*Rule 2.7, 3.10.3, 3.10.4, 3.10.5*

# Appendix 3B

## New issue announcement, application for quotation of additional securities and agreement

*Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.*

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Australia and New Zealand Banking Group Limited (**ANZ**)

ABN

11 005 357 522

We (the entity) give ASX the following information.

## Part 1 - All issues

*You must complete the relevant sections (attach sheets if there is not enough space).*

| | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | U.S.$1,000,000,000 Perpetual Subordinated Contingent Convertible Securities ("**Notes**") |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | US$1,000,000,000 of Notes |

+ See chapter 19 for defined terms.

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| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Refer to the extracts of the Offering Memorandum dated 7 June 2016 attached to this Appendix 3B ("**Offering Memorandum Extracts**") (in particular the sections entitled "Overview of Terms" and "Description of the Notes").<br><br>Capitalised terms in this Appendix 3B have the meaning set out in the Offering Memorandum Extracts.<br><br>The Notes are fully-paid, direct, unsecured and subordinated obligations issued by ANZ acting through its London Branch.<br><br>The Issuer may, at its option, redeem the Notes, in whole but not in part, on the First Reset Date or any Reset Date thereafter. The Issuer may also, at its option, redeem the Notes, in whole but not in part, where a Tax Event occurs or where a Regulatory Event occurs. Redemption in these circumstances is subject to APRA's prior written approval and certain conditions as described in the section entitled "Description of the Notes" of the Offering Memorandum Extracts.<br><br>The Issuer will be required to Convert a number of Notes into Ordinary Shares (subject to the Maximum Conversion Number) following the occurrence of a Trigger Event (which comprises a Common Equity Capital Trigger Event or a Non-Viability Trigger Event). If Notes required to be Converted are not Converted within 5 Trading Days after the Trigger Event Conversion Date for any reason (including an Inability Event) they will not be Converted and instead will be Written Off, which means all rights in relation to those Notes (including to payment of interest and principal) will be terminated.<br><br>Holders of Notes have no voting or other rights in relation to Ordinary Shares until Ordinary Shares are issued to them. |

+ See chapter 19 for defined terms.

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| 4 | Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?<br><br>If the additional +securities do not rank equally, please state:<br>• the date from which they do<br>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment<br>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | Unless Converted or Written Off, the Notes rank for payment of the prevailing principal amount of the Notes in a Winding Up, ahead of Ordinary Shares, equally among themselves, equally with Equal Ranking Instruments (including CPS2, CPS3, ANZ Capital Notes 1, ANZ Capital Notes 2 and ANZ Capital Notes 3, each as further described in section 8 below) and behind all Senior Creditors of ANZ, including depositors.<br><br>Holders' rights in relation to the Notes may be terminated where Conversion does not occur as required following a Trigger Event.<br><br>For more information in relation to the ranking of the Notes refer to the section titled "Description of the Notes - Status and Subordination of the Notes and how the Notes rank against other liabilities" of the Offering Memorandum Extracts. |
| 5 | Issue price or consideration | U.S.$200,000 per Note and integral multiples of US$1,000 in excess thereof |
| 6 | Purpose of the issue<br>(If issued as consideration for the acquisition of assets, clearly identify those assets) | The Issuer will use the proceeds of the offer for general corporate purposes outside Australia. |
| 6a | Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?<br><br>If Yes, complete sections 6b – 6h *in relation to the +securities the subject of this Appendix 3B*, and comply with section 6i | Not applicable |
| 6b | The date the security holder resolution under rule 7.1A was passed | Not applicable |
| 6c | Number of +securities issued without security holder approval under rule 7.1 | Not applicable |

+ See chapter 19 for defined terms.

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| 6d | Number of +securities issued with security holder approval under rule 7.1A | Not applicable |
| 6e | Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting) | Not applicable |
| 6f | Number of +securities issued under an exception in rule 7.2 | Not applicable |
| 6g | If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation. | Not applicable |
| 6h | If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements | Not applicable |
| 6i | Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements | Not applicable |
| 7 | +Issue dates<br><br>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.<br><br>Cross reference: item 33 of Appendix 3B. | 15 June 2016 |

+ See chapter 19 for defined terms.

| | | Number | +Class |
|---|---|---|---|
| 8 | Number and +class of all +securities quoted on ASX (*including* the +securities in section 2 if applicable) | 2,917,560,098 | Fully paid ordinary shares |
| | | 19,687,224 | Fully paid Convertible Preference Shares issued in 2009 (CPS2) |
| | | 13,400,000 | Fully paid Convertible Preference Shares issued in 2011 (CPS3) |
| | | 15,086,520 | ANZ Subordinated Notes |
| | | 11,200,000 | ANZ Capital Notes 1 |
| | | 16,100,000 | ANZ Capital Notes 2 |
| | | 9,701,791 | ANZ Capital Notes 3 |

USD1,250,000,000 2.050 per cent Covered Bond due May 2020

CNY2,500,000,000 4.75 per cent Fixed Rate Subordinated Notes due 30 January 2025

SGD500,000,000 3.75 per cent Fixed Rate Subordinated Notes due March 2027

AUD200,000,000 4.75 per cent Fixed Rate Subordinated Notes due May 2027

US$1,000,000,000 of Notes

| | | Number | +Class |
|---|---|---|---|
| 9 | Number and +class of all +securities not quoted on ASX (*including* the +securities in section 2 if applicable) | 6,793,504 | Options on issue (there are no options approved for grant but not yet granted) |

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| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | Subject to the Payment Conditions and the Issuer's absolute discretion, interest is scheduled to be paid semi-annually in arrears on the Interest Payment Dates (each 15 June and 15 December). The first Interest Payment Date is scheduled to be 15 December 2016.<br><br>A Payment Condition means, with respect to any payment of interest on the Notes on the relevant Interest Payment Date:<br>• making such interest payment on the Notes on such Interest Payment Date would result in the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Group on a Level 3 basis) not complying with APRA's then current capital adequacy requirements;<br>• making such interest payment on the Notes on such Interest Payment Date would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or<br>• APRA objecting to the interest payment on the Notes on such Interest Payment Date.<br>All payments are subject to applicable law. |

# Part 2 - Pro rata issue

| | | |
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| 11 | Is security holder approval required? | Not applicable |
| 12 | Is the issue renounceable or non-renounceable? | Not applicable |
| 13 | Ratio in which the +securities will be offered | Not applicable |
| 14 | +Class of +securities to which the offer relates | Not applicable |

+ See chapter 19 for defined terms.

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| 15 | +Record date to determine entitlements | Not applicable |
| 16 | Will holdings on different registers (or subregisters) be aggregated for calculating entitlements? | Not applicable |
| 17 | Policy for deciding entitlements in relation to fractions | Not applicable |
| 18 | Names of countries in which the entity has security holders who will not be sent new offer documents<br>Note: Security holders must be told how their entitlements are to be dealt with.<br>Cross reference: rule 7.7. | Not applicable |
| 19 | Closing date for receipt of acceptances or renunciations | Not applicable |

+ See chapter 19 for defined terms.

| | | |
|---|---|---|
| 20 | Names of any underwriters | Not applicable |
| 21 | Amount of any underwriting fee or commission | Not applicable |
| 22 | Names of any brokers to the issue | Not applicable |
| 23 | Fee or commission payable to the broker to the issue | Not applicable |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders | Not applicable |
| 25 | If the issue is contingent on security holders' approval, the date of the meeting | Not applicable |
| 26 | Date entitlement and acceptance form and offer documents will be sent to persons entitled | Not applicable |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | Not applicable |
| 28 | Date rights trading will begin (if applicable) | Not applicable |
| 29 | Date rights trading will end (if applicable) | Not applicable |
| 30 | How do security holders sell their entitlements *in full* through a broker? | Not applicable |
| 31 | How do security holders sell *part* of their entitlements through a broker and accept for the balance? | Not applicable |

| | | |
|---|---|---|
| 32 | How do security holders dispose of their entitlements (except by sale through a broker)? | Not applicable |
| 33 | +Issue date | Not applicable |

# Part 3 - Quotation of securities

*You need only complete this section if you are applying for quotation of securities*

34 Type of +securities
(*tick one*)

(a) ☒ +Securities described in Part 1

(b) ☐ All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

## Entities that have ticked box 34(a)

### Additional securities forming a new class of securities

*Tick to indicate you are providing the information or documents*

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

## Entities that have ticked box 34(b)

| | | |
|---|---|---|
| 38 | Number of +securities for which +quotation is sought | Not applicable |
| 39 | +Class of +securities for which quotation is sought | Not applicable |
| 40 | Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?<br><br>If the additional +securities do not rank equally, please state:<br>• the date from which they do<br>• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment<br>• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | Not applicable |
| 41 | Reason for request for quotation now<br><br>Example: In the case of restricted securities, end of restriction period<br><br>(if issued upon conversion of another +security, clearly identify that other +security) | Not applicable |

| | | Number | +Class |
|---|---|---|---|
| 42 | Number and +class of all +securities quoted on ASX (*including* the +securities in clause 38) | Not applicable | |

+ See chapter 19 for defined terms.

**Quotation agreement**

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: ..... Date: 15 June 2016
Company Secretary

Print name: Simon Pordage

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+ See chapter 19 for defined terms.

## OVERVIEW OF TERMS

This overview must be read as an introduction to this Offering Memorandum and any decision to invest in the Notes should be based on a consideration of the Offering Memorandum as a whole, including the documents incorporated by reference herein.

This overview refers to certain provisions of the Notes, including the Conditions, and is qualified by the more detailed information contained elsewhere in this Offering Memorandum. Words and expressions defined in the section entitled "*Description of the Notes*" have the same meanings in this Overview of Terms.

Investing in the Notes involves significant risk. For a discussion of certain risks that should be considered in connection with an investment in the Notes, see "*Risk Factors*" beginning on page 22 of this Offering Memorandum.

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| **The Issuer** | Australia and New Zealand Banking Group Limited, acting through it London branch. |
| **The Joint Lead Managers** | ANZ Securities, Inc.<br>Citigroup Global Markets Inc.<br>Deutsche Bank Securities Inc.<br>Goldman, Sachs & Co.<br>Morgan Stanley & Co. LLC |
| **The Notes** | U.S.$1,000,000,000 aggregate principal amount of 6.750% Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities. |
| **Issue Date** | June 15, 2016 |
| **Perpetual Securities** | The Notes will be perpetual securities in respect of which there will be no stated maturity date or other fixed redemption date. Holders may not require any redemption or purchase of the Notes at any time. |
| **Issue Price** | 100.000% |
| **Interest Rate** | From and including June 15, 2016 (the "**Issue Date**") to but excluding June 15, 2026 (the "**First Reset Date**"), interest will be scheduled to be paid in arrears on the prevailing principal amount of the Notes at an initial rate equal to 6.750% per annum (the "**Initial Interest Rate**"). The First Reset Date and every fifth anniversary thereafter shall be a "**Reset Date**."<br>From and including each Reset Date to but excluding the next succeeding Reset Date, interest will be scheduled to be paid on the prevailing principal amount of the Notes at a rate per annum equal to the sum of the then prevailing Mid-Market Swap Rate on the relevant Reset Determination Date and 5.168% (rounded to three decimal places, with 0.0005 rounded upwards).<br>The "**prevailing principal amount**" of a Note means the initial principal amount of such Note in U.S. dollars, as it may from time to time be adjusted by endorsement on Schedule B to such Note or reduced due to Conversion or Write Off (each, as |

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| | defined below) in accordance with "*Description of the Notes—Conversion of the Notes*." |
| **Interest Payment Dates** | Subject to the provisions for the non-payment of interest set out below, interest, if any, will be scheduled to be paid semi-annually in arrears on June 15 and December 15 in each year, commencing on December 15, 2016 (each, whether or not such interest is, or is able to be, paid on that date in accordance with the Conditions, an **"Interest Payment Date")** until (but not including) the date on which a redemption of such Note occurs. |
| **Interest Payments Non-cumulative** | Payments of interest on the Notes will be non-cumulative.<br>If all or any part of any interest payment on the Notes is not paid on an Interest Payment Date because of either the exercise of the Issuer's discretion or the existence of a Payment Condition or because of any applicable law, ANZ will have no liability to pay the unpaid amount of interest, neither Holders nor any other person will have a claim or entitlement in respect of such non-payment and such non-payment will not constitute a breach of the Conditions or give any Holder or any other person a right to apply for a Winding Up, to place ANZ in administration or to cause a receiver, receiver and manager, liquidator or provisional liquidator to be appointed in respect of ANZ or exercise any remedies in respect of the Notes. Neither Holders nor any other person shall have any rights to receive any additional interest or compensation as a result of such non-payment. |
| **Interest Payments are discretionary and subject to conditions** | The payment of any interest on the Notes is subject to (a) the Issuer's absolute discretion and (b) no Payment Condition existing in respect of the Notes as at the relevant Interest Payment Date.<br>"**Payment Condition**" means, with respect to any payment of interest on the Notes on any Interest Payment Date:<br>(a) making such interest payment on the Notes on such Interest Payment Date would result in the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable, the ANZ Group on a Level 3 basis) not complying with APRA's then current capital adequacy requirements;<br>(b) making such interest payment on the Notes on such Interest Payment Date would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or<br>(c) APRA objecting to the interest payment on the Notes on such Interest Payment Date.<br>ANZ may also be restricted from paying interest on the Notes if ANZ's Common Equity Capital Ratio falls below the aggregate of ANZ's Prudential Capital Ratio and Combined Capital Buffers (each as defined below) or if the payment would violate |

