ANZ estimates that it will pay approximately \$150,000 (excluding disbursements and GST) to KPMG for work up to the date of this Prospectus. Further amounts may be paid to KPMG under its normal time based charges.

Blake Dawson 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 required on legal matters. In respect of this work, ANZ estimates that it will pay approximately \$100,000 (excluding disbursements and GST) to Blake Dawson for work up to the date of this Prospectus. Further amounts may be paid to Blake Dawson under its normal time based charges.

Mallesons Stephen Jaques has acted as Australian legal adviser to ANZ in relation to the Offer and performing due diligence on required legal matters. In respect of this work, ANZ estimates that it will pay approximately \$150,000 (excluding disbursements and GST) to Mallesons Stephen Jaques for work up to the date of this Prospectus. Further amounts may be paid to Mallesons Stephen Jaques under its normal time based charges.

Greenwoods & Freehills has acted as Australian taxation adviser to ANZ in relation to the the terms and conditions of CPS2 in connection with the Offer and has provided advice on the Australian aspects of the Taxation Summary contained in Section 5. In respect of this work, ANZ estimates that it will pay approximately \$85,000 (excluding disbursements and GST) to Greenwood & Freehills for work up to the date of this Prospectus. Further amounts may be paid to Greenwood & Freehills under its normal time based charges.

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

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

6.9 INTERESTS OF DIRECTORS

The Directors' interests in ANZ as at 9 November 2009 are detailed in the following table:

| Director | Number of Ordinary Shares | Number of options/rights over Ordinary Shares |
|-----------------|---------------------------|---|
| C Goode AC | 766,330 | – |
| M Smith OBE | 375,025 | 1,479,002 |
| G Clark | 13,521 | – |
| J Ellis | 150,899 | – |
| P Hay | 47,205 | – |
| Lee Hsien Yang | 1,575 | – |
| I Macfarlane AC | 12,616 | – |
| D Meiklejohn | 16,198 | – |
| J Morschel | 12,902 | – |
| A Watkins | 19,461 | – |

The Directors (and their related parties) may acquire CPS2 offered under this Prospectus subject to the Listing Rules (including any waivers as described in Section 6.10).

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

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

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

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

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

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

6.10 ASX RELIEF

ASX has classified CPS2 as "equity securities" for the purposes of the Listing Rules and has confirmed that:

- the CPS2 Terms are appropriate and equitable for the purposes of Listing Rule 6.1;
- Listing Rule 6.3 has been waived to the extent necessary to permit CPS2 to carry the voting rights as set out in the CPS2 Terms;

- the terms of the CPS2 meet the requirements of Listing Rule 6.5;
- the terms of the APRA constraints on the payment of Dividends do not amount to a removal of a right to a dividend for the purposes of Listing Rule 6.10;
- Conversion, Redemption or Resale by ANZ as provided in the CPS2 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 CPS2 can be Converted in accordance with Listing Rules 7.1 and 7.1.4 will be calculated by notionally converting CPS2 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 CPS2 issued under the Offer;
 - ANZ releases the terms of the waiver to the market; and
 - when CPS2 are issued, ANZ announces to the market the total number of CPS2 issued to the directors of ANZ (and their associates) in aggregate.

ASX has also agreed to allow CPS2 to trade on a deferred settlement basis for a short time following the issue of CPS2.

6.11 ASIC RELIEF

ASIC relief has been obtained:

- in respect of section 716(2) of the Corporations Act and Class Order CO 07/428 to permit the inclusion in this Prospectus of credit ratings announced by Standard & Poor's and Moody's without the consent of those rating agencies; and
- to enable ANZ to issue a "transaction-specific" prospectus which complies with section 713 of the Corporations Act in relation to the Offer.

6.12 FOREIGN SELLING RESTRICTIONS

As at the date of this Prospectus, no action has been taken to register or qualify CPS2 or the Offer or to otherwise permit a public offering of CPS2 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, CPS2 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 CPS2 in the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

CPS2 may be offered in a jurisdiction outside Australia under the Institutional Offer or Broker Firm Offer where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 6.12 and to have represented and warranted that it is able to apply for and acquire CPS2 in compliance with those restrictions.

6.13 PRIVACY STATEMENT

If you apply for CPS2, you will be asked to provide personal information to ANZ and its agents. ANZ and its agents will collect, hold and use that personal information in accordance with the Privacy Act and ANZ's privacy policy, to assess and process your Application, to service your needs as a CPS2 Holder, to provide facilities and services that you request and to carry out appropriate administration of your investment. Company and tax law requires some personal information to be collected.

To do these things, ANZ may disclose your personal information to its agents, contractors or third party service providers to whom ANZ outsources services such as mailing and registry functions. ANZ may also disclose your personal information to related bodies corporate or to their agents, contractors or third party service providers. However, all of these parties are bound by the same privacy policy as ANZ.

ANZ may also use your personal information to keep you informed about ANZ's business activities, progress and development and bring to your attention a range of products and services offered by ANZ. You can contact ANZ or the Registry on 1800 113 399 (within Australia) or +61 3 9415 4010 (international) (Monday to Friday – 8:30am to 5:30pm AEDT) if you do not consent to ANZ using or disclosing your personal information in this way. It is important that you contact ANZ or the Registry if you do not consent to this use because, by investing in CPS2, you will be taken to have otherwise consented.

Some uses and disclosures may occur outside of Australia.

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

Under the Privacy Act, you may request access to your personal information held by or on behalf of ANZ. You can request access to your personal information or obtain further information about ANZ's management of your personal information by contacting the Registry or ANZ. You can also obtain a copy of ANZ's privacy policy at www.anz.com.au/australia/aboutanz/PrivacyPolicy/PrivacyPolicy.pdf.

ANZ aims to ensure that the personal information retained about you is accurate, complete and up-to-date. If the Registry's record of your personal information is incorrect or out of date, it is important that you contact ANZ or the Registry so that your records can be corrected. To assist ANZ with this, please contact ANZ or the Registry if any of the details you have provided have changed. If you have any concerns about the completeness or accuracy of the information ANZ has about you, ANZ will take steps to correct it.

APPENDIX A CPS2 TERMS

THIS APPENDIX A CONTAINS THE FULL CPS2 TERMS.

1 CPS2

1.1 CPS2

CPS2 are fully paid mandatorily convertible preference shares in the capital of ANZ (**CPS2**). They are issued, and may be Redeemed, Converted, or Resold, according to these CPS2 Terms. The CPS2 are designated the "December 2009 CPS2" for identification purposes.

CPS2 are not deposit liabilities of ANZ, are not protected accounts for the purposes of the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act 1959 (Cth) and are not guaranteed or insured by any government, government agency or compensation scheme of Australia or any other jurisdiction.

1.2 ISSUE PRICE

The issue price of each CPS2 (**Issue Price**) is \$100.

2 TITLE AND TRANSFER

2.1 TITLE

Title to a CPS2 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 CPS2 constitute conclusive evidence that the person so entered is the absolute owner of the CPS2 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 CPS2 Holder in respect of a CPS2 as the absolute owner of that CPS2.

No notice of any trust, Encumbrance or other interest in, or claim to, any CPS2 will be entered in the Register. Neither ANZ nor the Registrar need take notice of any trust, Encumbrance or other interest in, or claim to, any CPS2, 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 CPS2 will in any way affect any provision of these CPS2 Terms (including without limitation any Resale).

This clause 2.3 applies whether or not a payment has been made when scheduled on a CPS2 and despite any notice of ownership, trust or interest in the CPS2.

2.4 DEALINGS IN WHOLE

At all times, the CPS2 may be held or transferred only in whole CPS2.

2.5 TRANSFER IN ACCORDANCE WITH CONSTITUTION

The Constitution contains provisions relating to the transfer of shares and the relevant provisions apply with all necessary modifications to a transfer of CPS2.

2.6 REFUSAL TO REGISTER

The Constitution contains provisions allowing the Directors to refuse to register transfers and the relevant provisions apply with all necessary modifications to refusals to register transfers of CPS2 in those circumstances.

2.7 TRANSFEROR TO REMAIN HOLDER UNTIL REGISTRATION

The Constitution contains provisions relating to the effect of registration on a transfer and the relevant provisions apply with all necessary modifications to a transfer of CPS2.

2.8 TRANSMISSION OF CPS2

The Constitution contains provisions relating to the transmission of shares in certain circumstances (including without limitation on the death of a holder) and the relevant provisions apply with all necessary modifications to the transmission of CPS2 in those circumstances.

3 DIVIDENDS

3.1 DIVIDENDS

Subject to these CPS2 Terms, each CPS2 entitles the CPS2 Holder on a Record Date to receive on the relevant Dividend Payment Date a dividend (**Dividend**) calculated according to the following formula:

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

where:

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

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

where:

Bank Bill Rate (expressed as a percentage per annum) means, for a Dividend Period, the average mid-rate for bills of a term of 90 days which average mid-rate is displayed on Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Dividend Period or if there is a manifest error in the calculation of that average mid-rate or that average mid-rate is not displayed by 10.30am (Melbourne time) on that date, the rate specified in good faith by ANZ at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills of a term of 90 days or for funds of that tenor displayed on Reuters page BBSW (or any page which replaces that page) at that time on that date; or
- (b) if bid and offer rates for bills of a term of 90 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

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

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

N means in respect of:

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

3.2 FRANKING ADJUSTMENTS

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

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

where:

D means the Dividend calculated under clause 3.1;

Tax Rate has the meaning given in clause 3.1; and

F means the applicable Franking Rate.

3.3 PAYMENT OF A DIVIDEND

Each Dividend (including an Optional Dividend) is subject to:

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

Subject to this clause 3.3, the Directors, at their absolute discretion but with the prior written approval of APRA, may determine an Optional Dividend to be payable on any date.

3.4 DIVIDENDS ARE NON-CUMULATIVE

Dividends are non-cumulative. If all or any part of a Dividend is not paid because of clause 3.3 or because of any applicable law, ANZ has no liability to pay the unpaid amount of the Dividend and, notwithstanding the Directors' discretion to pay an Optional Dividend under clause 3.3, CPS2 Holders have no claim or entitlement in respect of such non-payment and such non-payment does not constitute an event of default. No interest accrues on any unpaid Dividends or Optional Dividends and the CPS2 Holders have no claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

3.5 DIVIDEND PAYMENT DATES

Subject to this clause 3, Dividends (other than Optional Dividends) in respect of a CPS2 will be payable in arrears on the following dates (each a **Dividend Payment Date**):

- (a) each 15 March, 15 June, 15 September and 15 December commencing on 15 March 2010 until (but not including) the date on which a Redemption or Conversion of that CPS2 occurs in accordance with these CPS2 Terms; and
- (b) each date on which:
 - (i) a Conversion or Resale of that CPS2 occurs; and
 - (ii) subject to clause 8.3(a)(iii), a Redemption of that CPS2 occurs,
 in each case in accordance with these CPS2 Terms.

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

3.6 RECORD DATES

- (a) A Dividend is only payable on a Dividend Payment Date to those persons registered as CPS2 Holders on the Record Date for that Dividend.
- (b) An Optional Dividend is only payable on the date of payment determined by the Directors to those persons registered as CPS2 Holders on the Record Date for that Optional Dividend.

3.7 DEDUCTIONS

- (a) ANZ may deduct from any Dividend payable the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by ANZ to the relevant revenue authority and the balance of the Dividend payable has been paid to the relevant CPS2 Holder, then the full amount payable to such CPS2 Holder shall be deemed to have been duly paid and satisfied by ANZ.
- (b) ANZ shall pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring any penalty under the applicable law and shall, if required by any CPS2 Holder, deliver to that CPS2 Holder a copy of any relevant receipt issued by the revenue authority (to the extent issued) without delay after it is received by ANZ.

