

NZDX Announcement

For release: 17 April 2020

Update on ANB Capital Notes (ANBHB)

On 2 April 2020, ANZ Bank New Zealand Limited (**ANB**) advised that the Reserve Bank of New Zealand had informed locally incorporated banks that they should not redeem capital notes at this time and accordingly ANB would not be permitted to redeem its NZ\$500 million of mandatory convertible perpetual subordinated securities (**Capital Notes**) under ticker code ANBHB on 25 May 2020 (the **Optional Exchange Date**).

ANB today further advises that it will not be exercising its option to convert the Capital Notes into ordinary shares of Australia and New Zealand Banking Group Limited (**ANZBGL**) on the Optional Exchange Date.

The Capital Notes are scheduled to convert into ordinary shares of ANZBGL on the Mandatory Conversion date (25 May 2022, subject to conditions).

The interest rate on the Capital Notes will now reset on 25 May 2020 - and each quarterly interest payment date after that - to the 3 month bank bill rate plus 3.5%. Interest is scheduled to be paid quarterly in arrears, is subject to ANB's discretion and other conditions as set out in the investment statement, and is non-cumulative.

Information on the Capital Notes is available in the investment statement:

<https://www.anz.co.nz/content/dam/anzconz/documents/about-us/wcmmigration/ANZ-Capital-notes-investment-statement.pdf?MOD=AJPERES>

ANB will send the attached advice to Capital Notes holders.

Paul Daley
Treasurer
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[Date]

< Client >
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Dear < >

CSN/Holder No. <<123456789>>

Update on ANZ Capital Notes

We are writing to update you on your mandatory convertible perpetual subordinated notes (**Capital Notes**) issued by ANZ Bank New Zealand Limited (**ANZ**).

ANZ has been informed by the Reserve Bank of New Zealand (**RBNZ**) that locally incorporated banks cannot pay dividends on ordinary shares and should not redeem capital notes during the COVID-19 crisis. This decision by the RBNZ was taken to further support the stability of the New Zealand financial system during this period of economic uncertainty.

ANZ's capital position remains strong, with total capital of \$13.4 billion or 13.6% of risk weighted assets at 31 December 2019¹.

This decision meant that on 2 April 2020 ANZ announced on the NZX that the Capital Notes would not be redeemed on the Optional Exchange Date (25 May 2020). In addition, on 17 April 2020 ANZ announced on the NZX that it was not going to exercise its option to convert the Capital Notes into Australia and New Zealand Banking Group Limited (**ANZBGL**) shares on the Optional Exchange Date.

The RBNZ's decision does not affect ANZ's ability to pay interest on the Capital Notes. Interest is scheduled to be paid quarterly in arrears, is subject to ANZ's discretion and other conditions as set out in the investment statement, and is non-cumulative.

The interest rate on the Capital Notes will continue to be 7.20% per annum up until the next interest payment date on 25 May 2020. The interest rate on the Capital Notes will then reset on 25 May 2020 and each quarterly interest payment date thereafter to the sum of the three month bank bill rate plus a margin of 3.50% per annum. We will advise the interest rate for each quarter through a NZX announcement.

The three month bank bill rate is a wholesale benchmark interest rate, which is determined by market conditions each business day. As a guide, the three month bank bill rate on 14 April 2020 was 0.44%, meaning the interest rate on the Capital Notes would have been 3.94% if the interest rate had been set on 14 April 2020.

As a reminder, the terms of the Capital Notes provide for their mandatory conversion into ordinary shares of ANZBGL on 25 May 2022 (subject to conditions as set out in investment statement). ANZBGL's shares are listed on the NZX and ASX. Further information on the mandatory conversion will be made available by ANZ to holders of the Capital Notes prior to 25 May 2022.

The Capital Notes are listed and traded on the NZX Debt Market (**NZDX**). You can apply to sell your Capital Notes on the NZDX via a financial adviser that is a NZX Primary Market Participant, subject to the demand that is available in the market at the time. However, please note that you may not be able to sell your Capital Notes for their full face value plus any expected interest. You will also likely have to pay brokerage on any sale of the Capital Notes through a Primary Market Participant.

If you do not already have an account with a Primary Market Participant, please note that opening an account can take a number of days depending on the Primary Market Participant's new client procedures. Sales or transfers of the Capital Notes are subject to the terms of the Capital Notes and applicable laws and regulations.

You should seek qualified, independent financial and taxation advice in relation to your circumstances before deciding to hold or sell the Capital Notes.

Information on the Capital Notes (including details on how to transfer or sell your Capital Notes) is available in the investment statement:

- <https://www.anz.co.nz/content/dam/anzconz/documents/about-us/wcmmigration/ANZ-Capital-notes-investment-statement.pdf?MOD=AJPERES>

Yours faithfully

Paul Daley
Treasurer

1. As published on the RBNZ Financial Strength Dashboard for 31 December 2019