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| | applicable law or if prohibited by instruments that ANZ has issued or may issue. For further details, please see "*Supervision and Regulation*" and "*Risk Factors—The Issuer's ability to pay interest on the Notes may be restricted by the terms of other similar securities.*" |
| **Restrictions in the Case of Non-payment of Interest** | For so long as the Notes remain outstanding, if for any reason a payment of interest on the prevailing principal amount of a Note is not paid in full on an Interest Payment Date (the "**Relevant Interest Payment Date**"), ANZ must not from (and including) the Relevant Interest Payment Date to (and including) the next following Interest Payment Date:<br>(a) resolve to pay or pay any Ordinary Share Dividend; or<br>(b) undertake any Buy Back or Capital Reduction,<br>provided that such restrictions shall not apply:<br>(i) if the relevant payment of interest on the Notes is made to each Holder within three Business Days of the Relevant Interest Payment Date;<br>(ii) if Holders approve the relevant Ordinary Share Dividend, Buy Back or Capital Reduction pursuant to a Special Resolution;<br>(iii) to a Buy Back or Capital Reduction in connection with any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any Controlled Entity; or<br>(iv) to the extent that at the time a payment of interest on the Notes has not been made on the Relevant Interest Payment Date, ANZ is legally obliged to pay on or after that date an Ordinary Share Dividend or complete on or after that date a Buy Back or Capital Reduction. |
| **Status** | The Notes will constitute the Issuer's fully paid, direct, unsecured and subordinated obligations and, unless Converted or Written Off, will rank for payment of the prevailing principal amount of the Notes in a Winding Up, (i) in priority to holders of Ordinary Shares, (ii) *pari passu* without any preference among themselves and with the holders of Equal Ranking Instruments and (iii) junior to the claims of all Senior Creditors.<br>"**Equal Ranking Instruments**" means, in respect of a return of capital in a Winding Up:<br>(a) CPS2;<br>(b) CPS3;<br>(c) each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing |

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| | and the Notes in respect of a return of capital in a Winding Up (as the case may be);<br>(d) Capital Notes 1;<br>(e) Capital Notes 2;<br>(f) Capital Notes 3; and<br>(g) any securities or other instruments that rank or are expressed to rank equally with those preference shares and the Notes in respect of a return of capital in a Winding Up (as the case may be).<br>"**Senior Creditors**" means all present and future creditors of ANZ (including but not limited to depositors), whose claims are (a) entitled to be admitted in the Winding Up and (b) not expressed to rank equally with, or subordinate to, the claims of a Holder.<br>The Notes will not be deposit liabilities or protected accounts of ANZ for the purposes of the Banking Act 1959 of Australia (the "**Banking Act**"), will not be covered deposits of ANZ pursuant to a deposit guarantee scheme for the purposes of the UK Banking Act 2009 (as amended) (the "**UK Banking Act**") and will not be insured by the U.S. Federal Deposit Insurance Corporation ("**FDIC**"), the UK Financial Services Compensation Scheme or any other government, government agency or compensation scheme of the Commonwealth of Australia, the United States, the United Kingdom or any other jurisdiction or by any party. |
| **Ranking of principal in a Winding Up** | If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution passed, for the Winding Up in Australia, the Notes will become payable at their prevailing principal amount as described below.<br>A Holder will have no further or other claim on ANZ in a Winding Up other than the claim for the prevailing principal amount. Accordingly, Notes will not entitle a Holder or any beneficial owner to claim any unpaid scheduled interest on the Notes in a Winding Up.<br>Holders will rank for payment of the prevailing principal amount of each Note in a Winding Up in Australia:<br>(a) in priority to the holders of Ordinary Shares;<br>(b) equally among themselves and with all holders of Equal Ranking Instruments with respect to priority of payment in a Winding Up; and<br>(c) junior to the claims of all Senior Creditors with respect to priority of payment in a Winding Up in that:<br>(i) all claims of Senior Creditors must be paid in full |

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| | (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of the Holders are paid; and<br>(ii) until the Senior Creditors have been paid in full, the Holders must not claim in the Winding Up in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive,<br>so that the Holder receives, for each Note it holds, an amount equal to the amount it would have received if, in the Winding Up, it had held an issued and fully paid Preference Share (as defined below). |
| **No Right of Set-off** | Neither ANZ nor any Holder or any beneficial owner of a Note has any contractual right to set off any sum at any time scheduled to be paid to a Holder, such beneficial owner or ANZ (as applicable) under or in relation to such Note against amounts owing by the Holder or such beneficial owner to ANZ or by ANZ to the Holder or such beneficial owner (as applicable). |
| **No Right to Appoint Receiver or Liquidator** | Holders and beneficial owners of the Notes shall not be entitled to place ANZ in administration or to seek the appointment of a receiver, receiver and manager, liquidator or provisional liquidator to ANZ. |
| **Optional Redemption on each Reset Date** | The Issuer will have the right to redeem the Notes, in whole but not in part, on the First Reset Date or any Reset Date thereafter at a redemption price equal to 100% of the prevailing principal amount of the Notes, together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as summarized under "*—Interest Payments Non-cumulative*" and "*—Interest Payments are discretionary and subject to conditions*" above. |
| **Regulatory Event Redemption** | If a Regulatory Event occurs, the Issuer will have the right to redeem the Notes as a whole, but not in part, at its option at any time at a redemption price equal to 100% of the prevailing principal amount of the Notes together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as summarized under "*—Interest Payments Non-cumulative"* and "*—Interest Payments are discretionary and subject to conditions*" above; provided, however, that ANZ |

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| | shall deliver to the Fiscal Agent an opinion of reputable legal counsel confirming that the conditions that must be satisfied for such redemption have been satisfied or have occurred. See "*Description of the Notes—Redemption and repurchase—Redemption of Notes for Regulatory Event*." |
| **Tax Event Redemption** | If a Tax Event occurs, the Issuer will have the right to redeem the Notes as a whole, but not in part, at its option at any time at a redemption price equal to 100% of the prevailing principal amount of the Notes together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as summarized under "*—Interest Payments are discretionary and subject to conditions*" above; provided, however, that ANZ shall deliver to the Fiscal Agent an opinion of reputable legal counsel confirming that the conditions that must be satisfied for such redemption have been satisfied or have occurred. See "*Description of the Notes—Redemption and repurchase—Redemption for taxation reasons*." |
| **Notice of Redemption** | If the Issuer exercises its option to redeem the Notes, it will give to the Holders written notice thereof not less than 30 days nor more than 60 days before the applicable redemption date. |
| **Conditions to Redemption and Repurchase** | The Issuer may not redeem and ANZ may not repurchase any Notes without the prior written approval of APRA. Holders should not expect that APRA will approve any redemption or repurchase of a Note.<br>Additionally, the Issuer will not be permitted to redeem and ANZ will not be permitted to repurchase any Notes unless:<br>(a) the Notes are replaced concurrently or beforehand with a Tier 1 Capital instrument of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity; or<br>(b) APRA is satisfied that the capital position of the ANZ Level 1 Group and the ANZ Level 2 Group is well above its minimum capital requirements after the Issuer elects to redeem or ANZ repurchases the Notes. |
| **Trigger Events** | A "**Trigger Event**" means a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.<br>A "**Common Equity Capital Trigger Event**" shall occur if ANZ determines, or APRA has notified ANZ in writing that it believes that a Common Equity Capital Ratio is equal to or less than 5.125% (such determination or notification being a "**Capital Deficiency Determination**").<br>A "**Non-Viability Trigger Event**" means the earlier of:<br>(a) the issuance of a notice in writing by APRA to ANZ that |

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| | conversion or write off of Relevant Securities (including, without limitation, the Notes) is necessary because, without it, APRA considers that ANZ would become non-viable; or<br>(b) a determination by APRA, notified to ANZ in writing, that without a public sector injection of capital, or equivalent support, ANZ would become non-viable,<br>each such determination being a "**Non-Viability Determination**." |
| **Conversion Following a Trigger Event** | In the event of a Trigger Event, except as described under "*Description of the Notes—Conversion of the Notes—Conversion following a Trigger Event*," we must Convert all or some of the Notes into Ordinary Shares. Depending on your circumstances, you may receive Ordinary Shares or the proceeds from the sale thereof. See "*Description of the Notes—Conversion of the Notes—Conversion following a Trigger Event*" and "*Description of the Notes—Conversion Mechanics*" for more information. |
| **Conversion Shares Settlement Notice** | Where a principal amount of Notes is required to be Converted pursuant to the terms described in "*Description of the Notes—Conversion of the Notes—Conversion following a Trigger Event*," a Holder of Notes or portion thereof that are subject to Conversion wishing to receive Ordinary Shares must, no later than the Trigger Event Conversion Date (or, in the case where Ordinary Shares are to be issued to the Holders' Nominee in accordance with the Conditions, within 30 days of the date on which Ordinary Shares are issued upon such Conversion), have provided to ANZ or (if then appointed) the Holders' Nominee a Conversion Shares Settlement Notice setting out:<br>(a) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares;<br>(b) the security account details of such Holder of Notes in the Clearing House Electronic Subregister System of Australia, operated by the ASX or its affiliates or successors ("**CHESS**"), or such other account to which the Ordinary Shares may be credited; and<br>(c) such other information as is reasonably requested by ANZ for the purposes of enabling it to issue the Conversion Number of Ordinary Shares to the Holder of Notes,<br>and ANZ has no duty to seek or obtain such information. |
| **Failure to Issue Conversion Number of Ordinary Shares** | If, in respect of a Conversion of Notes, ANZ fails to issue, on the Trigger Event Conversion Date, the Conversion Number of Ordinary Shares in respect of the relevant principal amount of |

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| | such Notes to, or in accordance with the instructions of, the relevant Holder of Notes on the Trigger Event Conversion Date or any Holders' Nominee thereof, the principal amount of such Notes which would otherwise be subject to Conversion shall remain in issue and outstanding until the Ordinary Shares are issued to, or in accordance with the instructions of, the Holder of such Notes or such Notes are Written Off in accordance with the terms hereof, provided, however, that the sole right of the Holders (in respect of such Notes or the relevant portion thereof that is subject to Conversion) is the right to be issued Ordinary Shares upon Conversion (or where applicable, the proceeds thereof) and the remedy of such Holder in respect of ANZ's failure to issue the Ordinary Shares is limited to seeking an order for specific performance of ANZ's obligation to issue the Ordinary Shares to the Holder (subject always to the provisions for Write Off of the Notes as described below), in accordance with the Conditions. |
| **Failure to Convert – Write Off** | Where Notes are required to be Converted on the Trigger Event Conversion Date and Conversion of the relevant principal amount of the Notes that are subject to Conversion has not been effected within five Trading Days after the relevant Trigger Event Conversion Date for any reason (including an Inability Event), (a) the principal amount of each Note which would otherwise be Converted, will not be Converted and instead will be Written Off with effect on and from the Trigger Event Conversion Date and (b) ANZ shall notify the Fiscal Agent and the Holders of the foregoing as promptly as practically possible. |
| **Mergers and Similar Transactions; Approved Acquisition Event** | ANZ shall not consolidate with or merge into another person, sell substantially all of its assets to another person or buy substantially all of the assets of another person unless certain conditions are satisfied, except in limited cases where this is required by APRA (or a statutory manager), or if determined by the directors of ANZ or APRA (or a statutory manager) to be necessary in order for ANZ to be managed in a sound and prudent manner, or to resolve any financial difficulties affecting it, in accordance with applicable Australian prudential regulation.<br>Notwithstanding the above, if an Approved Acquisition Event occurs, and certain other conditions are satisfied, the Issuer may, without the prior approval of Holders, substitute the Approved Acquirer as the issuer of the ordinary shares to be issued on Conversion and may make certain other amendments to the terms of the Notes, including to the definition of Trigger Event and to the Maximum Conversion Number, all in the manner set out in the Conditions.<br>See "*Description of the Notes—Mergers and similar* |