3.8 RESTRICTIONS IN THE CASE OF NON-PAYMENT

If for any reason a Dividend has not been paid in full within 21 Business Days of the relevant Dividend Payment Date, ANZ must not, without approval of a Special Resolution:

- (a) declare or pay a dividend or make any distribution on any capital instruments of ANZ which rank equally with or junior to CPS2 for distributions; or
 - (b) redeem, buy back or reduce capital on any capital instruments of ANZ which rank equally with or junior to CPS2 for a return of capital in a winding up,
- unless:
- (i) consecutive Dividends scheduled to be payable on CPS2 on the Dividend Payment Dates falling during the 12 months after the Dividend Payment Date of the Dividend that has not been paid have been paid in full;
 - (ii) with the prior written approval of APRA, an optional dividend (**Optional Dividend**) has been paid to CPS2 Holders equal to the aggregate unpaid amount of any unpaid Dividends which were scheduled to be paid in the 12 months prior to the date of payment of the Optional Dividend; or
 - (iii) all CPS2 have been Redeemed or Converted.

3.9 EXCLUSIONS FROM RESTRICTIONS IN CASE OF NON-PAYMENT

The restrictions in clause 3.8 do not apply to:

- (a) *pro rata* payments on the CPS2 and any Equal Ranking Instruments;
- (b) repurchases (including buy-backs), redemptions or other acquisitions of ANZ Shares in connection with:
 - (i) any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any Controlled Entity;
 - (ii) a dividend reinvestment or bonus option plan or shareholder share purchase plan; or
 - (iii) the issuance of ANZ Shares, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to non-payment of the Dividend;
- (c) an exchange, redemption or conversion of any class or series of ANZ Shares, or any securities of a Subsidiary or of any other entity whose financial results are required to be consolidated with ANZ's financial statements, for any class or series of ANZ Shares, or of any class or series of ANZ's indebtedness for any class or series of ANZ Shares;
- (d) the purchase of fractional interests in ANZ Shares under the conversion or exchange provisions of the shares or the security being converted or exchanged;
- (e) any payment, distribution or declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan;
- (f) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares; or
- (g) a capital raising by way of a rights or entitlement issue made to holders of one or more capital instruments of ANZ.

Nothing in these CPS2 Terms prohibits ANZ or a Controlled Entity from purchasing ANZ Shares (or an interest therein) in connection with transactions for the account of customers of ANZ or customers of entities that ANZ Controls or in connection with the distribution or trading of ANZ Shares in the ordinary course of business. This includes (for the avoidance of doubt and without affecting the foregoing) any acquisition resulting from:

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

4 MANDATORY CONVERSION

4.1 MANDATORY CONVERSION

Subject to clauses 4.5 and 4.7, on the Mandatory Conversion Date ANZ must Convert all (but not some) CPS2 on issue at that date into Ordinary Shares in accordance with clause 7 and this clause 4.

4.2 MANDATORY CONVERSION DATE

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

- (a) 15 December 2016 (the **Initial Mandatory Conversion Date**); and
- (b) the first Dividend Payment Date after the Initial 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 CPS2 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 CPS2 Holders on or as soon as practicable after the Relevant Date unless it has given a Resale Notice or a Redemption Notice,

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 REDEMPTION WHERE MANDATORY CONVERSION CONDITIONS ARE NOT SATISFIED

If:

- (a) the First Mandatory Conversion Condition is not satisfied in relation to a Relevant Date, ANZ may, subject to APRA's prior written approval, elect to Redeem all (but not some) CPS2 on the Relevant Date in accordance with clause 8 by giving a notice (a **Redemption Notice**) no later than 10 Business Days prior to 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 may, subject to APRA's prior written approval, elect to Redeem all (but not some) CPS2 on a date no later than 30 Business Days after the Relevant Date (the **Deferred Redemption Date**) by giving a Redemption Notice no later than 10 Business Days prior to the Deferred Redemption Date.

A Redemption Notice once given is irrevocable.

4.6 CONTENTS OF REDEMPTION NOTICE

A Redemption Notice must specify:

- (a) the details of the Mandatory Conversion Condition to which the Redemption Notice relates;
- (b) the date on which Redemption is to occur (the **Redemption Date**), which must be the Relevant Date in the case of a Redemption under clause 4.5(a) and the Deferred Redemption Date in the case of a Redemption under clause 4.5(b);
- (c) whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods); and
- (d) whether any Dividend or any amount under clause 8.3(a)(iii) will be paid on the Redemption Date.

4.7 RESALE ON THE RELEVANT DATE

Whether or not the Mandatory Conversion Conditions are satisfied in relation to a Relevant Date, ANZ may elect to Resell all (but not some) CPS2 on the Relevant Date in accordance with clause 9 by giving a notice (a **Resale Notice**) no later than 21 Business Days prior to the Relevant Date. A Resale Notice once given is irrevocable.

4.8 CONTENTS OF RESALE NOTICE

A Resale Notice must specify the identity of the Nominated Purchaser or Nominated Purchasers for that Resale.

4.9 ELECTION BETWEEN RESALE AND REDEMPTION

ANZ may only give a Resale Notice or a Redemption Notice in respect of a Relevant Date where permitted to do so by clause 4.5 or clause 4.7 (as the case may be) and may not give both a Resale Notice and a Redemption Notice in respect of a Relevant Date.

If, notwithstanding this clause 4.9, more than one notice is given, the Resale Notice will be deemed never to have been given and the Redemption Notice will prevail.

5 OPTIONAL EXCHANGE BY ANZ

5.1 OPTIONAL EXCHANGE BY ANZ

ANZ may by notice to CPS2 Holders (an **Exchange Notice**) elect to Exchange:

- (a) all or some CPS2 on an Exchange Date following the occurrence of a Tax Event or a Regulatory Event; or
- (b) all (but not some only) CPS2 on an Exchange Date following the occurrence of an Acquisition Event.

An Exchange Notice once given is irrevocable.

5.2 CONTENTS OF EXCHANGE NOTICE

An Exchange Notice must specify:

- (a) the details of the Acquisition Event, Tax Event or Regulatory Event to which the Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Exchange Date**), which:
 - (i) in the case of an Acquisition Event:
 - (A) if the Exchange Notice provides that CPS2 are to be Converted, is the Business Day prior to the date reasonably determined by ANZ to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as ANZ may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
 - (B) otherwise, must be no later than 35 Business Days after the date on which the Acquisition Event occurred, or in either case such later date as APRA may require; or
 - (ii) in the case of a Tax Event or a Regulatory Event, will be the last Business Day of the month following the month in which the Exchange Notice was given by ANZ unless ANZ determines an earlier Exchange Date having regard to the best interests of CPS2 Holders as a whole and the relevant event;
- (c) the Exchange Method;
- (d) if less than all outstanding CPS2 are subject to Exchange, which CPS2 are subject to Exchange;
- (e) if the Exchange Notice provides that CPS2 are to be Redeemed, whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods);
- (f) if the Exchange Notice provides that CPS2 are to be Resold, the identity of the Nominated Purchaser or Nominated Purchasers for that Resale; and
- (g) whether any Dividend or any amount under clause 8.3(a)(iii) will be paid on the Exchange Date.

5.3 EXCHANGE METHOD

If ANZ elects to Exchange CPS2 in accordance with this clause 5, it must, subject to clause 5.4, elect which of the following (or which combination of the following) it intends to do in respect of CPS2 (the **Exchange Method**):

- (a) subject to APRA's prior written approval, Convert CPS2 into Ordinary Shares in accordance with clause 7;
- (b) subject to APRA's prior written approval, Redeem CPS2 in accordance with clause 8; or
- (c) Resell CPS2 in accordance with clause 9.

If ANZ issues an Exchange Notice to Exchange only some CPS2, ANZ must endeavour to treat CPS2 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 (including the circumstances described in clause 9.6).

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 if:

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

5.5 CONDITIONS TO CONVERSION OCCURRING ONCE ELECTED BY ANZ

If ANZ has given an Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these CPS2 Terms:

- (a) the Exchange Date will be deferred until the first Dividend Payment Date on which the Mandatory Conversion Conditions would be satisfied if that Dividend Payment Date were a Relevant Date for the purposes of clause 4 (the **Deferred Conversion Date**);
- (b) ANZ must Convert the CPS2 on the Deferred Conversion Date (unless (without prejudice to clause 9.6) the CPS2 are earlier Exchanged in accordance with these CPS2 Terms); and
- (c) until the Deferred Conversion Date, all rights attaching to the CPS2 will continue as if the Exchange Notice had not been given.

ANZ will notify CPS2 Holders on or as soon as practicable after an Exchange Date in respect of which this clause 5.5 applies that Conversion did not occur on that Exchange Date (a **Deferred Conversion Notice**).

6 EARLY EXCHANGE ON CHANGE OF CONTROL EVENT

6.1 NOTICE OF CHANGE OF CONTROL EVENT

ANZ must notify CPS2 Holders of the occurrence of a Change of Control Event as soon as practicable after becoming aware of that event (a **Change of Control Event Notice**).

6.2 EXCHANGE ON OCCURRENCE OF CHANGE OF CONTROL EVENT

If a Change of Control Event occurs, ANZ must, subject to obtaining the prior written approval of APRA for any Redemption, Exchange all (but not some only) CPS2 on the Change of Control Exchange Date by notice to CPS2 Holders (a **Change of Control Exchange Notice**) in accordance with this clause 6 and clause 7 or clause 8 (as the case may be).

6.3 CONTENTS OF CHANGE OF CONTROL EXCHANGE NOTICE

A Change of Control Exchange Notice must specify:

- (a) the details of the Change of Control Event to which the Change of Control Exchange Notice relates;
- (b) the date on which Exchange is to occur (the **Change of Control Exchange Date**), which must be:
 - (i) if the Exchange Notice provides that CPS2 are to be Converted, the Business Day prior to the date reasonably determined by ANZ to be the last date on which holders of Ordinary Shares can participate in the bid or scheme concerned or such other earlier date as ANZ may reasonably determine having regard to the timing for implementation of the bid or scheme concerned; or
 - (ii) otherwise, no later than 35 Business Days after the date on which the Change of Control Event occurred, or in either case such later date as APRA may require;
- (c) the Exchange Method, which, subject to clause 5.4, must be either Conversion in accordance with clause 7 or Redemption in accordance with clause 8 as elected by ANZ;
- (d) if the Change of Control Exchange Notice provides that CPS2 are to be Redeemed, whether the Redemption Price is payable by way of redemption, buy-back or reduction of capital (or a combination of these methods); and
- (e) whether any Dividend or any amount under clause 8.3(a)(iii) will be paid on the Change of Control Exchange Date.

6.4 WHERE CHANGE OF CONTROL EXCHANGE NOTICE NOT REQUIRED

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

6.5 DEFERRED EXCHANGE ON CHANGE OF CONTROL EVENT

If clause 6.4 applies or ANZ has given a Change of Control Exchange Notice in which it has elected Conversion as the Exchange Method but, if the Change of Control Exchange Date were a Relevant Date for the purposes of clause 4, either the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition would not be satisfied in respect of that date, then, notwithstanding any other provision of these CPS2 Terms:

- (a) the Change of Control Exchange Notice, if given, is taken to be revoked and Exchange will not occur on the Change of Control Exchange Date specified in the Change of Control Event Notice;
- (b) ANZ will notify CPS2 Holders as soon as practicable that Exchange will not (or, as the case may be, did not) occur (a **Deferred Change of Control Exchange Notice**); and
- (c) ANZ must, unless clause 6.4 then applies, give a Change of Control Exchange Notice (or, as the case may be, a new Change of Control Exchange Notice) on or before the 25th Business Day prior to the immediately succeeding Dividend Payment Date which is at least 25 Business Days after the date on which the Deferred Change of Control Exchange Notice was given.

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

- (d) specify the Exchange Method, which, subject to clause 5.4, must be either Conversion in accordance with clause 7 or Redemption in accordance with clause 8 as elected by ANZ; and
- (e) otherwise comply with clause 6.3.

If this clause 6.5 applies but:

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

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

7 CONVERSION MECHANICS

7.1 CONVERSION

If ANZ elects to Convert CPS2 or must Convert CPS2 in accordance with these CPS2 Terms, then, subject to clause 13, the following provisions apply:

- (a) each CPS2 that is being Converted will Convert into one Ordinary Share on the Mandatory Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be);
- (b) each CPS2 Holder will be allotted, for no consideration, an additional number of Ordinary Shares for each CPS2 that is being Converted on the Mandatory Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be) equal to **one less than** the Conversion Number, where the Conversion Number (but subject to the Conversion Number being no more than the Maximum Conversion Number) is a number calculated according to the following formula:

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

where:

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

- (c) if the total number of additional Ordinary Shares to be allotted to a CPS2 Holder in respect of their aggregate holding of CPS2 upon Conversion includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded;
- (d) a CPS2, upon Conversion, confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5.00pm (Melbourne time) on the Mandatory Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be). At that time:
 - (i) all other rights conferred or restrictions imposed on that CPS2 under these CPS2 Terms will no longer have effect (except for rights relating to a Dividend which has been determined to be payable but has not been paid on or before the Mandatory Conversion Date, the Exchange Date or the Change of Control Exchange Date (as the case may be) which will continue); and
 - (ii) the Ordinary Share resulting from a Conversion will rank equally with all other Ordinary Shares.

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS2 or an issue, allotment or creation of a new Ordinary Share (other than the additional Ordinary Shares allotted under clause 7.1(b)).

7.2 ADJUSTMENTS TO VWAP

For the purposes of calculating VWAP in these CPS2 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 CPS2 will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount (**Cum Value**) equal to:
- (i) (in case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or other distribution who is both a resident of Australia and a natural person under the Tax Act;
 - (ii) (in the case of any other entitlement that is not a dividend or other distribution under clause 7.2(a)(i) which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or
 - (iii) (in the case of any other entitlement which is not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors; and
- (b) where, on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and CPS2 will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value.

7.3 ADJUSTMENTS TO VWAP FOR CAPITAL RECONSTRUCTION

Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, rights issue or other essentially *pro rata* issue) into a lesser or greater number of securities during the relevant VWAP Period, the VWAP shall be adjusted by ANZ as it considers appropriate to ensure that the CPS2 Holders are in an economic position in relation to their CPS2 that is as similar as reasonably practicable to the economic position prior to the occurrence of the event that gave rise to the need for the adjustment. Any adjustment made by ANZ will be effective and binding on CPS2 Holders under these CPS2 Terms and these CPS2 Terms will be construed accordingly. Any such adjustment must be promptly notified to all CPS2 Holders.

7.4 ADJUSTMENTS TO ISSUE DATE VWAP

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

- (a) may be made in accordance with clauses 7.5, 7.6, 7.7, 7.8 or 7.9; and
- (b) if so made, will correspondingly affect the application of the Mandatory Conversion Conditions and the Optional Conversion Restrictions, and cause an adjustment to the Maximum Conversion Number.

7.5 ADJUSTMENTS TO ISSUE DATE VWAP FOR BONUS AND RIGHTS ISSUES

- (a) Subject to clauses 7.5(b) and 7.5(c) below, if ANZ makes a *pro rata* bonus issue or a rights issue or other essentially *pro rata* issue (including an issue of the kind known as a “jumbo” or “RAPIDS” issue, where offers to certain institutional holders (or beneficial holders) are made in advance of offers to other holders) of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_0 \times \frac{1}{P} \times \frac{(RD \times P) + (RN \times A)}{(RD + RN)}$$

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;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the bonus, rights or other relevant issue to the ASX up to (and including) the last Business Day of trading cum rights, bonus or other relevant issue (or if there is no period of cum rights, bonus or other relevant issue trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Shares cum the rights, bonus or other relevant issue);

A means the subscription or unit price per Ordinary Share for a rights issue and is zero in the case of a bonus issue;

RN means the number of Ordinary Shares issued pursuant to the rights, bonus or other relevant issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the rights, bonus or other relevant issue.

- (b) No adjustment to the Issue Date VWAP will occur if A exceeds P.
- (c) Clause 7.5(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.
- (d) For the purpose of clause 7.5(a), an issue will be regarded as a *pro rata* issue notwithstanding that ANZ does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing ANZ is not in contravention of the ASX Listing Rules.

7.6 ADJUSTMENT TO ISSUE DATE VWAP FOR OFF MARKET BUY-BACK

- (a) Subject to clause 7.6(b), if ANZ undertakes an off market buy-back under a scheme which but for restrictions on transfer would be generally available to holders of Ordinary Shares, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

$$V = V_0 \times \frac{1}{P} \times \frac{(BD \times P) - (BN \times A)}{(BD - BN)}$$

where:

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

V₀ means the Issue Date VWAP respectively applying immediately prior to the application of this formula;

P means the VWAP during the 20 Business Days prior to the announcement to the ASX of the buy-back;

A means the buy-back price per Ordinary Share;

BN means the number of Ordinary Shares bought back; and

BD means the number of Ordinary Shares on issue immediately prior to the buy-back.

- (b) No adjustment to the Issue Date VWAP will occur if P exceeds A.

7.7 ADJUSTMENT TO ISSUE DATE VWAP FOR RETURN OF CAPITAL

If ANZ makes a *pro rata* return of capital to holders of Ordinary Shares, the Issue Date VWAP will be adjusted in accordance with the following formula:

$$V = V_0 \times \frac{(P - C)}{(P)}$$

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;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading *cum* the return of capital (or if there is no period of *cum* return of capital trading, an amount reasonably determined by the Directors as representing the value of Ordinary Shares *cum* the return of capital); and

C means, with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

7.8 ADJUSTMENT TO ISSUE DATE VWAP FOR CAPITAL RECONSTRUCTION

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Directors may if they consider it appropriate reconstruct the Issue Date VWAP in the same way as the exercise price of options over Ordinary Shares would be reconstructed in the same context, in accordance with the ASX Listing Rules (as they apply to ANZ). Each CPS2 Holder acknowledges that ANZ may reconstruct, consolidate, divide or reclassify into a lesser or greater number of securities the Ordinary Shares at any time in its absolute discretion without any such action constituting a variation of rights of CPS2 Holders or otherwise requiring any consent or concurrence.

7.9 DIRECTORS' SOLE DISCRETION REGARDING ADJUSTMENTS TO ISSUE DATE VWAP

Despite the provisions of clauses 7.5 to 7.8, where:

- (a) the effect of any of the adjustment provisions set out in clauses 7.5 to 7.8 is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including because more than one adjustment provision applies); or
- (b) any other event occurs in relation to ANZ that may have a dilutive or concentrative effect on the value of the Ordinary Shares, and, in the reasonable opinion of the Directors, such occurrence would have a dilutive or concentrative effect on the value of Ordinary Shares,

the Directors may (subject to APRA's prior written approval):

- (i) make such alterations (if any) to the Issue Date VWAP as they reasonably consider appropriate or necessary to compensate for that effect; or
- (ii) extend an entitlement to the CPS2 Holders to participate in such event based on the number of Ordinary Shares to which those CPS2 Holders would have been entitled if their CPS2 had been Converted on a date nominated by the Directors to compensate for that effect.

7.10 ANNOUNCEMENT OF ADJUSTMENT TO ISSUE DATE VWAP

ANZ will notify CPS2 Holders (an **Adjustment Notice**) of any adjustment to the Issue Date VWAP under this clause 7 within 10 Business Days of ANZ determining the adjustment and the adjustment set out in the announcement will be final and binding.

7.11 ORDINARY SHARES

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

7.12 FOREIGN CPS2 HOLDERS

Where CPS2 held by a Foreign CPS2 Holder are to be Converted, unless ANZ is satisfied that the laws of the Foreign CPS2 Holder's country of residence permit the issue of Ordinary Shares to the Foreign CPS2 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 CPS2 Holder is obliged to accept will be issued to a nominee who will sell those Ordinary Shares and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to the Foreign CPS2 Holder accordingly.

7.13 LISTING ORDINARY SHARES ISSUED ON CONVERSION

ANZ shall use all reasonable endeavours to list the Ordinary Shares issued upon conversion of the CPS2 on ASX or the principal securities exchange on which its Ordinary Shares are then listed.

8 REDEMPTION MECHANICS

8.1 REDEMPTION MECHANICS TO APPLY TO REDEMPTION

If, subject to APRA's prior written approval, ANZ elects to Redeem CPS2 or must Redeem CPS2 in accordance with these CPS2 Terms, the provisions of this clause 8 apply to that Redemption.

8.2 REDEMPTION

CPS2 will be Redeemed by payment on the Redemption Date, the Exchange Date or the Change of Control Exchange Date (as the case may be) of the Issue Price plus any amount payable under clause 8.3(a)(iii) (together, the **Redemption Price**) by way of redemption, buy-back, reduction of capital or any combination thereof to the CPS2 Holder.

8.3 EFFECT OF REDEMPTION ON CPS2 HOLDERS

On the Redemption Date, the Exchange Date or the Change of Control Exchange Date (as the case may be) the only right CPS2 Holders will have in respect of CPS2 will be to obtain the Redemption Price payable in accordance with these CPS2 Terms and upon payment of the Redemption Price, all other rights conferred, or restrictions imposed, by CPS2 will no longer have effect.

For the purposes of this clause 8:

- (a) where the Redemption involves a buy-back of CPS2:
 - (i) the Redemption Notice, the Exchange Notice or the Change of Control Exchange Notice (as the case may be) constitutes a buy-back offer for the Redemption Price payable on the relevant Redemption Date, Exchange Date or Change of Control Exchange Date (as the case may be);

- (ii) the CPS2 Holder must accept the buy-back offer for their CPS2 and will be deemed to have accepted that buy-back offer for CPS2 held by that CPS2 Holder to which the Redemption Notice, the Exchange Notice or the Change of Control Exchange Notice (as the case may be) relates on the date the Redemption Notice, the Exchange Notice or the Change of Control Exchange Notice (as the case may be) is given and will be deemed to have sold those CPS2 to ANZ free of all Encumbrances on the Redemption Date, the Exchange Date or the Change of Control Exchange Date (as the case may be);
 - (iii) no Dividend is payable on CPS2 on the Redemption Date, the Exchange Date or the Change of Control Exchange Date (as the case may be), but the Directors may, in their absolute discretion, determine that the consideration payable for each CPS2 that is bought back will include an amount (in addition to the Issue Price) equal to a Dividend calculated in accordance with clause 3 for the Dividend Period ending on (but not including) the Redemption Date, the Exchange Date or the Change of Control Exchange Date (as the case may be);
 - (iv) the buy-back agreement will be taken to include ANZ's undertaking in clause 3.8 (as qualified by clause 3.9); and
 - (v) for the purposes of calculating the Redemption Price, any suspension of the right to receive a Dividend arising from the buy-back agreement under applicable law shall be disregarded; and
- (b) if the Redemption involves either or both a reduction of capital with respect to CPS2 and a cancellation of CPS2 and under applicable law CPS2 Holders are entitled to vote on a resolution to approve that reduction of capital or that cancellation, each CPS2 Holder agrees to vote in favour of that or those resolutions.