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| | *transactions*" *and* "*—Approved Acquisition Events.*" |
| **Denomination and Form** | The Notes will be issued in fully registered form in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.<br>Notes sold to QIBs in reliance on Rule 144A will be represented by one or more global Notes (each a "**Rule 144A Global Note**") registered in the name of a nominee of DTC. Notes sold outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S will be represented by one or more global Notes (each a "**Regulation S Global Note**" and, together with the Rule 144A Global Notes, the "**Global Notes**") registered in the name of a nominee of DTC. Definitive Notes will only be issued in limited circumstances. See "*Book Entry, Delivery and Form*." |
| **Taxation** | All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Australia, the United Kingdom or any other Relevant Jurisdiction, except as described under "*Description of the Notes—Payment of additional amounts*." For a discussion of certain tax considerations, see "*Taxation—Certain U.S. Federal Income Tax Considerations—FATCA Withholding,*" "*Taxation—Certain Australian Tax Considerations" and* "*Taxation—Certain United Kingdom Tax Considerations*." |
| **Fiscal Agent, Paying Agent, Transfer Agent, Registrar and Calculation Agent** | The Bank of New York Mellon |
| **Listing** | It is expected that the Notes will be listed as a wholesale security on the Australian Stock Exchange Limited (the "**ASX**"). The Ordinary Shares are listed on the ASX. |
| **CUSIP** | 144A: 05254HAA2<br>Regulation S: Q08328AA6 |
| **ISIN** | 144A: US05254HAA23<br>Regulation S: USQ08328AA64 |
| **Selling and Transfer Restrictions** | There are selling and transfer restrictions in relation to Australia, the United States, Canada, the United Kingdom, New Zealand, Japan, Hong Kong, Singapore, Taiwan, Korea, the People's Republic of China ("**PRC**") and such other jurisdictions. See "*Plan of Distribution"* and *"Transfer Restrictions."* |
| **Governing Law** | The Notes and the Fiscal and Paying Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except as to authorization and execution by the Issuer of these documents and except for the provisions of the Conditions described under "*Description* |

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| | *of the Notes—Status and Subordination of the Notes and how the Notes rank against other liabilities,*" "*—Conversion of the Notes," "—Approved Acquisition Events*," "*—Conversion Mechanics,"* and "*—Mergers and similar transactions*" and Section 11.7 and Section 12 of the Fiscal and Paying Agency Agreement (the "**Victorian Law Matters**"), which in each case will be governed by and shall be construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia. |
| **Risk Factors** | Prospective purchasers of the Notes should consider carefully all of the information set forth, or incorporated by reference, in this Offering Memorandum and, in particular, the information set forth under the caption "*Risk Factors*" beginning on page 22 of this Offering Memorandum before making an investment in the Notes. |

# RISK FACTORS

*An investment in the Notes involves a degree of risk. You should carefully consider the risks relating to our business and the risks relating to the Notes described below, as well as the other information included or incorporated by reference in this Offering Memorandum, and consult your own financial and legal advisers before making an investment decision. The risks and uncertainties described below are not the only ones facing us or you, as Holders. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, may also become important factors that affect us. If any such risks actually occur, the Group's business, operations, financial condition, or reputation could be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investment.*

*Capitalized words and expressions defined in "Description of the Notes" have the same meanings in this section.*

## Risks Factors associated with ANZ

### Introduction

The Group's activities are subject to risks that can adversely impact its business, operations and financial condition. The risks and uncertainties described below are not the only ones that the Group may face. Additional risks and uncertainties that the Group is unaware of, or that the Group currently deems to be immaterial, may also become important factors that affect it. If any of the listed or unlisted risks actually occur, the Group's business, operations, financial condition, or reputation could be materially and adversely affected, with the result that the trading price of the Group's equity or debt securities could decline, and investors could lose all or part of their investment. These risk factors below should be considered in conjunction with "*Forward-looking Statements.*"

### Changes in general business and economic conditions, including disruption in regional or global credit and capital markets, may adversely affect the Group's business, operations and financial condition

The Group's financial performance is primarily influenced by the economic conditions and the level of business activity in the major countries and regions in which it operates or trades, i.e. Australia, New Zealand, Asia Pacific, Europe and the United States. The Group's business, operations, and financial condition can be negatively affected by changes in economic and business conditions in these markets.

The economic and business conditions that prevail in the Group's major operating and trading markets are affected by domestic and international economic events, political events and natural disasters, and by movements and events that occur in global financial markets.

For example, the global financial crisis saw a sudden and prolonged dislocation in credit and equity capital markets, a contraction in global economic activity and the emergence of many challenges for financial services institutions worldwide that still persist to some extent in many regions. Sovereign risk and its potential impact on financial institutions in Europe and globally subsequently emerged as a significant risk. See "*—Sovereign risk may destabilize global financial markets adversely affecting all participants, including the Group.*" The impact of the global financial crisis and its aftermath continue to affect regional and global economic activity, confidence and capital markets. Prudential authorities have implemented and continue to implement increased regulations to mitigate the risk of such events recurring, although there can be no assurance that such regulations will be effective.

Economic effects of the global financial crisis and European sovereign debt crisis have been widespread and far-reaching with unfavorable ongoing impacts on retail spending, personal and business credit growth, housing credit, and business and consumer confidence. While some of these economic factors have since improved, lasting impacts from the global financial crisis and the subsequent volatility in financial markets, the European sovereign debt crisis and the potential for escalation in geopolitical risks suggest ongoing vulnerability and potential adjustment of consumer and business behavior.

Other current economic conditions impacting the Group and its customers include changes in the real estate markets in Australia and New Zealand (see "*—Weakening of the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect its business, operations and financial condition*") and a decline in natural resources demand and prices (see "*—An increase in the failure of third parties to honor their commitments in connection with the Group's trading, lending, derivatives and other activities may adversely affect its business, operations and financial condition*").

Should difficult economic conditions in the Group's markets eventuate, asset values in the housing, commercial or rural property markets could decline, unemployment could rise and corporate and personal incomes could suffer. Also, deterioration in global markets, including equity, property, currency and other asset markets, could impact the Group's customers and the security the Group holds against loans and other credit exposures, which may impact its ability to recover some loans and other credit exposures.

All or any of the negative economic and business impacts described above could cause a reduction in demand for the Group's products and services and/or an increase in loan and other credit defaults and bad debts, which could adversely affect the Group's business, operations, and financial condition.

The Group's financial performance could also be adversely affected if it were unable to adapt cost structures, products, pricing or activities in response to a drop in demand or lower than expected revenues. Similarly, higher than expected costs (including credit and funding costs) could be incurred because of adverse changes in the economy, general business conditions or the operating environment in the countries in which it operates.

Geopolitical instability, such as threats of, potential for, or actual conflict, occurring around the world, such as the ongoing unrest and conflicts in the Ukraine, North Korea, Syria, Egypt, Afghanistan, Iraq and elsewhere, as well as the current high threat of terrorist activities, may also adversely affect global financial markets, general economic and business conditions and the Group's ability to continue operating or trading in a country, which in turn may adversely affect the Group's business, operations, and financial condition.

Natural and biological disasters such as, but not restricted to, cyclones, floods, droughts, earthquakes and pandemics, and the economic and financial market implications of such disasters on domestic and global conditions can adversely impact the Group's ability to continue operating or trading in the country or countries directly or indirectly affected, which in turn may adversely affect the Group's business, operations and financial condition. For more risks in relation to natural and biological disasters, see "*—The Group may be exposed to the impact of future climate change, geological events, plant and animal diseases, and other extrinsic events which may adversely affect its business, operations and financial condition*."

Other economic and financial factors or events that may adversely affect the Group's performance, and give rise to operational and markets risk are covered in "*—The Group is exposed to market risk, which may adversely affect its business, operations and financial condition*" and "*—Changes in exchange rates may adversely affect the Group's business, operations and financial condition*."

**Competition may adversely affect the Group's business, operations and financial conditions, in the markets in which it operates**

The risk is that the markets in which the Group operates are highly competitive and could become even more so. Factors that contribute to competition risk include industry regulation, mergers and acquisitions, changes in customers' needs and preferences, entry of new participants, development of new distribution and service methods, increased diversification of products by competitors, and regulatory changes in the rules governing the operations of banks and non-bank 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 payments, home loans, and credit cards. In addition, it is possible that existing companies from outside of the traditional financial services sector may seek to obtain banking licenses to directly compete with the Group by offering products and services traditionally provided by banks. In addition, banks organized in jurisdictions outside Australia and New Zealand are subject to different levels of regulation and consequently some may have lower cost structures. Increasing competition for customers could also potentially lead to a compression in the Group's net interest margins or increased advertising and related expenses to attract and retain customers.

Furthermore, increased competition for deposits could also increase the Group's cost of funding and lead the Group to access other types of funding or reduce lending. The Group relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. The Group competes with banks and other financial services firms for such deposits. To the extent that the Group is not able to successfully compete for deposits, the Group would be forced to rely more heavily on other, potentially less stable or more expensive forms of funding, or reduce lending. This could adversely affect the Group's business, prospects, financial performance or financial condition.

The impact on ANZ of an increase in competitive market conditions, especially in the Group's main markets and products, would potentially lead to a material reduction in the market share and/or margins of the relevant Group business(es), which would adversely affect the Group's financial performance and position.

**Changes in monetary policies may adversely affect the Group's business, operations and financial condition**

Central monetary authorities (including the Reserve Bank of Australia ("**RBA**"), the Reserve Bank of New Zealand ("**RBNZ**"), the United States Federal Reserve, the Bank of England and the monetary authorities in the Asian jurisdictions in which the Group operates) set official interest rates or take other measures to affect the demand for money and credit in their relevant jurisdictions. In some Asian jurisdictions, currency policy is also used to influence general business conditions and the demand for money and credit. These policies can significantly affect the Group's cost of funds for lending and investing and the return that the Group will earn on those loans and investments. 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 central monetary authorities can also affect the Group's borrowers, potentially increasing the risk that they may fail to repay loans. Changes in such policies are difficult to predict.

**Sovereign risk may destabilize global financial markets adversely affecting all participants, including the Group**

Sovereign risk is the risk that foreign governments will default on their debt obligations, be unable to refinance their debts as and when they fall due or nationalize parts of their economy. Sovereign risk remains in many economies, including the United States and Australia. Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the global financial crisis and subsequent sovereign debt

crises. Such events could destabilize global financial markets, adversely affecting all participants, including adversely affecting the Group's liquidity, financial performance or financial condition.

**Weakening of the real estate markets in Australia, New Zealand or other markets where the Group does business may adversely affect its business, operations and financial condition**

Residential and commercial property lending, together with real estate development and investment property finance, constitute important businesses to the Group. Major sub-segments within the Group's lending portfolio include:

- Residential housing loans, owner occupier and investment; and
- Commercial real estate loans.

Declining asset prices could impact customers and counterparties and the value of the security (including residential and commercial property) we hold against loans which may impair our ability to recover amounts owing to us if customers or counterparties were to default.

A significant decrease in Australian and New Zealand housing valuations could adversely impact our home lending activities because borrowers with loans in excess of their property value show a higher propensity to default and, in the event of such defaults our security values would be eroded, causing us to incur higher credit losses which could adversely affect the Group's financial performance and condition. The demand for our home lending products may also decline due to buyer concerns about decreases in values or concerns about rising interest rates, which could make our lending products less attractive to potential homeowners and investors.

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

**The Group is exposed to liquidity and funding risk, which may adversely affect its business, operations and financial condition**

Liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due (including repaying depositors or maturing wholesale debt) or that the Group has insufficient capacity to fund increases in assets. Liquidity risk is inherent in all banking operations due to the timing mismatch between cash inflows and cash outflows.

Reduced liquidity could lead to an increase in the cost of the Group's borrowings and constrain the volume of new lending, which could adversely affect the Group's profitability. A deterioration in investor confidence in the Group could materially impact the Group's cost of borrowing, and the Group's ongoing operations and funding.

The Group raises funding from a variety of sources, including customer deposits and wholesale funding in Australia and offshore markets to meet its funding obligations and to maintain or grow its business generally. In times of liquidity stress, if there is damage to market confidence in the Group or if funding inside or outside of Australia is not available or constrained, the Group's ability to access sources of funding and liquidity may be constrained and it will be exposed to liquidity risk. In any such cases, the Group may be

forced to seek alternative funding. The availability of such alternative funding, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions and the Group's credit ratings (which are strongly influenced by Australia's sovereign credit rating). Even if available, the cost of these funding alternatives may be more expensive or on unfavorable terms, which could adversely affect the Group's financial performance, liquidity, capital resources and financial condition.

Since the advent of the global financial crisis in 2008, developments in the United States, European and Chinese markets have adversely affected the liquidity in global capital markets and increased funding costs compared with the period immediately preceding the global financial crisis.