9 RESALE MECHANICS

9.1 RESALE MECHANICS TO APPLY TO RESALE

If ANZ elects to Resell CPS2 or must Resell CPS2 in accordance with these CPS2 Terms, the provisions of this clause 9 apply to that Resale.

9.2 APPOINTMENT OF NOMINATED PURCHASER

ANZ must appoint one or more Nominated Purchasers for the Resale on such terms as may be agreed between ANZ and the Nominated Purchaser. If ANZ appoints more than one Nominated Purchaser in respect of a Resale, all or any of the CPS2 held by a CPS2 Holder which are being Resold may be purchased by any one or any combination of the Nominated Purchasers, as determined by ANZ.

The obligation of a Nominated Purchaser to pay the aggregate purchase price on the Relevant Date or the Exchange Date (as the case may be) may be subject to conditions.

ANZ will reasonably endeavour, in light of the circumstances then existing, to minimise the conditionality of a Nominated Purchaser's obligation to pay the aggregate purchase price but gives no assurance as to the details of any such conditions.

9.3 IDENTITY OF NOMINATED PURCHASER

ANZ may not appoint a person as a Nominated Purchaser unless that person:

- (a) has undertaken on such terms and subject to such conditions as ANZ reasonably determines for the benefit of each CPS2 Holder to acquire each CPS2 from the CPS2 Holder for the Issue Price on the Relevant Date or the Exchange Date (as the case may be);
- (b) has a long term counterparty credit rating from one of Standard & Poor's, Moody's or Fitch of not less than the rating assigned to CPS2 at that time by that rating agency; and
- (c) is not a Controlled Entity of ANZ (unless otherwise approved in writing by APRA).

9.4 IRREVOCABLE OFFER TO SELL CPS2

Each CPS2 Holder is taken irrevocably to offer to sell CPS2 the subject of that Resale to the Nominated Purchaser on the Relevant Date or the Exchange Date (as the case may be) for a cash amount equal to the Issue Price.

9.5 EFFECT OF RESALE

On the Relevant Date or the Exchange Date (as the case may be), subject to payment by the Nominated Purchaser of the Issue Price to the CPS2 Holders, all right, title and interest in such CPS2 (excluding the right to any Dividend payable on that date) will be transferred to the Nominated Purchaser on the Relevant Date or the Exchange Date (as the case may be).

9.6 CPS2 TERMS AFTER RESALE

If CPS2 are Resold in accordance with these CPS2 Terms, unless otherwise agreed between ANZ and the Nominated Purchaser with the prior written approval of APRA, these CPS2 Terms will apply in all respects to the CPS2 held by the Nominated Purchaser on and from the Resale taking effect in accordance with these CPS2 Terms (including that the CPS2 will Convert in the hands of the Nominated Purchaser on the Mandatory Conversion Date if the Mandatory Conversion Conditions are satisfied in respect of that date or on any other date on which CPS2 are to be Converted in accordance with these CPS2 Terms).

Notwithstanding any other provision of these CPS2 Terms, after the CPS2 have been Resold, any provision of these CPS2 Terms as it relates to the CPS2 held by the Nominated Purchaser (including without limitation any term relating to Conversion) may be amended by agreement between the Nominated Purchaser and ANZ without the consent of any other CPS2 Holder but with the prior written approval of APRA. For the purposes of any such amendment, CPS2 held by:

- (a) a Nominated Purchaser and CPS2 held by other CPS2 Holders; and
- (b) CPS2 held by different Nominated Purchasers,

shall be treated as though they were separate classes of shares, so that without limitation:

- (i) where there is more than one Nominated Purchaser; or
- (ii) where CPS2 are held by a person other than a Nominated Purchaser,

then:

- (A) amendments may be made to the CPS2 held by a Nominated Purchaser; and
- (B) the CPS2 held by a Nominated Purchaser can be Redeemed or Converted,

in each case without the consent of or consideration for the interests of any CPS2 Holders other than the Nominated Purchaser the terms of whose CPS2 are being amended, Redeemed or Converted and without any corresponding amendment, Redemption or Conversion (as the case may be) to the CPS2 held by other CPS2 Holders.

9.7 EFFECT OF FAILURE BY THE NOMINATED PURCHASER TO PAY

If a Nominated Purchaser does not pay the Issue Price to the CPS2 Holders on the Relevant Date or the Exchange Date (as the case may be) (a **Defaulting Nominated Purchaser**) (whether as a result of a condition to purchase not being satisfied or otherwise):

- (a) the Resale Notice or the Exchange Notice (as the case may be) as it relates to the Defaulting Nominated Purchaser will be void;
- (b) CPS2 will not be transferred to the Defaulting Nominated Purchaser;
- (c) in the case of a Resale Notice, CPS2 referable to the Defaulting Nominated Purchaser will not Convert into Ordinary Shares on that Relevant Date and the Mandatory Conversion Date:
 - (i) will be deemed not to have occurred on that Relevant Date; and
 - (ii) will occur on the next Relevant Date on which it is otherwise determined to occur in accordance with clause 4.2;
- (d) the CPS2 Holder will continue to hold those CPS2 until otherwise Redeemed, Converted or Resold in accordance with these CPS2 Terms; and
- (e) ANZ may, subject to APRA's prior written approval and without prejudice to any other rights of ANZ under these terms to elect an Exchange, elect to Exchange all (but not some) CPS2 referable to the Defaulting Nominated Purchaser on a date no later than 45 Business Days after the Relevant Date or the Exchange Date (as the case may be) (the **Deferred Exchange Date**) by giving another Exchange Notice in accordance with clause 5.1 at least 25 Business Days prior to the Deferred Exchange Date. In these circumstances, the date on which the Exchange is to occur for the purposes of clause 5.2(b) will be the Deferred Exchange Date.

10 CPS2 GENERAL RIGHTS

10.1 RANKING WITH RESPECT TO DIVIDENDS

The CPS2 rank in respect of payment of dividends:

- (a) senior to Ordinary Shares and other instruments or securities of ANZ that rank or are expressed to rank junior to the CPS2;
- (b) equally among themselves and with all Equal Ranking Instruments; and
- (c) junior to any securities or instruments that rank senior to the CPS2 and to all ANZ's debts and liabilities to its depositors and all other creditors, other than indebtedness that by its terms ranks equally with or junior to the CPS2,

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

10.2 RANKING IN A WINDING-UP

- (a) In a winding-up of ANZ, a CPS2 confers upon the CPS2 Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of ANZ on a return of capital in the winding-up.
- (b) CPS2 Holders will rank for payment of the Liquidation Sum in a winding-up of ANZ:
- (i) in priority to Ordinary Shares and other securities that ANZ has issued or may issue that by their terms rank junior to the CPS2;
 - (ii) equally among themselves and with all Equal Ranking Instruments; and
 - (iii) junior to any securities or instruments that rank senior to the CPS2 and to all ANZ's debts and liabilities to its depositors and all other creditors, other than indebtedness that by its terms ranks equally with or junior to the CPS2 in a winding-up,
- in each case of (i), (ii) and (iii), with respect to priority of payment in a winding-up.
- (c) The **Liquidation Sum** is an amount out of surplus assets equal to \$100 plus the amount of any Dividend (including any Optional Dividend) determined to be paid but unpaid.

10.3 FURTHER ISSUES NOT TO VARY CLASS RIGHTS

The allotment or issue of preference shares (including further CPS2), or the conversion of existing shares into preference shares, ranking junior to, equally with or, (to the maximum extent permitted by the Constitution) senior to the CPS2 then on issue for participation in profits or assets of ANZ, and whether entitled to cumulative or non-cumulative dividends, or a redemption, buy-back or return or distribution of capital in respect of any share capital other than a CPS2, whether ranking junior to, equally with, or senior to, the CPS2, is expressly permitted and authorised by these CPS2 Terms and does not constitute a modification or variation of the rights or privileges to the CPS2 then on issue.

10.4 CALCULATIONS AND ROUNDING OF PAYMENTS

Unless otherwise specified in these CPS2 Terms:

- (a) all calculations of amounts payable in respect of a CPS2 will be rounded to four decimal places; and
- (b) for the purposes of making payment to a CPS2 Holder in respect of the CPS2 Holder's aggregate holding of CPS2, any fraction of a cent will be disregarded.

10.5 NO SET-OFF OR OFFSETTING RIGHTS

A CPS2 Holder:

- (a) may not exercise any right of set-off against ANZ in respect of any claim by ANZ against that CPS2 Holder; and
- (b) will have no offsetting rights or claims on ANZ if ANZ does not pay a Dividend when scheduled under CPS2.

ANZ may not exercise any right of set-off against a CPS2 Holder in respect of any claim by that CPS2 Holder against ANZ.

10.6 NO SECURITY

CPS2 are unsecured.

10.7 SHORTFALL ON WINDING-UP

If, upon a return of capital on a winding-up of ANZ, there are insufficient funds to pay in full the Liquidation Sum and the amounts payable in respect of any other instruments in ANZ ranking equally with CPS2 on a winding-up of ANZ, CPS2 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.

10.8 NO PARTICIPATION IN SURPLUS ASSETS

CPS2 do not confer on the CPS2 Holders any further right to participate in the surplus assets of ANZ on a winding-up beyond payment of the Liquidation Sum.

10.9 POWER OF ATTORNEY

- (a) Each CPS2 Holder appoints each of ANZ, its officers and any External Administrator of ANZ (each an **Attorney**) severally to be the attorney of the CPS2 Holder with power in the name and on behalf of the CPS2 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 CPS2 Holder to observe or perform the CPS2 Holder's obligations under these CPS2 Terms including, but not limited to, accepting any buy-back offer, effecting any transfers of CPS2, 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.

- (b) The power of attorney given in this clause 10.9 is given for valuable consideration and to secure the performance by the CPS2 Holder of the CPS2 Holder's obligations under these CPS2 Terms and is irrevocable.

10.10 CPS2 HOLDER ACKNOWLEDGMENTS

Each CPS2 Holder irrevocably:

- (a) upon Conversion of a CPS2 in accordance with clause 7, consents to becoming a member of ANZ and agrees to be bound by the Constitution, in each case in respect of the Ordinary Shares issued on Conversion (or, where an Approved NOHC Substitution Notice has been given, consents to becoming a member of that Approved NOHC and agrees to be bound by its constitution);
- (b) acknowledges and agrees that an Approved NOHC may be substituted for ANZ as provider of ordinary shares on Conversion and that if such a substitution is effected, the CPS2 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 16.1(g) to effect the substitution of an Approved NOHC as the issuer of ordinary shares on Conversion or in accordance with clause 9.6 will not constitute a variation of any class rights attaching to CPS2;
- (d) acknowledges and agrees that it is obliged to accept ordinary shares upon a Conversion notwithstanding anything that might otherwise affect a Conversion of CPS2 including:
 - (i) any change in the financial position of ANZ or any Approved NOHC since the Issue Date;
 - (ii) any disruption to the market or potential market for the ordinary shares or to capital markets generally; or
 - (iii) any breach by ANZ or any Approved NOHC of any obligation in connection with CPS2;
- (e) acknowledges and agrees that the only conditions to Conversion are the Mandatory Conversion Conditions or the Optional Conversion Restrictions (as the case may be) and that no other conditions or events will affect Conversion except as expressly provided by these CPS2 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 CPS2 on the occurrence of the Conversion; and
- (g) acknowledges and agrees that a CPS2 Holder has no right to request an Exchange.

10.11 ON-MARKET BUY-BACKS

Subject to APRA's prior written approval, ANZ may buy-back CPS2 at any time and at any price by an on-market buy-back.

10.12 NO OTHER RIGHTS

- (a) CPS2 do not confer on CPS2 Holders any right to participate in profits or property of ANZ except as set out in these CPS2 Terms.
- (b) CPS2 do not confer on CPS2 Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of securities of ANZ.

11 VOTING AND OTHER RIGHTS

11.1 MEETINGS

In accordance with the Constitution, a CPS2 Holder will have the same rights as the holders of Ordinary Shares with respect to receiving notices of general meetings and financial reports and attending ANZ's general meetings.

11.2 VOTING RIGHTS

- (a) A CPS2 Holder shall have the right to speak and vote at a meeting of members of ANZ in the following circumstances and in no others:
 - (i) on any proposal to reduce ANZ's share capital, other than a resolution to approve a Redemption of the CPS2;
 - (ii) on a proposal that affects the rights attached to the CPS2;
 - (iii) on any resolution to approve the terms of a buy-back agreement, other than a resolution to approve a Redemption of CPS2;
 - (iv) on a proposal to wind up ANZ;
 - (v) on a proposal for the disposal of the whole of ANZ's property, business and undertaking;
 - (vi) on any matter during a winding up of ANZ; and
 - (vii) on any matter during a period in which a Dividend remains unpaid.

(b) On a resolution or proposal on which a CPS2 Holder is entitled to vote under this clause, the CPS2 Holder has:

- (i) on a show of hands, one vote; and
- (ii) on a poll, one vote for each CPS2 held.

11.3 NOT A "VOTING SHARE"

Each CPS2 Holder acknowledges and agrees that a CPS2 will not constitute a "voting share" for the purposes of the Corporations Act.

11.4 NO VOTE ON NOHC EVENT

To the maximum extent permitted by law, a CPS2 Holder has no right to vote on any proposal to approve, implement or give effect to a NOHC Event. If applicable law entitles a CPS2 Holder to vote on a proposal to approve, implement or give effect to a NOHC Event, each CPS2 Holder will vote in favour of any resolution to approve, implement or give effect to the NOHC Event.

11.5 NO RIGHT TO APPLY FOR THE WINDING-UP OF ANZ

Each CPS2 Holder acknowledges and agrees that a CPS2 Holder has no right to apply for ANZ to be wound up, or placed in administration, or to cause a receiver, or a receiver and manager, to be appointed in respect of ANZ merely on the grounds that ANZ does not pay a Dividend when scheduled in respect of CPS2.

11.6 NO EVENTS OF DEFAULT

Each CPS2 Holder acknowledges and agrees that these CPS2 Terms contain no events of default. Accordingly (but without limitation) failure to pay in full, for any reason, a Dividend on the scheduled Dividend Payment Date will not constitute an event of default.

12 TAKEOVERS AND SCHEMES OF ARRANGEMENT

If:

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

in each case which would result in an Acquisition Event then, if the Directors consider that APRA will not approve Exchange of CPS2 where APRA's approval is required by clause 5 or clause 6, or the Second Mandatory Conversion Condition or the Third Mandatory Conversion Condition will not be satisfied in respect of the Change of Control Exchange Date in accordance with clause 6, the Directors will use all reasonable endeavours to procure that equivalent takeover offers are made to CPS2 Holders or that they are entitled to participate in the scheme of arrangement or a similar transaction.

13 APPROVED NOHC EVENTS

13.1 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 CPS2 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 CPS2 Terms as amended by this clause 13; 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 CPS2 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 CPS2 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 CPS2 Terms which will be made in accordance with clause 16.1(g) 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.

13.2 CONSEQUENCES OF APPROVED NOHC SUBSTITUTION NOTICE

If ANZ gives an Approved NOHC Substitution Notice to CPS2 Holders in accordance with clause 13.1, the Approved NOHC Substitution Terms will have effect on and from the date specified in the Approved NOHC Substitution Notice.

14 NOTICES

14.1 NOTICES TO CPS2 HOLDERS

Except where otherwise provided in these CPS2 Terms, a notice may be given by ANZ to a CPS2 Holder in any manner prescribed by the Constitution for giving notices to members of ANZ and the relevant provisions apply with all necessary modifications to notices to CPS2 Holders.

14.2 DELIVERY OF CERTAIN NOTICES

A Non-Conversion Notice, a Deferred Conversion Notice, a Deferred Change of Control Exchange Notice, an Exchange Notice, a Redemption Notice, a Resale Notice, a Change of Control Event Notice, a Change of Control Exchange Notice, an Adjustment Notice, an Approved NOHC Substitution Notice and an ANZ Details Notice may each be given to CPS2 Holders by ANZ publishing the notice on its website and announcing the publication of the notice to ASX.

14.3 NON-RECEIPT OF NOTICES BY CPS2 HOLDERS

The non-receipt of a notice by a CPS2 Holder or an accidental omission to give notice to a CPS2 Holder will not invalidate the giving of that notice either in respect of that CPS2 Holder or generally.

14.4 NOTICES TO ANZ

All notices or other communications to ANZ in respect of these CPS2 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: Level 14
100 Queen Street
Melbourne 3000
Victoria
Australia
Fax No: +61 3 9273 6142,

or to such other address or fax number as ANZ notifies to CPS2 Holders as its address or fax number (as the case may be) for notices or other communications in respect of these CPS2 Terms from time to time (an **ANZ Details Notice**);

- (c) signed by the person making the communication or by a person duly authorised by that person; and
- (d) delivered or posted by prepaid post to the address, or sent by fax to the fax number, of ANZ in accordance with clause 14.4(b).

A notice to ANZ will be taken to be received:

- (i) if sent by fax, when actually received in its entirety in legible form, unless that day is not a Business Day, or is after 5.00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9.00am (Melbourne time) on the next Business Day; and
- (ii) in any other case, on delivery at the address of ANZ as provided in clause 14.4, unless that delivery is not made on a Business Day, or is after 5.00pm (Melbourne time) on a Business Day, in which case that communication will be regarded as received at 9.00am (Melbourne time) on the next Business Day.

14.5 NOTICES AND REPORTS

Each CPS2 Holder is entitled to receive notice of any general meeting of ANZ and a copy of every circular and like document sent out by ANZ to Ordinary Shareholders and to attend general meetings of ANZ.

15 PAYMENTS

15.1 MANNER OF PAYMENT TO CPS2 HOLDERS

The Constitution contains provisions relating to payments in respect of shares and the relevant provisions apply (with all necessary modifications) in respect of each payment on the CPS2.

15.2 PAYMENT TO JOINT CPS2 HOLDERS

A payment to any one of joint CPS2 Holders will discharge ANZ's liability in respect of the payment.

16 AMENDMENT OF THESE CPS2 TERMS

16.1 AMENDMENT WITHOUT CONSENT

Subject to complying with all applicable laws and with APRA's prior written approval, ANZ may amend these CPS2 Terms without the authority, assent or approval of CPS2 Holders where the amendment in the reasonable opinion of ANZ:

- (a) is made to correct a manifest error;
- (b) is of a formal, minor or technical nature;
- (c) is necessary to comply with any law, the provisions of any statute or the requirements of any statutory authority;
- (d) is made in accordance with ANZ's adjustment rights in clause 7;
- (e) is made in accordance with clause 9.6;
- (f) is expedient for the purpose of enabling CPS2 to be listed or to remain listed on a stock exchange 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;
- (g) is 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 CPS2 Terms, including without limitation amendments and additions to:
 - (i) the definition of "Conversion" and the mechanics to effect that Conversion in clause 7;
 - (ii) the definition of "Conversion Number" in clause 7, the inputs into that Conversion Number and the mechanics for adjusting that Conversion Number; and
 - (iii) the definition of "ANZ Group", "Acquisition Event", "Change of Control Event", "Regulatory Event" and "Tax Event"; or
- (h) in any other case, will not materially adversely affect the rights of CPS2 Holders as a whole.

16.2 AMENDMENT WITH CONSENT

Without limiting clause 16.1, ANZ may, with APRA's prior written approval, amend these CPS2 Terms if the amendment has been approved by a Special Resolution.

16.3 MEANINGS

In this clause 16 and in clause 9.6, **amend** includes modify, cancel, alter or add to and **amendment** has a corresponding meaning.

17 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 CPS2 on ASX.

18 GOVERNING LAW

The CPS2 and these CPS2 Terms are governed by and shall be construed in accordance with the laws of the State of Victoria, Australia.

19 INTERPRETATION AND DEFINITIONS

19.1 INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these CPS2 Terms and the Constitution then, to the maximum extent permitted by law, the provisions of these CPS2 Terms will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of ANZ under these CPS2 Terms as are not, by the Corporations Act or by the Constitution, required to be exercised by ANZ in general meeting.
- (c) Unless otherwise specified, a reference to a clause is a reference to a clause of these CPS2 Terms.
- (d) If a calculation is required under these CPS2 Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (e) Subject to clause 19.1(a), definitions and interpretation under the Constitution will also apply to these CPS2 Terms unless the contrary intention is expressed.
- (f) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to ANZ only if ANZ is an entity, or the holding company of an entity, or is a direct or indirect Subsidiary of a NOHC, subject to regulation and supervision by APRA at the relevant time.
- (g) Any provisions which require APRA's consent or approval will apply only if APRA requires that such consent or approval be given at the relevant time.
- (h) Any provisions in these CPS2 Terms requiring the prior approval of APRA for a particular course of action to be taken by ANZ do not imply that APRA has given its consent or approval to the particular action as of the Issue Date.
- (i) The terms takeover bid, relevant interest, scheme of arrangement, buy-back and on-market buy-back when used in these CPS2 Terms have the meaning given in the Corporations Act.
- (j) Headings and boldings are for convenience only and do not affect the interpretation of these CPS2 Terms.
- (k) The singular includes the plural and vice versa.
- (l) 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.
- (m) If an event under these CPS2 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.
- (n) A reference to dollars, A\$, \$ or cents is a reference to the lawful currency of Australia.
- (o) A reference to a term defined by the ASX Listing Rules, the ASX Market Rules or the settlement rules of ASTC shall, if that term is replaced in those rules, be taken to be a reference to the replacement term.
- (p) Calculations, elections and determinations made by ANZ under these CPS2 Terms are binding on CPS2 Holders in the absence of manifest error.

19.2 DEFINITIONS

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

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

2007 Stapled Securities means the £450,000,000 of stapled securities issued by ANZ in 2007, each comprising a fully paid subordinated note issued by ANZ New York Branch stapled to a fully paid preference share issued by ANZ.

Acquisition Event means:

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

- (i) all classes of members of ANZ pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
- (ii) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares.

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

- (i) the acquirer (or its ultimate holding company) assumes all of ANZ's obligations to convert the CPS2 into Ordinary Shares by undertaking to convert such CPS2 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 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.

Adjustment Notice has the meaning given in clause 7.10.

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

ANZ Details Notice has the meaning given in clause 14.4.