More recently, the provision of significant amounts of liquidity by major central banks globally has helped mitigate near term liquidity concerns, although no assurance can be given that such liquidity concerns will not return, particularly when the extraordinary liquidity is withdrawn by central banks. Future deterioration in market conditions may limit the Group's ability to replace maturing liabilities and access funding in a timely and cost-effective manner necessary to fund and grow the Group's businesses.

**Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition**

As a financial institution, the Group is subject to detailed laws and regulations in each of the jurisdictions in which it operates or obtains funding, including Australia, New Zealand, the United States, Europe and Asia Pacific. The Group is also supervised by a number of different regulatory and supervisory authorities.

The Group is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which it operates or obtains funding.

Compliance risk arises from these legal, regulatory and internal-compliance requirements. If the Group, or an employee of the Group, fails to comply, the Group may be subject to fines, penalties or restrictions on its ability to do business and it may lose customer confidence and business, which could have a material adverse impact on the Group. In Australia, an example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act in certain circumstances to investigate the Group's affairs and/or issue a direction to the Group (such as direction to comply with a prudential requirement, to conduct an audit, to remove a director, executive officer or employee or not to undertake a transaction). Other regulators also have the power to investigate the Group. In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions (whether by court action or otherwise), and the quantum of fines issued by regulators. Recent public scrutiny of banking culture has also led to a proposal by the opposition Australian Labor Party for a Royal Commission to investigate Australian banks. Regulatory investigations, fines, penalties or regulator imposed conditions could adversely affect the Group's business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, the Group faces increasing supervision and regulation in most of the jurisdictions in which the Group operates or obtains funding, particularly in the areas of funding, liquidity, product design and pricing, capital adequacy, conduct and prudential regulation, cyber-security, anti-bribery and corruption, anti-money laundering and counter-terrorism financing and trade sanctions.

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**" or "**Basel Committee**") released capital reform packages known as Basel 3 to strengthen the resilience of the banking and insurance sectors, including proposals to strengthen capital and liquidity requirements for the banking sector. APRA released prudential standards implementing Basel 3 capital reforms with effect from January 1, 2013 ("**Prudential Standards**"). With regards to Basel 3 liquidity reforms, APRA requires the Group to comply with the Liquidity Coverage Ratio ("**LCR**") requirements with effect from January 1, 2015 and is currently consulting

on the implementation of the Net Stable Funding Ratio ("**NSFR**") requirements, which are expected to be implemented by January 1, 2018. Certain regulators in jurisdictions where the Group has a presence have also either implemented or are in the process of implementing Basel 3 and equivalent reforms.

Separately, since 2014, the BCBS has also released a number of consultation documents as part of its reforms aimed at simplifying the measurement of risk-weighted assets and reducing their variability across banks and jurisdictions. Consultation and finalization of these reforms are current and on-going. Any impacts on the Group resulting from these reforms cannot be determined as final calibration is still to be finalized by the BCBS and they are also subject to the form of these proposals that APRA will implement in Australia.

In addition, there have also been a series of other regulatory releases from authorities in the various jurisdictions in which we operate or obtain funding proposing significant regulatory change for financial institutions. This includes new accounting and reporting standards, or implementing global OTC derivatives reform and the United States Dodd-Frank legislation, including the Volcker Rule promulgated thereunder.

In 2015, the Australian Government announced its response to the Financial System Inquiry ("**FSI**"). The response tasks APRA with implementation of a number of resilience-related FSI recommendations in line with emerging international regulatory practice. These FSI recommendations are intended to increase the strength of the financial system and may result in requirements to hold additional capital (such as Additional Tier 1 Capital, Tier 2 Capital or other forms of subordinated capital or senior debt that may be available to absorb loss) or additional liquid assets. The Australian Government response also endorses FSI recommendations relating to Australia's superannuation system and retirement incomes, innovation-related issues, reforms to improve consumer outcomes when purchasing financial products, and the overall regulation of the financial sector. These are likely to result in changes to laws, regulations, codes of practice and policies that will impact the Group. The implementation of any recommendations could also result in changes to laws, regulations, codes of practice or policies which could adversely affect the Group in substantial and unpredictable ways.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which the Group operates and, in addition, such changes may be inconsistently introduced across jurisdictions. Changes may also occur in the oversight approach of regulators. It is possible for example that governments in jurisdictions in which we operate or obtain funding might revise their application of existing regulatory policies that apply to, or impact, the Group's business, including for reasons relating to national interest and systemic stability.

Regulatory changes and the timing of their introduction continue to evolve. The nature and impact of future changes are not predictable and are beyond the Group's control. Regulatory change may impact the Group in a range of ways, such as by requiring the Group to change its business mix, incur additional costs as a result of increased management attention, raise additional amounts of higher-quality capital (such as ordinary shares, Additional Tier 1 Capital or Tier 2 Capital instruments) or retain capital (through lower dividends), and hold significant levels of additional liquid assets and undertake further lengthening of the funding base. Further examples of ways in which regulatory change may impact the Group include: limiting the types, amount and composition of financial services and products the Group can offer, limiting the fees and interest that the Group may charge, increasing the ability of other banks or of non-banks to offer competing financial services or products and changes to accounting standards, taxation laws and prudential regulatory requirements. Regulatory change could adversely affect one or more of the Group's businesses, restrict its flexibility, require it to incur substantial costs and impact the profitability of one or more business lines. Any such costs or restrictions could adversely affect the Group's business, prospects, financial performance or financial condition.

**The Group is exposed to the risk of receiving significant regulatory fines and sanctions in the event of breaches of regulation and law relating to anti-money laundering, counter-terrorism financing and sanctions**

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

The Group maintains appropriate policies, and has invested in procedures and internal controls aimed to detect, prevent and report money laundering, terrorist financing, and sanctions breaches. The risk of non-compliance remains high given the scale and complexity of the Group. A failure to operate a robust program to combat money laundering, bribery and terrorist financing or to ensure compliance with economic sanctions could have serious legal and reputational consequences for the Group and its employees. Consequences can include fines, criminal and civil penalties, civil claims, reputational harm and limitations on doing business in certain jurisdictions. The Group's foreign operations may place the Group under increased scrutiny by regulatory authorities, and may increase the risk of a member of the Group breaching applicable rules, regulations or laws.

**The Group may experience challenges in managing its capital base, which could give rise to greater volatility in capital ratios**

The Group's capital base is critical to the management of its businesses and access to funding and may impact the Notes. Prudential regulators of the Group include, but are not limited to, APRA, RBNZ and various regulators in the Asia Pacific, U.S. and U.K. The Group is required to maintain adequate regulatory capital.

Under current regulatory requirements, risk weighted assets and expected loan losses increase as a counterparty's risk grade worsens. These additional regulatory capital requirements compound any reduction in capital resulting from lower profits in times of stress. As a result, greater volatility in capital ratios may arise and may require the Group to raise additional capital. There can be no certainty that any additional capital required would be available or could be raised on reasonable terms.

The Group's capital ratios may be affected by a number of factors, such as (i) lower earnings (including lower dividends from its deconsolidated subsidiaries such as those in the insurance and funds management businesses as well as from its investment in associates), (ii) increased asset growth, (iii) changes in the value of the Australian dollar against other currencies in which the Group operates (particularly the New Zealand dollar and United States dollar) that impact risk weighted assets or the foreign currency translation reserve and (iv) changes in business strategy (including acquisitions, divestments and investments or an increase in capital intensive businesses).

APRA's Prudential Standards implementing Basel 3 are now in effect. Certain other regulators have either implemented or are in the process of implementing regulations, including Basel 3, which seek to strengthen, among other things, the liquidity and capital requirements of banks, funds management entities and insurance entities, though there can be no assurance that these regulations will have their intended effect. Some of these regulations, together with any risks arising from any regulatory changes (including those arising from the requirements of the BCBS or the Australian Government's response to the FSI), are described in "*— Regulatory changes or a failure to comply with regulatory standards, law or policies may adversely affect the Group's business, operations or financial condition*."

**The Group is exposed to credit risk, which may adversely affect its business, operations and financial condition**

As a financial institution, the Group is exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry sector or geographic region, or natural disasters, could cause customers or counterparties to fail to meet their obligations in accordance with agreed terms. For example, the Group's customers and counterparties in the natural resources sector and the New Zealand dairy industry could be adversely impacted by a prolonged slowdown in the Chinese economy and current decline in commodity prices. Also, the Group's customers and counterparties may be adversely impacted by more expensive imports due to the reduced strength of the Australian and New Zealand dollars relative to other currencies.

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

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 condition and results, requires subjective and complex judgments, 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 analyze the information correctly, the provisions made for credit impairment may be insufficient, which could have a material adverse effect on the Group's business, operations and financial condition.

**The Group is exposed to the risk that its credit ratings could change, which could adversely affect its ability to raise capital and wholesale funding**

The Group's credit ratings have a significant impact on both its access to, and cost of, capital and wholesale funding. Credit ratings may be withdrawn, qualified, revised or suspended by credit rating agencies at any time. The methodologies by which they are determined may also be revised in response to legal or regulatory changes, market developments or for any other reason. A downgrade or potential downgrade to the Group's credit rating may reduce access to capital and wholesale debt markets, leading to an increase in funding costs, as well as affecting the willingness of counterparties to transact with the Group.

In addition, the ratings of individual securities (including, but not limited to, the Notes and certain Tier 1 Capital and Tier 2 Capital securities and covered bonds) issued by the Group (and other banks globally) could be impacted from time to time by changes in the regulatory requirements for those instruments as well as the ratings methodologies used by rating agencies. Further, the Group's credit ratings could be revised at any time in response to a change in the credit rating of the Commonwealth of Australia.

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

**The Group is exposed to market risk, which may adversely affect its business, operations and financial condition**

The Group is subject to market risk, which 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, such as derivatives. Losses arising from these risks may have a material adverse effect on the Group.

As the Group conducts business in several different currencies, its businesses may be affected by a change in currency exchange rates. Additionally, as the Group'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 (particularly to the New Zealand dollar and United States dollar) may adversely affect the reported earnings.

The profitability of the Group's funds management and insurance businesses is also affected by changes in investment markets and weaknesses in global securities markets.

**Changes in exchange rates may adversely affect the Group's business, operations and financial condition**

Movements in the Australian and New Zealand dollars in recent times illustrate the potential volatility in, and significance of global economic events to, the value of these currencies relative to other currencies. Depreciation of the Australian or New Zealand dollars relative to other currencies would increase the debt service obligations in the Group's unhedged exposures denominated in Australian or New Zealand dollars. In contrast, any upward pressure on the Australian or New Zealand dollar could cause business conditions to deteriorate for certain portions of the Australian and New Zealand economies, including some agricultural exports, tourism, manufacturing, retailing subject to internet competition, and import-competing producers. In addition, appreciation of the Australian dollar against the New Zealand dollar, the U.S. dollar and other currencies has a potential negative earnings translation effect on non-hedged exposures, and future appreciation could have a greater negative impact on the Group's results from its other non-Australian businesses, particularly its New Zealand and Asian businesses, which are largely based on non-Australian dollar revenues. The relationship between exchange rates and commodity prices is volatile. The Group has put in place hedges to partially mitigate the impact of currency changes, but there can be no assurance that the Group's hedges will be sufficient or effective, and any further appreciation could have an adverse impact upon the Group's earnings.

**The Group is exposed to operational risk and reputational risk, which may adversely affect its business, operations and financial condition**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, and the risk of loss of reputation or damage arising from inadequate or failed internal processes, people and systems, but excludes strategic risk.

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

Operational risk is typically classified into the risk event type categories to measure and compare risks on a consistent basis. Examples of operational risk events according to category are as follows:

- Internal Fraud: is associated with ANZ employees acting outside their normal employment conditions/procedures to create a financial advantage for themselves or others;
- External Fraud: fraudulent acts or attempts which originate from outside the Group, more commonly associated with digital banking, lending, and cards products. Specific threats include ATM skimming, malware and phishing attacks and fraudulent applications, where financial advantage is obtained;
- Employment Practices and Workplace Safety: employee relations, diversity and discrimination, and health and safety risks to the Group employees;

- Clients, Products and Business Practices: risk of market manipulation, product defects, incorrect advice, money laundering and misuse or unauthorized disclosure of customer information;
- Technology: the risk of loss resulting from inadequate or failed information technology;
- Business Disruption (including systems failures): risk that the Group's banking operating systems are disrupted or fail;
- Damage to physical assets: risk that a natural disaster or terrorist or vandalism attack damages the Group's buildings or property; and
- Execution, Delivery and Process Management: is associated with losses resulting from, among other things, process errors made by ANZ employees caused by inadequate or poorly designed internal processes, or the poor execution of standard processes, vendor, supplier or outsource provider errors or failed mandatory reporting errors.

Direct or indirect losses that occur as a result of operational failures, breakdowns, omissions or unplanned events could adversely affect the Group's financial results.

Reputation risk may arise as a result of an external event or the Group's own actions, and adversely affect perceptions about the Group held by the public (including the Group's customers), 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 business, operations and financial condition.

Damage to the Group's reputation may also have wide-ranging impacts, including adverse effects on the Group's profitability, capacity and cost of sourcing funding and availability of new business opportunities. The Group's ability to attract and retain customers could also be adversely affected if the Group's reputation is damaged, which could adversely affect the Group's business prospects, financial performance or financial condition.

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

Such risks can include:

- the provision of unsuitable or inappropriate advice (e.g., commensurate with a customer's objectives and appetite for risk);
- the representation of, or disclosure about, a product or service which is inaccurate, or does not provide adequate information about risks and benefits to customers;
- a failure to deliver product features and benefits in accordance with terms, disclosures, recommendations and/or advice;
- a failure to appropriately avoid or manage conflicts of interest;
- sales and/or promotion processes (including incentives and remuneration for staff engaged in promotion, sales and/or the provision of advice);
- the provision of credit, outside of ANZ policies and standards; and
- trading activities in financial markets, outside of ANZ policies and standards e.g., BBSW, LIBOR, rate fixing.

Exposure to such risks may increase during periods of declining investment asset values (such as during a period of economic downturn or investment market volatility), leading to sub-optimal performance of investment products and/or portfolios that were not aligned with the customer's objectives and risk appetite.

The Group is regulated under various legislative mechanisms in the countries in which it operates that provide for consumer protection around advisory, marketing and sales practices. These may include, but are not limited to, appropriate management of conflicts of interest, appropriate accreditation standards for staff authorized to provide advice about financial products and services, disclosure standards, standards for ensuring adequate assessment of client/product suitability, quality assurance activities, adequate record keeping, and procedures for the management of complaints and disputes.

Inappropriate advice about financial products and services may result in material litigation (and associated financial costs) and together with failure to avoid or manage conflicts of interest, may expose the Group to regulatory actions, and/or reputational consequences.

**Disruption of information technology systems or failure to successfully implement new technology systems could significantly interrupt the Group's business, which may adversely affect its business, operations and financial condition**

The Group is highly dependent on information systems and technology. Therefore, there is a risk that these, or the services the Group uses or is dependent upon, might fail, including because of unauthorized access or use.

Most of the Group's daily operations are computer-based and information technology systems are essential to maintaining effective communications with customers. The Group is also conscious that threats to information systems and technology are continuously evolving and that cyber threats and risk of attacks are increasing. The Group may not be able to anticipate or implement effective measures to prevent or minimize disruptions that may be caused by all cyber threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well resourced. The exposure to systems risks includes the complete or partial failure of information technology systems or data center infrastructure, the inadequacy of internal and third-party information technology systems due to, among other things, failure to keep pace with industry developments and the capacity of the existing systems to effectively accommodate growth, prevent unauthorized access and integrate existing and future acquisitions and alliances.

To manage these risks, the Group has disaster recovery and information technology governance in place. However, there can be no guarantee that the steps the Group is taking in this regard will be effective and any failure of these systems could result in business interruption, customer dissatisfaction and ultimately loss of customers, financial compensation, damage to reputation and/or a weakening of the Group's competitive position, which could adversely impact the Group's business and have a material adverse effect on the Group's financial condition and operations.

In addition, the Group has an ongoing need to update and implement new information technology systems, in part to assist it to satisfy regulatory demands, ensure information security, enhance computer-based banking services for the Group's customers and integrate the various segments of its business. The Group may not implement these 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 service its customers. ANZ New Zealand relies on ANZ to provide a number of information technology systems, and any failure of ANZ systems could directly affect ANZ New Zealand.

**The Group is exposed to risks associated with information security, which may adversely affect its financial results and reputation**

Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction. As a bank, the Group handles a considerable amount of personal and confidential information about its customers and its own internal operations, including in Australia, New Zealand and India. The Group employs a team of information security experts who are responsible for the development and implementation of the Group's information security policy. The Group also uses third parties to process and manage information on its behalf, and any failure on their part could adversely affect its business. The Group is conscious that threats to information systems are continuously evolving and that cyber threats and risk of attacks are increasing, and as such the Group may be unable to develop policies and procedures to adequately address or mitigate such risks. Accordingly, information about the Group and/or our clients may be inadvertently accessed, inappropriately distributed or illegally accessed or stolen. The Group may not be able to anticipate or to implement effective measures to prevent or minimize damage that may be caused by all information security threats because the techniques used can be highly sophisticated and those perpetuating the attacks may be well resourced. Any unauthorized access of the Group's information systems or unauthorized use of its confidential information could potentially result in disruption of the Group's operations, breaches of privacy laws, regulatory sanctions, legal action, and claims for compensation or erosion to the Group's competitive market position, which could adversely affect the Group's financial position and reputation.

**Unexpected changes to the Group's license to operate in any jurisdiction may adversely affect its business, operations and financial condition**

The Group is licensed to operate in various countries, states and territories. Unexpected changes in the conditions of the licenses to operate by governments, administrations or regulatory agencies which prohibit or restrict the Group from trading in a manner that was previously permitted may adversely impact the Group's operations and subsequent financial results.

**An increase in the failure of third parties to honor their commitments in connection with the Group's trading, lending, derivatives and other activities may adversely affect its business, operations and financial condition**

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 honor its contractual obligations. As with any financial services organization, the Group assumes counterparty risk in connection with its lending, trading, derivatives, insurance and other businesses where it relies on the ability of a third party (including reinsurers) to satisfy its financial obligations to the Group on a timely basis. The Group is also subject to the risk that its rights against third parties may not be enforceable in certain circumstances.

The risk of credit-related losses may also be increased by a number of factors, including deterioration in the financial condition of the economy, a sustained high level of unemployment, a deterioration of the financial condition of the Group's counterparties, a reduction in the value of assets the Group holds as collateral, and a reduction in the market value of the counterparty instruments and obligations it holds.

The Group is directly and indirectly exposed to the natural resources sector, including contractors and related industries. Lower commodity prices, mining activity, demand for resources, or corporate investment in the natural resources sector may adversely affect the amount of new lending the Group is able to write, or lead to an increase in lending losses from this sector. Recently, crude oil prices have reached a 12 year low and a prolonged period of low oil prices, beyond 12 months, is likely to result in reduced investment and increased asset write downs. The suddenness and magnitude of oil price decline and the shift in sentiment towards this sector introduces challenges across the energy supply chain. Upstream exploration and production firms and

related services operators are currently the most directly exposed as new project investment is wound back and operations rationalized. Services to mining customers are also subject to heightened oversight given the cautious outlook for the services sector. This industry-specific revenue decline may lead to a broader regional economic downturn with a long recovery period.

Credit losses can and have resulted in financial services organizations realizing significant losses and in some cases failing altogether. Should material unexpected credit losses occur to the Group's credit exposures, it could have an adverse effect on the Group's business, operations and financial condition.

**The unexpected loss of key staff or inadequate management of human resources may adversely affect the Group's business, operations and financial condition**

The Group's ability to attract and retain suitably qualified and skilled employees is an important factor in achieving its strategic objectives. The Chief Executive Officer and the management team of the Chief Executive Officer have skills and reputation that are critical to setting the strategic direction, successful management and growth of the Group, and whose unexpected loss due to resignation, retirement, death or illness may adversely affect its operations and financial condition. If the Group had difficulty retaining or attracting highly qualified people for important roles, this also could adversely affect its business, operations and financial condition.

**The Group may be exposed to the impact of future climate change, geological events, plant, animal and human diseases, and other extrinsic events which may adversely affect its business, operations and financial condition**

The Group and its customers are exposed to climate related events, including climate change. These events include severe storms, drought, fires, cyclones, hurricanes, floods and rising sea levels. The Group and its customers may also be exposed to other events such as geological events (including volcanic seismic activity or tsunamis), plant and animal diseases or a pandemic.

Depending on their severity, events such as these may temporarily interrupt or restrict the provision of some local or Group services, and may also adversely affect the Group's financial condition or collateral position in relation to credit facilities extended to customers.

**The Group is exposed to insurance risk, which may adversely affect its business, operations and financial condition**

Insurance risk is the risk of loss due to unexpected changes in current and future insurance claim rates. In the Group's life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected and, in the case of annuity business, should annuitants live longer than expected. In August 2015, ANZ ceased to issue home, car and travel insurance and became a distributer only of these products. The general insurance business now solely comprises a small amount of unemployment benefit. The Group has exposure to insurance risk in both its life insurance and general insurance business, which may adversely affect its businesses, operations and financial condition.

**The Group is exposed to increased compliance costs and the risk of penalties and regulatory scrutiny with respect to the significant obligations imposed by global tax reporting regimes which are still evolving**

In 2010, the U.S. enacted the Foreign Account Tax Compliance Act ("**FATCA**") that requires non-U.S. banks and other financial institutions to undertake specific customer due diligence and provide information on account holders who are U.S. citizens or residents to the United States Federal tax authority, the Internal Revenue Service ("**IRS**"). The United States has entered into intergovernmental agreements ("**IGAs**") with a number of jurisdictions (including Australia and New Zealand) which generally require such jurisdictions to enact legislation or other binding rules pursuant to which local financial institutions and branches provide

such information to their local revenue authority to then forward to the IRS. In countries that have not entered into such an agreement, the financial institution must enter into an agreement directly with the IRS to complete similar obligations and provide similar information directly to the United States. If the aforementioned customer due diligence and provision of account holder information is not undertaken and provided in a manner and form meeting the applicable requirements, the Group and/or persons owning assets in accounts with Group members may be subjected to a 30% withholding tax on certain amounts. While such withholding tax may currently apply only to certain payments derived from sources within the United States (and, beginning on January 1, 2019, certain gross proceeds from the disposition of assets that can give rise to such U.S. source payments), no such withholding tax will be imposed on any payments derived from sources outside the United States that are made prior to January 1, 2019, at the earliest. Australia and New Zealand have each signed an IGA with the United States and have enacted legislation to implement the respective IGAs. Local guidance in relation to the enacted legislation is still evolving.

In addition to FATCA, the U.S. may require the Group in certain circumstances to provide certain information to U.S. payers (withholding agents, custodians, etc.), and the Group may face adverse consequences in case it does not provide such information in compliance with the applicable rules and regulations.

The Organization for Economic Co-operation and Development ("**OECD**") has finalized a global Common Reporting Standard ("**CRS**") for the Automatic Exchange Of (financial account) Information ("**AEOI**") in tax matters. Over 90 jurisdictions have committed to implement the CRS in 2016 or 2017, with the first exchange of information to take place in 2017 or 2018. Countries with a start date of January 1, 2016 include Cayman Islands, France, Germany, India, the United Kingdom and South Korea. On June 3, 2015, Australia signed the Multilateral Competent Authority Agreement ("**MCAA**") that enables CRS information to be exchanged between countries' tax authorities. Several countries, including Canada, New Zealand and India, also signed the MCAA on June 3, 2015. Australia has legislated for the CRS to apply from July 1, 2017 (with the government to government exchange of information to take place by September 2018). Australian financial institutions that do not fully comply with all the requirements of the CRS (as modified by the implementing legislation) will be subject to administrative penalties.

To date, no legislation has been introduced in the New Zealand Parliament to support implementation of the CRS, although the New Zealand Government has recently released a media statement announcing that it intends for the CRS to apply from July 1, 2017 (with exchange of information to take place in September 2018) and preliminary consultation activities on an approach to CRS have commenced.

In countries where an entity of the Group (including certain trusts and branches) operates and which maintains financial accounts, there may be a requirement to collect customer information including customers' tax residence and report it to local tax authorities. Even if an entity of the Group does not operate in a country that has adopted CRS, it will still be required to capture information on residents of that country who have an account with the Group. CRS requirements, though generally similar to FATCA, have significant differences and a higher standard of compliance in many aspects, including penalties for non-collection of prescribed customer information.

In addition to FATCA and CRS, there are an increasing number of tax reporting initiatives that require financial institutions to undertake due diligence and report customer information including the Annual Investment Income Report (Australia), UK Crown Dependency and Overseas Territory ("**CDOT**") automatic exchange of information regime and many others that will require due diligence and reporting to the in-country revenue authority.

In line with other global financial institutions, ANZ has made and is expected to make significant investments in order to comply with, in all the countries that it operates in, the extensive requirements of FATCA, the CRS and the various other in-country tax reporting initiatives.