ANZ Group means ANZ and its controlled entities.

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

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

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

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

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

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

Approved NOHC Substitution Notice has the meaning given in clause 13.1.

Approved NOHC Substitution Terms has the meaning given in clause 13.1.

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

APRA Condition means, with respect to a Dividend payment on the CPS2 on a Dividend Payment Date or an Optional Dividend payment:

- (a) unless APRA otherwise approves in writing:
 - (i) making the Dividend payment or the Optional Dividend payment on the CPS2 on the payment date would result in the Prudential Capital Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the ANZ Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or the ANZ Group (as the case may be) at the time; or
 - (ii) the Dividend payment or the Optional Dividend payment on the CPS2 on the payment date would exceed Distributable Profits as at the Record Date for the Dividend payment or the Optional Dividend payment;
- (b) making the Dividend payment or the Optional Dividend payment would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or
- (c) APRA objecting to the Dividend payment or the Optional Dividend payment on the CPS2 on the payment date.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532) or any successor.

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

Attorney has the meaning given in clause 10.9.

Bank Bill Rate has the meaning given in clause 3.1.

Bookbuild means the process conducted prior to the opening of the Offer whereby certain investors lodge bids for CPS2 and, on the basis of those bids, ANZ and the joint lead managers to the Offer determine the Margin.

Business Day means a day which is a business day within the meaning of the ASX Listing Rules.

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

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

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

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

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

Change of Control Exchange Notice has the meaning given in clause 6.2.

CHESS means the Clearing House Electronic Subregister System operated by ASTC.

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 CPS2, subject to amendment in accordance with clause 16.1(d), the taking effect of the rights specified in clause 7 in relation to that CPS2 and **Convert** and **Converted** have corresponding meanings.

Conversion Number has the meaning given in clause 7.1.

Corporations Act means the Corporations Act 2001 (Cth).

CPS2 has the meaning given in clause 1.1.

CPS2 Holder means a person whose name is registered in the Register as the holder of a CPS2.

CPS2 Terms means these terms of issue of CPS2.

Cum Value has the meaning given in clause 7.2.

Defaulting Nominated Purchaser has the meaning given in clause 9.7.

Deferred Change of Control Exchange Notice has the meaning given in clause 6.5.

Deferred Conversion Date has the meaning given in clause 5.5.

Deferred Conversion Notice has the meaning given in clause 5.5.

Deferred Exchange Date has the meaning given in clause 9.7.

Deferred Redemption Date has the meaning given in clause 4.5.

Delisting Event means, in respect of a date, that:

- (a) Ordinary Shares ceased to be listed or admitted to trading on ASX on or before that date (and where the cessation occurred before that date, Ordinary Shares continue not to be listed or admitted to trading on that date); or
- (b) trading of Ordinary Shares on ASX is suspended for a period of consecutive days which includes:
 - (i) at least five consecutive Business Days prior to that date; and
 - (ii) that date.

Directors means some or all of the directors of ANZ acting as a board.

Distributable Profits means the lesser of:

- (a) A - B; and
- (b) C - D,

where:

"A" is the aggregate of the consolidated net profits after income tax of the ANZ Level 2 Group (determined before any interest, dividends or distributions paid or payable by a member of the ANZ Level 2 Group on its Upper Tier 2 Capital and Tier 1 Capital) for the immediately preceding two six-monthly financial periods for which results have been publicly announced (or any other amount as determined by APRA in its discretion to be appropriate in ANZ's circumstances on a Level 2 basis for the purposes of paying interest, dividends or distributions on the Tier 1 Capital and Upper Tier 2 Capital of the ANZ Level 2 Group);

"B" is the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid by a member of the ANZ Level 2 Group in the 12 months to and including the applicable Dividend Payment Date on:

- (a) the CPS2; and
- (b) any other Tier 1 Capital or Upper Tier 2 Capital security of the ANZ Level 2 Group to the extent interest, dividends or distributions on those securities are funded by a member of the ANZ Level 2 Group or by instruments of the ANZ Level 2 Group,

but excluding:

- (i) any dividends payable in relation to the CPS2 on the applicable Dividend Payment Date; and
- (ii) any such interest, dividend, distribution or other amount to which a member of the ANZ Level 2 Group was or is beneficially entitled;

"C" is the net profit after income tax of the ANZ Level 1 Group (determined before any interest, dividends or distributions paid or payable by the ANZ Level 1 Group on its Upper Tier 2 Capital and Tier 1 Capital) for the period referred to in "A" above (or any other amount as determined by APRA in its discretion to be appropriate in the ANZ's circumstances on a Level 1 basis for the purposes of paying interest, dividends or distributions on the ANZ Level 1 Group's Tier 1 Capital or Upper Tier 2 Capital); and

"D" is the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid:

- (a) by a member of the ANZ Level 1 Group in the 12 months to and including the applicable Dividend Payment Date on:
 - (i) the CPS2; and
 - (ii) any other Tier 1 Capital or Upper Tier 2 Capital security of the ANZ Level 1 Group to the extent interest, dividends, distributions and other amounts on those securities are funded by a member of the ANZ Level 1 Group; and
- (b) on any other securities determined by APRA in its discretion to be appropriate for inclusion as Tier 1 Capital or Upper Tier 2 Capital on a Level 1 basis,

but excluding:

- (i) interest or dividends payable in relation to the CPS2 on the applicable Dividend Payment Date; and
- (ii) any such interest, dividend, distribution or other amount to which a member of the ANZ Level 1 Group was or is beneficially entitled.

Dividend has the meaning given in clause 3.1.

Dividend Payment Date has the meaning given in clause 3.5 whether or not a Dividend is, or is able to be, paid on that date.

Dividend Period means in respect of:

- (a) the first Dividend Period, the period from (and including) the Issue Date until (but not including) the first Dividend Payment Date following the Issue Date; and
- (b) each subsequent Dividend Period, the period from (and including) the preceding Dividend Payment Date until (but not including) the next Dividend Payment Date.

Dividend Rate has the meaning given in clause 3.1.

Encumbrance means any mortgage, pledge, charge, lien, assignment by way of security, hypothecation, security interest, title retention, preferential right or trust arrangement, any other security agreement or security arrangement and any other arrangement of any kind having the same effect as any of the foregoing other than liens arising by operation of law.

Equal Ranking Instruments means, in respect of the payment of dividends or the return of capital in a winding up:

- (a) the preference shares comprised in the 2003 Trust Securities;
- (b) the preference shares comprised in the 2004 Trust Securities;
- (c) the preference shares comprised in the 2007 Stapled Securities;
- (d) the convertible preference shares issued by ANZ in 2008 under a prospectus dated 4 September 2008 (which replaced a prospectus dated 27 August 2008);
- (e) each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing and the CPS2 in respect of dividend or for the return of capital in a winding up of ANZ (as the case may be); and
- (f) any securities or other instruments that rank or are expressed to rank in respect of dividend or for the return of capital in a winding up (as the case may be) equally with those preference shares and the CPS2.

Exchange means:

(a) in respect of an Exchange under clause 6, Conversion in accordance with and subject to clause 7 or Redemption in accordance with and subject to clause 8; or

(b) otherwise, Conversion in accordance with and subject to clause 7, Redemption in accordance with and subject to clause 8 or Resale in accordance with and subject to clause 9.

and **Exchanged** has a corresponding meaning.

Exchange Date has the meaning given in clause 5.2(b).

Exchange Method has the meaning given in clause 5.3.

Exchange Notice has the meaning given in clause 5.1.

External Administrator means, in respect of a person:

(a) a liquidator, a provisional liquidator, an administrator or a statutory manager of that person; or

(b) a receiver, or a receiver and manager, in respect of all or substantially all of the assets and undertaking of that person, or in either case any similar official.

First Mandatory Conversion Condition has the meaning given in clause 4.3.

First Optional Conversion Restriction has the meaning given in clause 5.4.

First Test Date has the meaning given in clause 4.3.

Fitch means Fitch Australia Pty Ltd (ACN 081 339 184) or any successor.

Foreign CPS2 Holder means a CPS2 Holder whose address in the Register is a place outside Australia or who ANZ otherwise believes may not be a resident of Australia.

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that Part) applicable to the franking account of ANZ as at the relevant Dividend Payment Date.

Initial Mandatory Conversion Date has the meaning given in clause 4.2.

Issue Date means the date on which CPS2 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 CPS2 were issued, as adjusted in accordance with clauses 7.5 to 7.9 (inclusive).

Issue Price has the meaning given in clause 1.2.

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

Liquidation Sum has the meaning given in clause 10.2(c).

Mandatory Conversion means the mandatory conversion under clause 4 of CPS2 to Ordinary Shares on the Mandatory Conversion Date.

Mandatory Conversion Conditions 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 means a number calculated according to the following formula:

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

Moody's means Moody's Investors Service Pty Limited (ACN 003 399 657) or any successor.

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 1959 (Cth).

NOHC Event means an event which:

(a) is initiated by the Directors, acting as a board; and

(b) would otherwise be an Acquisition Event,

but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC.

Nominated Purchaser means, subject to clause 9.3, with respect to a Resale, one or more third parties selected by ANZ in its absolute discretion.

Non-Conversion Notice has the meaning given in clause 4.4.

Non-Conversion Test Date has the meaning given in clause 5.4.

Non-Innovative Residual Tier 1 Capital has the meaning given by APRA from time to time.

Non-marketable Parcel has the meaning given in the Constitution.

Offer means the invitation under the Prospectus made by ANZ for persons to subscribe for CPS2.

Optional Conversion Restrictions has the meaning given in clause 5.4.

Optional Dividend has the meaning given in clause 3.8.

Ordinary Share means a fully paid ordinary share in the capital of ANZ.

Ordinary Shareholder means a person whose name is registered as the holder of an Ordinary Share.

Prospectus means the prospectus for the Offer including these CPS2 Terms.

Prudential Capital Ratio means that ratio as defined by APRA from time to time.

Record Date means for payment of:

(a) a Dividend:

- (i) the date which is 11 Business Days before the Dividend Payment Date for that Dividend; or
- (ii) 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; and

(b) an Optional Dividend, the date determined by the Directors which falls prior to the date for payment of the Optional Dividend,

or in either case such other date as may be required by ASX.

Redeem means, in relation to a CPS2, redeem, buy-back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS2 in accordance with clause 8, and **Redeemed**, **Redeemable** and **Redemption** have the corresponding meanings.

Redemption Date has the meaning given in clause 4.6.

Redemption Notice has the meaning given in clause 4.5(a).

Redemption Price has the meaning given in clause 8.2.

Register means the register of CPS2 maintained by or on behalf of ANZ and including any subregister established and maintained in CHES.

Registrar means ANZ or any other registrar that maintains the Register.

Regulatory Event means:

- (a) the receipt by the Directors of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of or change (including any announcement of a prospective change) in, any law or regulation or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective, or pronouncement, action or decision is announced, on or after the Issue Date, additional requirements would be imposed on ANZ in relation to or in connection with CPS2 which the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) determine at their absolute discretion, to be unacceptable; or
- (b) the determination by the Directors (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) that ANZ is not or will not be entitled to treat all CPS2 as Non-Innovative Residual Tier 1 Capital, except where the reason ANZ is not entitled to treat all CPS2 as Non-Innovative Residual Tier 1 Capital is because ANZ has exceeded a limit on Non-Innovative Residual Tier 1 Capital which was in effect on the Issue Date.

Relevant Date has the meaning in clause 4.2.

Resale means, in relation to a CPS2, the sale of that CPS2 in accordance with clause 9 and **Resell** and **Resold** have corresponding meanings.

Resale Notice has the meaning in clause 4.7.

Second Mandatory Conversion Condition has the meaning given in clause 4.3.

Second Optional Conversion Restriction has the meaning given in clause 5.4.

Second Test Period has the meaning given in clause 4.3.

Special Resolution means a resolution passed at a meeting of CPS2 Holders by a majority of at least 75% of the votes validly cast by CPS2 Holders in person or by proxy and entitled to vote on the resolution.

Standard & Poor's means Standard & Poor's (Australia) Pty Limited (ACN 007 324 852) or any successor.

Subsequent Mandatory Conversion Date has the meaning given in clause 4.2.

Subsidiary has the meaning given in the Corporations Act.

Tax Act means:

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

Tax Event means the receipt by the Directors of an opinion from a reputable legal counsel or other tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date, there is more than an insubstantial risk which the Directors determine (having received all approvals they consider in their absolute discretion to be necessary (including from APRA)) at their absolute discretion to be unacceptable that:

- (i) ANZ would be exposed to more than a *de minimis* increase in its costs (including without limitation through the imposition of any taxes, duties, assessments or other charges) in relation to CPS2;
- (ii) any Dividend would not be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act or Australian tax resident CPS2 Holders generally would not be entitled to franking credits in respect of the Dividends; or
- (iii) the CPS2 would cease to be disregarded in accordance with section 703-37 of the Tax Act.

Tax Rate has the meaning given in clause 3.1.

Third Mandatory Conversion Condition has the meaning given in clause 4.3.

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

Tier 1 Capital Ratio means that ratio as defined by APRA from time to time.

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

VWAP means, subject to any adjustments under clause 7, the average of the daily volume weighted average sale prices (such average being rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Market Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

VWAP Period means:

- (a) in the case of a Conversion resulting from an Acquisition Event or a Change of Control Event the lesser of 20 Business Days and the number of Business Days that the Ordinary Shares are quoted for trading on ASX (or the principal securities exchange on which the Ordinary Shares are then listed) after the occurrence of the Acquisition Event or the Change of Control Event (as the case may be);
- (b) 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 CPS2 Terms; or
- (c) otherwise, the period for which VWAP is to be calculated in accordance with these CPS2 Terms.

APPENDIX B

GLOSSARY

THIS APPENDIX B IS A GLOSSARY OF TERMS USED THROUGHOUT THIS PROSPECTUS AND THE APPLICATION FORMS. THERE IS ALSO A LIST OF DEFINED TERMS IN CLAUSE 19.2 OF THE CPS2 TERMS.

| Term | Meaning |
|-------------------------------------|--|
| 2003 Trust Securities | has the meaning given in clause 19.2 of the CPS2 Terms |
| 2004 Trust Securities | has the meaning given in clause 19.2 of the CPS2 Terms |
| 2007 Stapled Securities | has the meaning given in clause 19.2 of the CPS2 Terms |
| 2008 CPS | the convertible preference shares issued by ANZ in 2008 under a prospectus dated 4 September 2008 (which replaced a prospectus dated 27 August 2008) |
| ABN | Australian Business Number |
| Acquisition Event | broadly, occurs when certain takeover bids or schemes of arrangement occur in relation to ANZ For the full definition – see clause 19.2 of the CPS2 Terms |
| ADI | authorised deposit-taking institution, as defined in the Banking Act |
| AEDT | Australian Eastern Daylight Time |
| AFSL | Australian Financial Services Licence |
| Allocation | the number of CPS2 allocated under this Prospectus to: <ul style="list-style-type: none"> ■ ANZ Securityholder Applicants and General Applicants at the end of the Offer Period; and ■ Syndicate Brokers and Institutional Investors under the Bookbuild |
| ANZ or Group | Australia and New Zealand Banking Group Limited (ABN 11 005 357 522, AFSL 234527), ANZ and its banking business entities (on a Level 2 basis), or ANZ and its controlled entities, as the case may be |
| ANZ Securities | ANZ Securities Limited (ABN 16 004 997 111, AFSL 237531) |
| ANZ Securityholder | a holder of an Ordinary Share or 2008 CPS on the Register at 7:00pm AEDT on 30 October 2009 |
| ANZ Securityholder Applicant | an ANZ Securityholder shown on the Register as having an address in Australia who applies under the ANZ Securityholder Offer |
| ANZ Securityholder Application Form | the blue personalised paper application form made available to ANZ Securityholder Applicants upon request |
| ANZ Securityholder Offer | the invitation to ANZ Securityholders to apply for CPS2 under this Prospectus |
| Applicant | a person who submits an Application |
| Application | a valid application for a specified number of CPS2 made pursuant to either: <ul style="list-style-type: none"> ■ the applicable Application Form; or ■ in respect of the Institutional Offer, a duly completed confirmation letter |
| Application Form | each of the application forms attached to, or accompanying, this Prospectus upon which an Application may be made, being: <ul style="list-style-type: none"> ■ the blue paper personalised ANZ Securityholder Application Form; ■ the electronic Application Form provided for online Applications under the ANZ Securityholder Offer and General Offer; and ■ the white paper Application Form in the back of this Prospectus to be used by Broker Firm Applicants and General Applicants |
| Application Payment | the monies payable on each Application, calculated as the number of CPS2 applied for multiplied by the Issue Price |
| Approved NOHC | has the meaning given in clause 19.2 of the CPS2 Terms |
| Approved NOHC Event | has the meaning given in clause 19.2 of the CPS2 Terms |
| APRA | Australian Prudential Regulation Authority (ABN 79 635 582 658) or any successor body responsible for prudential regulation of ANZ or any NOHC |

| Term | Meaning |
|--|---|
| ASIC | Australian Securities and Investments Commission |
| ASTC | ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532) |
| ASTC Settlement Rules | the settlement rules of the ASTC from time to time |
| ASX | ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires |
| Australian Accounting Standards | the accounting standards as developed and issued by the Australian Accounting Standards Board |
| Bank Bill Rate | (expressed as a percentage per annum), for a Dividend Period, the average mid-rate for bills of a term of 90 days which average mid-rate is displayed on Reuters page BBSW (or any page that replaces that page) on the first Business Day of the Dividend Period, subject to fallbacks if there is a manifest error in the calculation of the rate or if the rate is not displayed For the full definition – see clause 3.1 of the CPS2 Terms |
| Banking Act | Banking Act 1959 (Cth) |
| Basel II | the revised framework issued in 2004 by the Bank of International Settlements' Basel Committee on Banking Supervision for the calculation of capital adequacy for banks |
| Board, Directors or Board of Directors | some or all of the directors of ANZ, acting as a board |
| Bookbuild | the process described in Section 2.5.2 to determine the Margin |
| Broker Firm Applicant | a retail client of a Syndicate Broker who applies for a broker firm allocation from a Syndicate Broker under the Broker Firm Offer |
| Broker Firm Offer | the invitation made to clients of Syndicate Brokers to apply for an allocation of CPS2 from Syndicate Brokers under this Prospectus |
| Business Day | a business day as defined in the Listing Rules |
| CGT | capital gains tax |
| Change of Control Event | broadly, occurs when an Acquisition Event occurs and certain further conditions are satisfied For the full definition – see clause 19.2 of the CPS2 Terms |
| Change of Control Exchange Date | the date on which Exchange as a result of a Change of Control Event is to occur, as discussed in Section 1.6 For the full definition – see clause 6.3 of the CPS2 Terms |
| Change of Control Exchange Notice | has the meaning given in clause 19.2 of the CPS2 Terms |
| CHESS | Clearing House Electronic Subregister System operated by ASTC |
| Closing Date | the last day on which Applications will be accepted, which is expected to be: ■ 5:00pm AEDT on 10 December 2009 for the ANZ Securityholder Offer and the General Offer; or ■ 10:00am AEDT on 16 December 2009 for the Broker Firm Offer |
| CommSec | Commonwealth Securities Limited (ABN 60 067 254 399, AFSL 238814) |
| Consenting Party | each of the consenting parties named in Section 6.7 |
| Constitution | the constitution of ANZ, as amended from time to time |
| Conversion | in relation to a CPS2, the conversion of that CPS2 into a variable number of Ordinary Shares, or ordinary shares of an Approved NOHC following an Approved NOHC Event, under the CPS2 Terms Convert and Converted have corresponding meanings For the full definition of the Conversion mechanics – see clause 7 of the CPS2 Terms |

| Term | Meaning |
|--------------------------------------|--|
| Corporations Act | Corporations Act 2001 (Cth) |
| CPS2 | Convertible preference shares, being fully paid preference shares issued by ANZ which will Mandatorily Convert into Ordinary Shares (subject to certain conditions being satisfied), and which are to be issued under this Prospectus |
| CPS2 Holder | a person registered in the Register as a holder of CPS2 |
| 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; or ■ trading of Ordinary Shares has been suspended for at least five consecutive Business Days before that date, and the suspension is continuing on that date For the full definition – see clause 19.2 of the CPS2 Terms |
| Deutsche Bank | Deutsche Bank AG, Sydney Branch (ABN 13 064 165 162, AFSL 238153) |
| Distributable Profits | has the meaning given in clause 19.2 of the CPS2 Terms |
| Distribution Restriction | the restriction discussed in Section 1.2.8 For more information – see clauses 3.8 and 3.9 of the CPS2 Terms |
| Dividend | a dividend on CPS2 For the full definition – see clause 3.1 of the CPS2 Terms |
| Dividend Payment Date | in respect of a CPS2, 15 March 2010, and after that each 15 June, 15 September, 15 December and 15 March until the date that CPS2 is Redeemed or Converted For the full definition – see clause 3.5 of the CPS2 Terms |
| Dividend Period | a period from (and including) either the Issue Date or a subsequent Dividend Payment Date until (but not including) the following Dividend Payment Date |
| Dividend Rate | the dividend rate on CPS2 calculated using the formula described in Section 1.2.2 For the full definition – see clause 3.1 of the CPS2 Terms |
| E*TRADE Australia | ETRADE Australia Securities Limited (ABN 93 078 174 973, AFSL 238277) |
| Exchange | any of the following: <ul style="list-style-type: none"> ■ in respect of an Exchange following the occurrence of a Change of Control Event: <ul style="list-style-type: none"> ■ Conversion in accordance with and subject to clause 7 of the CPS2 Terms; or ■ Redemption in accordance with and subject to clause 8 of the CPS2 Terms; or ■ otherwise: <ul style="list-style-type: none"> ■ Conversion in accordance with and subject to clause 7 of the CPS2 Terms; or ■ Redemption in accordance with and subject to clause 8 of the CPS2 Terms; or ■ Resale in accordance with and subject to clause 9 of the CPS2 Terms Exchanged has a corresponding meaning For the full definition – see clause 19.2 of the CPS2 Terms |
| Exchange Date | the date on which Exchange is to occur For the full definition – see clause 5.2 of the CPS2 Terms |
| Exchange Method | the means by which Exchange is effected For the full definition – see clause 5.3 of the CPS2 Terms |
| Exchange Notice | a notice issued by ANZ to a CPS2 Holder under clause 5.1 of the CPS2 Terms |
| Expiry Date | the date which is 13 months after the date of this Prospectus |
| Exposure Period | the seven day period after the date this Prospectus was lodged with ASIC during which the Corporations Act prohibits the processing of Applications, which period may be extended by ASIC for a further seven days |
| Financial Claims Scheme | the scheme established under Division 2AA of Part II of the Banking Act |
| First Mandatory Conversion Condition | has the meaning given in clause 19.2 of the CPS2 Terms |