**The Group may experience changes in the valuation of some of its assets and liabilities that may have a material adverse effect on its earnings and/or equity**

Under Australian Accounting Standards, the Group recognizes the following instruments at fair value with changes in fair value recognized in earnings or equity:

- derivative instruments, including in the case of fair value hedging, the fair value adjustment on the underlying hedged exposure with changes in fair value recognized in earnings with the exception of derivatives designated in qualifying cash flow or net investment hedges where the change is recognized in equity and released to earnings together with the underlying hedged exposure;
- assets and liabilities held for trading;
- available-for-sale assets with changes in fair value recognized in equity unless the asset is impaired, in which case, the decline in fair value is recognized in earnings; and
- assets and liabilities designated at fair value through profit and loss with changes recognized in earnings with the exception of changes in fair value attributable to the own credit component of liabilities that is recognized in equity.

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 accepted valuation techniques which incorporate the impact of factors that would influence the fair value as determined by a market participant. The fair value of these instruments is impacted by changes in market prices or valuation inputs which could have a material adverse effect on the Group's earnings.

In addition, the Group may be exposed to a reduction in the value of non-lending related assets as a result of impairments loss which is recognized in earnings. The Group is required to assess the recoverability of the goodwill balances at least annually and other non-financial assets including Premises and Equipment, investment in associates, capitalized software and other intangible assets (including acquired portfolio of insurance and investment business and deferred acquisition costs) where there are indictors of impairment.

For the purpose of assessing the recoverability of the goodwill balances, the Group uses either a discounted cash flow or a multiple of earnings calculation. Changes in the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write off of a part or all of the goodwill balances.

In respect of other non-financial assets, in the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, impairment may be recorded.

**Changes to accounting policies may adversely affect the Group's financial position or performance**

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 judgment in selecting and applying many of these accounting policies and methods so that they not only comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report on the Group's financial position and results of operations. However, these accounting policies may be applied inaccurately, resulting in a misstatement of the Group's financial position and results of operations. In addition, the application of new or revised generally accepted accounting principles could have a material adverse effect on the Group's 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 the generally accepted accounting principles applicable to the Group and be

reasonable under the circumstances, yet might result in reporting materially different outcomes than would have been reported under another alternative.

### Litigation and contingent liabilities may adversely affect the Group's business, operations and financial condition

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 crystallize, may adversely affect the Group's results.

The Group had contingent liabilities as at March 31, 2016 in respect of the matters outlined in Note 20 to the condensed consolidated financial statements for the half year ended March 31, 2016 incorporated by reference herein.

There is a risk that contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

### The Group regularly considers acquisition and divestment opportunities, and there is a risk that the Group may undertake an acquisition or divestment that could result in a material adverse effect on its business, operations and financial condition

The Group regularly examines a range of corporate opportunities, including material acquisitions and disposals, with a view to determining whether those opportunities will enhance the Group's strategic position and financial performance.

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

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

## Risk Factors Relating to the Notes

### There is no prior or active trading market for the Notes and such trading market may not develop

The Notes will be new securities which may not be widely distributed and for which there is currently no active trading market. There may be no liquid market for Notes. The market for the Notes may be less liquid than the market for Ordinary Shares or comparable securities issued by ANZ or other entities. Holders who wish to sell their Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general

economic conditions and the financial condition of ANZ and the Group. Accordingly, the Issuer cannot predict, or give any assurance as to, whether an active or liquid trading market for the Notes will develop or be sustained.

There may be a limited number of buyers when you decide to sell the Notes. This may affect the price an investor receives for such Notes or the ability to sell such Notes at all.

**Credit ratings may not reflect all of the risks of an investment in the Notes, and are subject to suspension, reduction or withdrawal**

The credit ratings of the Notes may not reflect the potential impact of all risks related to the structure and other factors on any trading market for, or trading value of, the Notes. In addition, real or anticipated changes in the credit rating of ANZ or any Notes will generally affect any trading market for, or trading value of, the Notes. A credit rating is subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any suspension, reduction or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the Notes.

**Financial market conditions will impact the value of the Notes**

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

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

The Ordinary Shares held as a result of any Conversion of Notes will 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 Trigger Event Conversion Date or other date on which Notes are Converted and the value, if any, of those Ordinary Shares may be less than the principal amount of the Notes Converted.

**The Ordinary Share price may fluctuate, particularly at the time a Trigger Event is likely, which could materially impact the value of the Ordinary Shares Holders receive upon Conversion**

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 "— *Financial market conditions will impact the value of the Notes*." In addition, a Trigger Event is likely to be accompanied by a deterioration in the market price of the Ordinary Shares. The VWAP during the relevant period before the date of Conversion that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the date of Conversion. This means that the value of Ordinary Shares received is likely to be less than anticipated when the Notes were issued or thereafter.

Other events and conditions may affect the ability of Holders or the Holders' Nominee to trade or dispose of the Ordinary Shares issued on Conversion, for example, the willingness or ability of ASX to accept the Ordinary Shares issued on Conversion for listing or any practical issues which affect that listing, any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers for Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time, or laws of general application, including securities law and laws relating to the holding of shares and other interests in financial institutions, which limit a person's ability to acquire or dispose of Ordinary Shares. In addition, a Holder may not be able to trade the Ordinary Shares if, in accordance with the Conditions, the shares are issued to a Holders' Nominee. See "*—In certain circumstances, an investor holding Notes subject to Conversion may not receive Ordinary Shares, only the proceeds thereof, as the Ordinary Shares would be issued upon Conversion to the Holders' Nominee for immediate sale, which sale is likely to occur when market conditions are not favorable.*"

**Upon the occurrence of a Trigger Event, you will bear the risk of depreciation of the Australian dollar against the U.S. dollar**

Our Ordinary Shares trade primarily in Australian dollars and so the U.S. dollar equivalent value of our Ordinary Shares may fluctuate depending on the exchange rate between the U.S. dollar and Australian dollars (or any other currency in which our Ordinary Shares may trade). For example, if the Australian dollar depreciates relative to the U.S. dollar, the U.S. dollar value of our Ordinary Shares will decrease.

As the Maximum Conversion Number is calculated based on the market price of our Ordinary Shares and the U.S. dollar exchange rate in the 20 Trading Day period prior to the date of issue of the Notes, any depreciation of the Australian dollar against the U.S. dollar by the time that the VWAP is calculated for the purpose of determining the Conversion Number may make it more likely that the Maximum Conversion Number will apply (especially if accompanied by a deterioration in the market price of our Ordinary Shares at the time of a Trigger Event). See "*—If a Trigger Event Occurs and Notes are Converted into Ordinary Shares or Written Off, Holders may suffer a material loss*" for more detail of the risks to Holders of the Maximum Conversion Number applying.

In addition, the variable number of Ordinary Shares issued to you on the occurrence of a Trigger Event is calculated by reference to the prevailing U.S. dollar exchange rate at the time of Conversion. Following the Trigger Event there may be a delay in you receiving your Ordinary Shares and/or a delay in the Holders' Nominee selling the Ordinary Shares issued on your behalf, or converting the cash consideration from any such sale into U.S. dollars, in accordance with the Conditions during which time the exchange rate of Australian dollars against the U.S. dollar may further decline.

No interest or other compensation is payable in the event of a loss by you due to foreign currency conversions.

As a result, the realizable value in U.S. dollars of our Ordinary Shares issued, or the proceeds from any sale of such Ordinary Shares, following a Trigger Event could be substantially lower than that implied by the U.S. dollar exchange rate at the time of a Trigger Event.

**Prior to the issue of Ordinary Shares, Holders will not have any rights with respect to Ordinary Shares, but may be subject to changes made to ANZ's constitution with respect to Ordinary Shares**

Holders have no voting or other rights in relation to Ordinary Shares until Ordinary Shares are issued to them. In addition, the Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issue of securities. The rights attaching to Ordinary Shares if Ordinary Shares are

issued will be the rights attaching to Ordinary Shares at that time. Holders have no right to vote on or otherwise to approve any changes to ANZ's constitution in relation to the Ordinary Shares that may in the future be issued to them. Therefore, Holders will not be able to influence decisions that may have adverse consequences for them.

**Interest on the Notes is non-cumulative**

If interest scheduled to be paid on an Interest Payment Date is not paid on that date, ANZ will have no liability to pay the unpaid amount of interest, neither the Holders of the Notes nor any other person will have a claim or entitlement with respect to such non-payment and such non-payment will not constitute a breach of the Conditions or give any Holder or any other person a right to apply for a Winding Up, to place ANZ in administration or to seek the appointment of a receiver, receiver and manager, liquidator or provisional liquidator to ANZ or exercise any remedies in respect of the Notes. See also "*—The Notes do not contain events of default or rights for Holders to require or accelerate repayment and the remedies available to holders of Notes are therefore limited*."

**Interest on the Notes will not be paid on an Interest Payment Date if so determined by the Issuer in its absolute discretion, if a Payment Condition exists or if such payment is prevented by applicable law**

The Issuer could exercise its discretion not to pay interest at any time and for any reason. In addition, interest will not be paid if a Payment Condition exists. A Payment Condition with respect to a scheduled payment of interest will exist if (1) making the interest payment would result in ANZ not complying with APRA's current capital adequacy arrangements, or (2) making the interest payment would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act, or (3) APRA, for any reason, objects to the interest payment being paid. See "*Description of the Notes—Interest on the Notes—Non-payment of interest*" and "*Supervision and Regulation*."

If the Issuer does not pay an interest payment in full on an Interest Payment Date, then ANZ is restricted from paying any Ordinary Share Dividend or undertaking any Buy Back or Capital Reduction, but that restriction applies only for a limited period and is subject to exceptions. See "*Description of the Notes—Interest on the Notes—Restrictions in the case of non-payment of interest*."

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

Further disclosure with respect to ANZ's Common Equity Capital Ratio and Combined Capital Buffers can be found under "*Supervision and Regulation*."

Interest on the Notes will also not be payable in a Winding Up.

**The Issuer's ability to pay interest on the Notes may be restricted by the terms of other similar securities**

The terms of ANZ's other outstanding and future securities could limit the Issuer's ability to make payments on Notes. If ANZ does not make payments on such other securities, payments may not be permitted by the terms of those securities to be made in respect of the Notes.

The payment tests applying to other securities may be different to the Payment Conditions applying to Notes. If a distribution on such other securities is not paid (including because the payment tests for such securities are not met), the distribution restrictions on the other securities may then apply, preventing the Issuer from making a payment on Notes.

At present, the convertible preference shares issued by ANZ in December 2009 ("**CPS2**") are the only securities of ANZ which would restrict ANZ from paying interest on or redeeming or buying back the Notes if a dividend has not been paid on that security. Payments of dividends on CPS2 are subject to, among other tests, tests relating to the availability of distributable profits as defined in the terms of that security. CPS2 are scheduled to convert into Ordinary Shares on December 15, 2016 (subject to certain conditions) and may, with APRA's prior written approval, be bought back on or before that date, but ANZ gives no assurances that such conversion or buy-back will occur.

If the terms of another security restrict payments on Notes, the Issuer may not be able to pay interest when scheduled to do so under the Notes and may not be able to redeem the Notes. ANZ is not restricted from issuing other securities with terms that restrict payments under the Notes or issuing additional securities of any kind. See "*—Future issues or redemptions of securities by ANZ could negatively impact Holders.*"

**In order to realize your investment, you may have to sell the Notes in the market as the Notes are perpetual securities with no fixed maturity date or mandatory redemption date, and are only subject to redemption or repurchase at the option of the Issuer**

The Notes are perpetual securities with no fixed maturity date. Accordingly, the Issuer is under no obligation to repay all or any part of the principal amount of the Notes, the Issuer has no obligation to redeem the Notes at any time and Holders have no right to call for their redemption or Conversion or otherwise accelerate the repayment of the principal amount of the Notes. It is therefore possible that redemption will not occur at any point in time.

Therefore, to realize an investment, absent the Issuer redeeming or offering to repurchase the Notes at its option, an investor would have to sell its Notes in the market at the prevailing market price. Depending on market conditions at the time, the Notes may be trading at a market price below the prevailing principal amount and/or the market for the Notes may not be liquid. Brokerage fees may also be payable if Notes are sold through a broker. ANZ does not guarantee that investors will be able to sell their Notes at an acceptable price or at all.

**The Notes do not contain events of default or rights for Holders to require or accelerate repayment and the remedies available to holders of Notes are therefore limited**

The Notes contain no events of default or rights for Holders to require or accelerate repayment and, accordingly, failure to pay scheduled interest will not constitute a default or event of default under, or breach of, the Conditions. Notes are repayable only in a Winding Up. Other than as set out in the Conditions, the Notes do not confer any claim on ANZ. Further, in the event that the Issuer does not pay scheduled interest, neither a Holder nor any beneficial owner:

- has any right to apply for ANZ to be wound up, or placed in administration, or to seek the appointment of a receiver, receiver and manager, liquidator or provisional liquidator to ANZ merely on the grounds that the Issuer does not pay such interest when scheduled; and
- may exercise any right of set-off and will have no offsetting rights or claims on ANZ.

**The Notes are not guaranteed or insured by any other party**

The Notes are not deposit liabilities of ANZ and the payment of interest and repayment of the prevailing principal amount of the Notes is not guaranteed by ANZ or any other person. The Notes are not "protected accounts" for the purposes of the depositor protection provisions in Division 2 of Part II of the Banking Act or the Financial Claims Scheme established under Division 2AA of Part II of the Banking Act. For the purposes of the Banking Act, a "**protected account**" is broadly an account (i) kept with an Australian Authorized

Deposit-taking Institution ("**ADI**") where the ADI is required to pay the account holder, on demand or at an agreed time, the net credit balance of the account, or (ii) that is prescribed by regulation. Protected accounts include current accounts, savings accounts and term deposit accounts. Protected accounts must be recorded in Australian currency and must not be kept at a foreign branch of an ADI. For the avoidance of doubt, the Notes will not be covered deposits of ANZ pursuant to a deposit guarantee scheme for the purposes of the UK Banking Act and will not be insured by the FDIC, the UK Financial Services Compensation Scheme or any other government, government agency or compensation scheme of the Commonwealth of Australia, the United States, the United Kingdom or any other jurisdiction or by any party. A Holder has no claim on ANZ in respect of Notes except as provided in the Conditions. The Notes are unsecured.

**The Notes are subordinated obligations that will rank as Preference Shares and therefore junior to most of our outstanding obligations in a Winding Up of ANZ**

In the event of a Winding Up of ANZ, and assuming the Notes have not been Converted or Written Off, Holders will be entitled to claim for an amount equal to the prevailing principal amount of the Notes. The claim for this amount ranks ahead of Ordinary Shares, equally with Equal Ranking Instruments, but behind all senior ranking securities and instruments and all depositors and other creditors. Claims in respect of the Notes are subordinated and, notwithstanding a Winding Up of ANZ, rank as Preference Shares as set out in the Conditions. Accordingly, if proceedings with respect to the Winding Up of ANZ were to occur, the Holders could recover less relatively than the holders of deposit liabilities or protected accounts, the holders of more senior securities and the holders of prior ranking subordinated liabilities of ANZ. At March 31, 2016, ANZ was subject to outstanding claims of its Senior Creditors (including depositors) in an aggregate principal amount of approximately U.S.$583,221 million. At March 31, 2016, ANZ was subject to outstanding claims of holders of its Equal Ranking Instruments in an aggregate principal amount of approximately U.S.$5,381 million.

The Conditions do not limit the amount of the liabilities ranking senior to any Notes which may be incurred or assumed by the Issuer from time to time, whether before or after the date of issue of the Notes.

If there is a shortfall of funds on a Winding Up of ANZ to pay all amounts ranking senior to the Notes, Holders will not receive any of the prevailing principal amount of the Notes in a Winding Up of ANZ. If there are sufficient funds to pay all amounts ranking senior to the Notes but insufficient funds to pay all claims ranking equally with the Notes, Holders will not receive an amount equal to the prevailing principal amount of the Notes in a Winding Up of ANZ. Although the Notes may pay a higher rate of distribution than comparable instruments which are not subordinated, there is a significant risk that a Holder will lose all or some of their investment should ANZ become insolvent.

**If a Trigger Event occurs, your Notes are subject to mandatory Conversion or, if Conversion for any reason does not occur, Write Off**

ANZ must Convert Notes into Ordinary Shares or, if Conversion does not occur pursuant to the terms of the Notes, Write Off Notes if at any time a Trigger Event occurs. A Trigger Event could occur at any time. It could occur on dates not previously contemplated by investors or which may be unfavorable in light of then-prevailing market conditions or investors' individual circumstances.

There are two types of Trigger Events:

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

The Common Equity Capital Trigger Event will occur if ANZ's Common Equity Capital Ratio, as defined by APRA, is equal to or less than 5.125%. "**Common Equity Capital Ratio**" means (i) in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group and (ii) in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group, in each case, as prescribed by APRA from time to time.

ANZ's determination of the Common Equity Capital Ratio, or APRA's notification to ANZ regarding the Common Equity Capital Ratio, will determine whether there is a Common Equity Capital Trigger Event and will be binding on all Holders.

The Common Equity Capital Ratio may be significantly impacted by a number of factors, including factors which affect the business, operation and financial condition of ANZ. Accordingly, there is a risk that ANZ's Common Equity Capital Ratio will decrease to 5.125% or below and that as a result Notes will be required to Convert into Ordinary Shares. The Common Equity Capital Ratio will also be affected by ANZ's decisions relating to its businesses and operations, as well as the management of its capital position. ANZ will have no obligation to consider the interests of Holders in connection with its business decisions, including (without limitation) in relation to capital management. Holders will not have any claim against ANZ relating to decisions that affect the business and operations of ANZ, including its capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause Holders to lose all or part of the value of their investment in the Notes.

The Non-Viability Trigger Event means the earlier of:

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

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

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

A Trigger Event may be associated with financial difficulty of ANZ and contemporaneous with severe market conditions in Australia more generally, and such events are likely to be adverse to investors in the Notes.

### If a Trigger Event Occurs and Notes are Converted into Ordinary Shares or Written Off, Holders may suffer a material loss

Potential investors in the Notes should understand that, if a Trigger Event occurs and Notes are Converted into Ordinary Shares, investors are obliged to accept Ordinary Shares (subject to the provisions for issue of Ordinary Shares to a Holders' Nominee as described below) even if they do not at the time consider the Ordinary Shares to be an appropriate investment for them, and despite any change in the financial position of ANZ since the issue of the Notes or any disruption to the market for those shares or to capital markets

generally. Investors holding Notes subject to Conversion upon the occurrence of a Trigger Event have no right to elect to have Notes Written Off instead of Converted, although they may by their terms be Written Off and not Converted in certain circumstances.

Holders may suffer material loss on Conversion because, among other things:

- the number of Ordinary Shares that an investor will receive on Conversion cannot be greater than the Maximum Conversion Number, which is based on 20% of the 20 Trading Day VWAP of Ordinary Shares up to (but excluding) the Issue Date (as adjusted in certain circumstances as described below). At the time of a Trigger Event, the Maximum Conversion Number may be less than the number of Ordinary Shares the value of which would equal the principal amount of Notes Converted, and as a result, an investor in the Notes may receive, on Conversion, Ordinary Shares worth significantly less than the principal outstanding amount of such investor's Notes;
- if the number of Ordinary Shares to be issued is calculated, based on VWAP, to be less than the Maximum Conversion Number, the VWAP may differ from the Ordinary Share price on or after the Trigger Event Conversion Date. In particular, VWAP prices will be based on Trading Days which occurred before the Trigger Event Conversion Date;
- the Ordinary Shares received on Conversion as well as Ordinary Shares may not be listed and so may not be able to be sold at prices reflecting their values (calculated based on VWAP) or at all;
- there may be no market in the Ordinary Shares received on Conversion and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment and as a result may suffer loss;
- the Maximum Conversion Number may be adjusted to reflect a consolidation, division or reclassification of Ordinary Shares, pro rata bonus issues and any Approved Acquisition Event as set out in the Conditions. However, no adjustment will be made to it on account of other transactions which may affect the price of Ordinary Shares, including, for example, rights issues, returns of capital, buy backs or special dividends. The Notes do not limit the transactions that ANZ may undertake with respect to its share capital and any such action may increase the risk that Holders receive only the Maximum Conversion Number. Accordingly, as a result of corporate actions of ANZ other than those in respect of which the Issue Date VWAP is adjusted, an investor in Notes may receive on Conversion Ordinary Shares worth significantly less than the prevailing principal amount of the investor's Notes. See "*Description of the Notes—Conversion Mechanics*"; and/or
- they are not issued Ordinary Shares and instead the shares are issued to a Holders' Nominee who will sell the shares on behalf of that Holder. See "*—In certain circumstances, an investor holding Notes subject to Conversion may not receive Ordinary Shares, only the proceeds thereof, as the Ordinary Shares would be issued upon Conversion to the Holders' Nominee for immediate sale, which sale is likely to occur when market conditions are not favorable*."

If, following a Trigger Event, Conversion has not been effected within five Trading Days after the Trigger Event Conversion Date for any reason (including an Inability Event, which is where ANZ is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of ANZ) or for any other reason), the principal amount of each Note which would otherwise be Converted, will not be Converted, but the rights of the Holder (including to the payment of interest and the prevailing principal amount) in relation to such principal amount will instead be immediately and irrevocably Written Off and terminated with effect on and from the Trigger Event Conversion Date and Holders will suffer loss as a result.

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

Holders should be aware that:

- Relevant Securities (including, without limitation, the Notes, Capital Notes 1, Capital Notes 2 and Capital Notes 3) will be converted or written off before any Tier 2 Capital instruments containing conversion or write off features are converted or written off;
- CPS2 are not Relevant Securities (and may not be converted or written off before or pro rata with Notes);
- CPS3 are Relevant Securities only in the case where the Trigger Event is a Common Equity Capital Trigger Event where the Common Equity Capital Ratio of the ANZ Level 2 Group is at or below 5.125% and not in the case of any other Trigger Event. Where the CPS3 are a Relevant Security, the terms of the CPS3 require that they be converted in full. The terms of the CPS3 do not permit or require the CPS3 to be written off if an Inability Event exists to prevent such conversion. As such, if the Notes are not Converted within five Trading Days of a Trigger Event Conversion Date for any reason (including an Inability Event) in accordance with the Conditions, the Notes may be Written Off in circumstances where CPS3 are not also written off;
- ANZ has no obligation to maintain on issue CPS3 or any other Relevant Securities and does not, and may never, have on issue Relevant Securities which require them to be converted or written off before Notes or in full; and
- where a Non-Viability Trigger Event occurs because APRA determines that, without a public sector injection of capital or equivalent support, ANZ would become non-viable, all the Notes will be Converted.

In addition, the claims of Holders in a Winding Up will be further adversely affected if a Trigger Event occurs. If, following a Trigger Event, Notes are Converted into Ordinary Shares, Holders will have a claim only as an Ordinary Shareholder. If, following a Trigger Event, Notes are Written Off, all rights in relation to those Notes will be terminated and Holders will not have their capital repaid.

**No rights to set-off**

Neither ANZ nor any Holder or any beneficial owner of a Note has any contractual right to set off any sum at any time due and payable to a Holder, such beneficial owner or ANZ (as applicable) under or in relation to the Note against amounts owing by the Holder or such beneficial owner to ANZ or by ANZ to the Holder or such beneficial owner (as applicable).

**Changes in regulatory capital requirements could impact the market value of the Notes or the likelihood of Conversion**

Any future changes to regulatory capital requirements may affect ANZ's Common Equity Capital Ratio. This may adversely impact the market value of the Notes or potentially increase the chance at a later date that Conversion of Notes will take place due to the occurrence of a Trigger Event.

**The Interest Rate on the Notes could be reduced and the market value of the Notes could be adversely impacted when the Interest Rate is reset on each Reset Date**

Each time the Interest Rate is reset, there is a risk that the new Interest Rate may become less attractive when compared to the rates of return available on comparable securities issued by ANZ or other entities. The Interest Rate will be reset on the First Reset Date and on each Reset Date thereafter and may be less than the

Initial Interest Rate and/or the Interest Rate that applies immediately prior to such Reset Date, which could affect the amount of any scheduled interest payments under the Notes and the market value of the Notes. See "*Description of the Notes—Interest on the Notes.*"

**ANZ has broad rights to redeem the Notes in the event of certain tax and regulatory events and, if we do so, that could adversely affect your return on the Notes**

As further described in "*Description of the Notes—Redemption and repurchase*," subject to certain conditions, ANZ may at its option, redeem the Notes as a whole, but not in part, at any time at a redemption price equal to 100% of the prevailing principal amount of the Notes together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as described under "*Description of the Notes—Interest on the Notes—Non-payment of interest*," if a Tax Event or a Regulatory Event occurs.

A Tax Event will occur if ANZ receives an opinion from a reputable legal counsel or other tax adviser in Australia or the applicable Relevant Jurisdiction that as a result of a change in laws of Australia or a Relevant Jurisdiction (including following any announcement of a change that will be introduced), certain specified tax events occur that would likely expose ANZ to certain adverse tax consequence in relation to the Notes, other than a change ANZ expected as at the Issue Date.