| Term | Meaning |
|---------------------------------------|---|
| First Optional Conversion Restriction | has the meaning given in clause 19.2 of the CPS2 Terms |
| Fundamental Tier 1 Capital | fundamental tier 1 capital of ADIs (including ANZ) as described by APRA from time to time |
| General Applicant | a member of the general public who is an Australian resident and who applies under the General Offer |
| General Offer | the invitation to the general public to apply for CPS2 under this Prospectus |
| Goldman Sachs JBWere | Goldman Sachs JBWere Pty Limited (ABN 21 006 797 897, AFSL 243346) |
| GST | goods and services tax |
| HIN | Holder Identification Number for Ordinary Shares or CPS2 (when issued) held on the CHES subregister |
| Holding Statement | a statement issued to CPS2 Holders by the Registry which sets out details of CPS2 allotted to them under the Offer |
| Innovative Tier 1 Capital | innovative tier 1 capital of ADIs (including ANZ) as described by APRA from time to time |
| Institutional Investor | an investor (whether an Australian resident or not) to whom CPS2 are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality which ANZ is willing to comply with) including, in Australia, persons to whom offers of securities can be made without the need for a lodged prospectus, who have been invited by the Joint Lead Managers to bid for CPS2 in the Bookbuild and who are not ANZ Securityholder Applicants, General Applicants or Broker Firm Applicants |
| Institutional Offer | the invitation by the Joint Lead Managers to certain Institutional Investors to bid for CPS2 in the Bookbuild |
| Issue Credit Rating | a current opinion by Standard & Poor's of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program |
| Issue Date | the date CPS2 are issued to CPS2 Holders under this Prospectus, expected to be 17 December 2009 |
| Issue Date VWAP | the VWAP during the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, subject to certain adjustments For the full definition – see clause 19.2 of the CPS2 Terms |
| Issue Price | the issue price for CPS2, being \$100 per CPS2 |
| Joint Lead Managers | ANZ Securities, CommSec, Deutsche Bank, Goldman Sachs JBWere, Macquarie, Morgan Stanley, UBS and Westpac |
| Level 1, Level 2 and Level 3 | those terms as described by APRA from time to time |
| Liquidation Sum | in respect of each CPS2 held, the sum of: <ul style="list-style-type: none"> ■ the amount of any Dividend (including any Optional Dividend) determined to be paid but unpaid; and ■ the Issue Price For the full definition – see clause 10.2 of the CPS2 Terms |
| Listing Rules | the listing rules of ASX, with any modification or waivers which ASX may grant to ANZ or generally from time to time |
| Macquarie | Macquarie Capital Advisers Limited (ABN 79 123 199 548, AFSL 314416) |
| Mandatory Conversion | has the meaning given in clause 19.2 of the CPS2 Terms Mandatorily Convert has a corresponding meaning |

| Term | Meaning |
|--|---|
| Mandatory Conversion Conditions | <p>the following conditions:</p> <ul style="list-style-type: none"> ■ First Mandatory Conversion Condition: the VWAP on the 25th Business Day (or, if there is no trading in Ordinary Shares on that date, the Business Day before that 25th Business Day on which trading in Ordinary Shares took place) immediately preceding (but not including) the possible Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP; ■ 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 possible Mandatory Conversion Date (Second Test Period) is greater than 50.51% of the Issue Date VWAP; and ■ Third Mandatory Conversion Condition: no Delisting Event applies in respect of the possible Mandatory Conversion Date <p>For the full definition – see clause 4.3 of the CPS2 Terms</p> |
| Mandatory Conversion Date | <p>the earlier of 15 December 2016 and the next Dividend Payment Date after that date on which the Mandatory Conversion Conditions are satisfied</p> <p>For the full definition – see clause 4.2 of the CPS2 Terms</p> |
| Margin | the margin to be determined under the Bookbuild |
| Maximum Conversion Number | has the meaning given in clause 19.2 of the CPS2 Terms |
| Moody's | Moody's Investors Service Pty Limited (ABN 61 003 399 657) |
| Morgan Stanley | Morgan Stanley Australia Securities Limited (ABN 55 078 652 276, AFSL 233741) |
| NOHC | the ultimate holding company of ANZ after any NOHC Event which must be a "non-operating holding company" within the meaning of the Banking Act |
| NOHC Event | <p>an event which:</p> <ul style="list-style-type: none"> ■ is initiated by the Directors, acting as a Board; and ■ would otherwise be a Change of Control Event, <p>but the result of which would be that the person who would be the ultimate holding company of ANZ would be a NOHC</p> |
| Nominated Purchaser | <p>with respect to a Resale, one or more third parties selected by ANZ in its absolute discretion, subject to certain conditions</p> <p>For the full definition – see clause 19.2 of the CPS2 Terms</p> |
| Non-Conversion Test Date | has the meaning given in clause 19.2 of the CPS2 Terms |
| Non-innovative Residual Tier 1 Capital | non-innovative residual tier 1 capital of ADIs (including ANZ) as described by APRA from time to time |
| Non Resident CPS2 Holder | a CPS2 Holder who is not a tax resident of Australia |
| Offer | the offer by ANZ of CPS2 under this Prospectus to raise \$750 million with the ability to raise more or less |
| Offer Management Agreement or OMA | the offer management agreement entered into between ANZ and the Joint Lead Managers as summarised in Section 6.6 |
| Offer Period | the period from the Opening Date to the Closing Date |
| Opening Date | the day the Offer opens, which is expected to be 18 November 2009 |
| Optional Conversion Restriction | has the meaning given in clause 19.2 of the CPS2 Terms |
| Optional Dividend | <p>an optional dividend on CPS2</p> <p>For the full definition – see clause 3.8 of the CPS2 Terms</p> |
| Ordinary Share | a fully paid ordinary share in the capital of ANZ |
| Participating Broker | any participating organisation of ASX selected by the Joint Lead Managers to participate in the Bookbuild |

| Term | Meaning |
|---------------------------------------|---|
| Payment Tests | <p>the tests which need to be satisfied so that ANZ can pay a Dividend or Optional Dividend, summarised as follows:</p> <ul style="list-style-type: none"> ■ the Directors, at their absolute discretion, determining the Dividend or Optional Dividend to be payable; ■ unless APRA otherwise approves in writing: <ul style="list-style-type: none"> ■ payment of the Dividend or Optional Dividend not resulting in the Prudential Capital Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the Group (on a Level 2 basis or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or the Group (as the case may be) at the time; ■ the amount of the Dividend or Optional Dividend not exceeding Distributable Profits; ■ payment of the Dividend or Optional Dividend not resulting in ANZ becoming, or being likely to become, insolvent; and ■ APRA not otherwise objecting to the payment of the Dividend or Optional Dividend <p>For the full description of the tests – see clause 3.3 of the CPS2 Terms</p> |
| Privacy Act | Privacy Act 1988 (Cth) |
| Prospectus | this document (including the electronic form of this Prospectus), and any supplementary or replacement prospectus in relation to this document |
| Prudential Capital Ratio | that ratio as defined by APRA from time to time |
| Prudential Standards | the ADI prudential standards issued by APRA, which define and document APRA's framework for assessing, among other things, the capital adequacy of an ADI |
| RBA | Reserve Bank of Australia |
| RBNZ | Reserve Bank of New Zealand |
| RBNZ Act | Reserve Bank of New Zealand Act 1989 (NZ) |
| Redeem | in relation to a CPS2, to redeem, buy back (other than by an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS2 in accordance with clause 8 of the CPS2 Terms Redeemed and Redemption have corresponding meanings |
| Register | the official register of Ordinary Shares, 2008 CPS and/or CPS2 (if issued) as the context requires, each being maintained by the Registry on ANZ's behalf and including any subregister established and maintained in CHESS |
| Redemption Price | has the meaning given in clause 19.2 of the CPS2 Terms |
| Registry | Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other registry that ANZ appoints to maintain the Register |
| Regulatory Event | <p>broadly, occurs when ANZ receives legal advice that, as a result of a change of law or regulation on or after the Issue Date, additional requirements would be imposed on ANZ in relation to CPS2 which the Directors determine to be unacceptable, or the Directors determine that ANZ will not be entitled to treat all CPS2 as Non-innovative Residual Tier 1 Capital</p> <p>For the full definition – see clause 19.2 of the CPS2 Terms</p> |
| Resale | in relation to a CPS2, the resale of that CPS2 in accordance with clause 9 of the CPS2 Terms Resell and Resold have corresponding meanings |
| Resident CPS2 Holder | an Australian tax resident CPS2 Holder |
| Residual Tier 1 Capital | residual tier 1 capital of ADIs (including ANZ) as described by APRA from time to time |
| Second Mandatory Conversion Condition | has the meaning given in clause 19.2 of the CPS2 Terms |

| Term | Meaning |
|--|--|
| Second Optional Conversion Restriction | has the meaning given in clause 19.2 of the CPS2 Terms |
| Shareholder | a holder of Ordinary Shares from time to time |
| Special Resolution | a resolution passed at a meeting of CPS2 Holders by a majority of at least 75% of the votes validly cast by CPS2 Holders in person or by proxy and entitled to vote on the resolution |
| SRN | Securityholder Reference Number for Ordinary Shares or CPS2 (when issued) held on the issuer sponsored subregister |
| Standard & Poor's | Standard & Poor's (Australia) Pty Ltd (ABN 62 007 324 852) |
| Syndicate Broker | any of the Joint Lead Managers or Participating Brokers |
| Tax Act | has the meaning given in clause 19.2 of the CPS2 Terms |
| Tax Event | broadly, occurs when ANZ receives professional advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Issue Date, there is a more than insubstantial risk that ANZ would be exposed to more than an insignificant increase in its costs in relation to CPS2 being on issue, any Dividend would not be a frankable dividend or distribution for tax purposes or franking credits may not be available to Australian tax resident CPS2 Holders generally, or the CPS2 would cease to be disregarded for certain purposes in relation to a NOHC For the full definition – see clause 19.2 of the CPS2 Terms |
| Tax Rate | the Australian corporate tax rate applicable to the franking account of ANZ as at the relevant Dividend Payment Date As at the date of this Prospectus, the relevant rate is 30% |
| CPS2 Terms | the full terms of issue of CPS2, as set out in Appendix A |
| TFN | Tax File Number |
| Third Mandatory Conversion Condition | has the meaning given in clause 19.2 of the CPS2 Terms |
| Tier 1 Capital | tier 1 capital of ADIs (including ANZ) as described by APRA from time to time |
| Tier 1 Capital Deductions | the deductions from Tier 1 Capital as described by APRA from time to time |
| Tier 1 Capital Ratio | that ratio as defined by APRA from time to time |
| Tier 2 Capital | tier 2 capital of ADIs (including ANZ) as described by APRA from time to time |
| UBS | UBS AG, Australia Branch (ABN 47 088 129 613, AFSL 231087) |
| Upper Tier 2 Capital | upper tier 2 capital of ADIs (including ANZ) as described by APRA from time to time |
| US Person | has the meaning given in Regulation S of the US Securities Act |
| US Securities Act | United States Securities Act of 1933, as amended |
| VWAP | the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period or on the relevant days (such average rounded to the nearest full cent), as defined in clause 19.2 of the CPS2 Terms and subject to any adjustments under clause 7 of the CPS2 Terms |
| Westpac | Westpac Banking Corporation (ABN 33 007 457 141, AFSL 233714) |

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