A Regulatory Event will occur if ANZ receives an opinion from a reputable legal counsel that as a result of a change in laws of Australia (including following any announcement of a change that will be introduced), the directors of ANZ determine that, as a result of such Regulatory Change, ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital. APRA has provided confirmation that the Notes will, once issued, constitute Additional Tier 1 Capital. However, if as a result of a change of Australian law or regulation or any statement of APRA, APRA subsequently determines that all of the Notes are not or will not qualify as Additional Tier 1 Capital, ANZ may decide that a Regulatory Event has occurred and redeem the Notes.

It is not possible to predict whether or not any change in the laws of Australia, the United Kingdom or any other Relevant Jurisdiction or a change in APRA's prudential standards, or any of the other events referred to above, will occur and enable ANZ to exercise its option to redeem the Notes as described above, and, if so, whether or not it will elect to redeem the Notes. There can be no assurances that, in the event of any such redemption, holders of Notes will be able to reinvest the proceeds to achieve a return equal to that payable on the Notes.

**An investment in the Notes could have adverse tax consequences for some Holders**

A general outline of the tax consequences of investing in Notes for certain potential investors is set out in "*Taxation*." That 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.

**The Notes should be treated as equity of the Issuer for U.S. federal income tax purposes**

Potential investors in the Notes should be aware that the Notes should be treated as equity of the Issuer for U.S. federal income tax purposes. For more information, see "*Taxation—Certain U.S. Federal Income Tax Considerations*" below.

**Foreign account tax compliance withholding may apply to payments on Notes, including as a result of the failure of a Holder or a Holder's bank or broker to provide information to taxing authorities**

The United States may impose a withholding tax as high as 30% on payments made with respect to the Notes, but the rules for calculating the amount of such withholding tax are still undetermined. This withholding tax generally will only apply to payments made on or after January 1, 2019, at the earliest. The withholding tax, when it applies, may be imposed at any point in a series of payments unless the relevant payee (including a bank, broker or individual) at each point complies with information reporting, certification and related requirements. Accordingly, a Holder that holds Notes through a bank or broker could be subject to withholding if, for example, its bank or broker is subject to withholding because the bank or broker fails to comply with these requirements even though the Holder itself might not otherwise have been subject to withholding. If a payment on the Notes is subject to this withholding tax, no additional amounts will be paid, and a Holder will receive less than the amount of the expected payment.

Prospective investors should consult their tax advisors and their banks or brokers regarding the possibility of this withholding. For more information, see "Taxation—Certain U.S. Federal Income Tax Considerations" below.

**Future issues or redemptions of securities by ANZ could negatively impact Holders**

The Notes do not in any way restrict ANZ from issuing further securities or from incurring further indebtedness. ANZ's obligations under the Notes rank subordinate and junior in right of payment and in a Winding Up to ANZ's obligations to holders of senior ranking securities and instruments, and its depositors and other creditors, including subordinated creditors (other than the holders of Equal Ranking Instruments). Accordingly, ANZ's obligations under the Notes will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to the Notes.

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

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

ANZ may incur further indebtedness and may issue further securities, including further Additional Tier 1 Capital securities before, during or after the issue of Notes. In addition, the Fiscal and Paying Agency Agreement does not contain any limitation on the amount of indebtedness that we may issue in the future. For example, as part of its ongoing capital management program, ANZ continually considers the issuance of Additional Tier 1 Capital securities in domestic and offshore markets.

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

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

Similarly, the Notes do not restrict ANZ from redeeming or otherwise repaying its other existing securities, including other existing securities which rank equally with or junior to the Notes (other than to the extent the restrictions on distributions or purchases of the Ordinary Shares apply).

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

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

**The occurrence of an Approved Acquisition Event could have a negative impact on the value of the Notes**

Where an Approved Acquisition Event occurs and certain other conditions are satisfied, the Approved Acquisition Event will allow the Issuer to substitute the Approved Acquirer as the issuer of the ordinary shares to be issued on Conversion and will permit the Issuer to make certain other amendments to the terms of the Notes, including to the definition of Trigger Event and to the Maximum Conversion Number, all in the manner set out in the Conditions. Accordingly, potential investors should be aware that, if an Approved Acquisition Event occurs and a substitution of the issuer of the ordinary shares on Conversion is effected under the Notes, Holders will be obliged to accept the Approved Acquirer Ordinary Shares (subject to the provisions for issue of shares to a Holders' Nominee as described below) and will not receive Ordinary Shares on Conversion.

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

ANZ has made no decision to implement an Approved Acquisition Event.

An Approved Acquirer may or may not be an Australian entity.

Following an Approved Acquisition Event, ANZ would continue to be regulated by APRA. However, depending on the structure of the acquirer following an Approved Acquisition 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 the Issuer being able to pay interest on the Notes.

After an Approved Acquisition Event, Holders will remain noteholders in ANZ with the same rights in respect of interest and the same rights to repayment of principal in a Winding Up as before the Approved Acquisition Event, but if a Trigger Event occurs, the position of Holders in this case may be worse than would have been the case if the Approved Acquisition Event had not occurred. This is because:

(i) the Issue Date VWAP (and therefore the Maximum Conversion Number) may not reflect the comparative market values of shares in the Approved Acquirer and ANZ and, if the terms of the Notes are not adjusted in such circumstances, will reflect the ANZ share price at the Issue Date, rather than that of the Approved Acquirer. Accordingly, if the market price of shares in the Approved Acquirer is less than 20% of the Issue Date VWAP, the number of shares issued in the Approved Acquirer will be limited to the Maximum Conversion Number.

(ii) Where the Approved Acquirer is an entity other than a non-operating holding company of ANZ listed on ASX, the sale of shares in the Approved Acquirer to retail investors in Australia will be restricted for a period of 12 months following their issue. This may mean that the shares may not be able to be

sold to retail investors in Australia at the market price used to calculate the number of shares Holders receive and Holders may suffer loss as a result. Sale of shares in an Approved Acquirer may also be restricted by the laws of other applicable jurisdictions.

On a Conversion, Holders will receive ordinary shares in the Approved Acquirer and not Ordinary Shares in ANZ. However, potential investors should be aware that, although there may be circumstances where a restriction on distributions and purchases of Ordinary Shares applies to ANZ where the Issuer does not pay interest on the Notes, after an Approved Acquisition Event has occurred, the Approved Acquirer would not be subject, under the Conditions, to a restriction on the payment of distributions on its share capital where the Issuer fails to pay interest on a Note. Ordinary Shares may cease to be quoted. See "*Description of the Notes—Approved Acquisition Events*."

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

**No further rights if ANZ is acquired by an entity other than an Approved Acquirer**

An entity may acquire ANZ and not be an Approved Acquirer. ANZ is not obliged to take steps to ensure that an acquirer becomes an Approved Acquirer. The terms do not provide any right or remedy for the Holders on account of ANZ being acquired by an entity that is not an Approved Acquirer. If a Trigger Event occurs in these circumstances, Conversion is still into Ordinary Shares in ANZ. The acquisition of ANZ may result in Ordinary Shares no longer being quoted on ASX. This may affect the Holder's ability to sell Ordinary Shares. If a Trigger Event occurs after Ordinary Shares have ceased to be quoted, the number of Ordinary Shares issued on Conversion will reflect the VWAP for the period of five Trading Days on which the Ordinary Shares were last traded on ASX. This may be well before the Trigger Event and, accordingly, the value of the Conversion Number of Ordinary Shares when issued may be very different from the value based on that VWAP. There may be no market for Ordinary Shares in ANZ issued in these circumstances. This may adversely affect the position of Holders.

**There may be limits on the amount of Ordinary Shares a Holder may acquire upon Conversion**

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

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

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

**Holders could be adversely impacted by the actions of an ADI statutory manager and APRA and other regulators**

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

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

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

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

A transfer under the FSBT Act overrides anything in any contract or agreement to which ANZ is party, including the Conditions. The transferring entity need not assume the obligations under the Notes, and Holders may have no recourse to such entity and no grounds to require repayment of the principal amount of the Notes on account of such transfer. This may have an adverse effect on the Issuer's ability to comply with its obligations under the Notes, the value of the Notes, the likelihood of the Issuer meeting its obligations and the position of Holders.

The laws under which APRA and a statutory manager may act to resolve a financial institution that is in difficulty are subject to review and may be amended in ways that affect the position of Holders. See "*— Insolvency and similar proceedings are likely to be governed by Australian law.*"

Further, under the UK Banking Act, the Bank of England may exercise resolution powers over the assets, rights or liabilities of a "third country" (i.e. outside the EEA) institution including its UK branch (such as the Issuer, as the London branch of ANZ), in support of resolution action by the institution's home resolution authority (such as APRA). Such resolution powers include facilitating the transfer of assets located in the UK to a bridge bank or ensuring that liabilities governed by English law can be written down in a bail-in. Conversely, the Bank of England has the right to refuse to recognize third country resolution proceedings in

certain limited circumstances; for example, where recognition would have an adverse effect on financial stability in the UK or another EEA state.

The European Union's Bank Recovery and Resolution Directive (which has been implemented in the UK via amendments to the UK Banking Act) also requires that where an EEA resolution authority (such as the Bank of England) has refused to recognize third country resolution proceedings, or where the third country resolution authority has not commenced resolution proceedings which affect the branch, and action is in the public interest, the relevant EEA resolution authority has the powers necessary to act in relation to the branch, independently of the third country resolution authority. To this end, in December 2015, the UK government published a consultation paper which included proposals to introduce new powers to allow the Bank of England to act independently in relation to the UK branch of a third country institution. These powers have been proposed as "back-stop" powers to be used in the exceptional circumstances where a bank is failing, international co-operation is expected to prove ineffective and independent action would therefore be required to protect the public interest. The UK government has proposed to grant the Bank of England powers (i) to transfer some or all of the assets, rights and liabilities of such a branch to a private sector purchaser, to a bridge bank or to an asset management vehicle and (ii) to bail in liabilities in connection with such a transfer. There is no current proposal to introduce standalone bail-in powers in relation to instruments such as the Notes as a branch has no independent legal identity from that of the relevant bank. Whether or not such proposals are enacted in their current form, it remains inherently uncertain in what circumstances the Bank of England might take independent resolution action over the London branch of any bank, including ANZ, and as to what form such action might take.

**We may amend the Fiscal and Paying Agency Agreement and the Notes in a manner adverse to some or all of the Holders**

The terms of the Notes contain provisions for calling meetings of Holders to consider matters affecting their interests generally. In some circumstances, these provisions permit a specified proportion of Holders, and in the case of a waiver of the restriction on Ordinary Share Dividends, Buy Backs and Capital Reductions in the event of the non-payment of scheduled interest, Holders by Special Resolution, to bind all Holders including Holders who did not consent or attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. See "*Description of the Notes—Modification of the Fiscal and Paying Agency Agreement and the Notes and waiver of covenants*."

**Market for Ordinary Shares**

There may be no market in Ordinary Shares received on Conversion and investors may not be able to sell the Ordinary Shares at a price equal to the value of their investment and as a result may suffer loss.

**The Notes are subject to selling and transfer restrictions**

The Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered hereby to QIBs in transactions that are either exempt from registration pursuant to Rule 144A under, the Securities Act, or are not subject to registration in reliance on Regulation S, or that are not subject to the registration requirements of the Securities Act. No disclosure document or product disclosure statement has been lodged with ASIC. Accordingly, the Notes are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Notice to Purchasers*," "*Plan of Distribution*" and "*Transfer Restrictions*." As a result of such restrictions, there can be no assurance as to the existence of a secondary market for the Notes or the liquidity of such market if one develops. Consequently, you must be able to bear the economic risk of an investment in your Notes for an indefinite period of time.

**There may be restrictions on the sale and transfer of Ordinary Shares**

As described further in the U.S. Disclosure Documents under "Major Shareholders, Description of Ordinary Shares and Constituent Documents and Related Party Transactions," there are provisions of Australian law that restrict the ability of a person to acquire interests in ANZ beyond the limits prescribed by those laws, as well as securities laws of general application which restrict persons acquiring or selling shares in various circumstances.

In addition, where an Approved Acquisition Event has occurred and the Approved Acquirer is an entity other than a non-operating holding company of ANZ listed on ASX, the sale of ordinary shares in the Approved Acquirer issued upon Conversion of the Notes will be restricted as described above under "*—The occurrence of an Approved Acquisition Event could have a negative impact on the value of the Notes.*"

**Because Global Notes will be held by or on behalf of DTC, Holders will have to rely on their procedures for transfer, payment and communication with the Issuer**

Notes may be represented by one or more Global Notes. Such Global Notes will be deposited with a nominee of DTC. Apart from the circumstances described in the Global Note, investors will not be entitled to Notes in definitive form. DTC, or its nominee, will be the sole registered owner and Holder of all Notes represented by a Global Note, and investors will be permitted to own only indirect interests in a Global Note. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with DTC or with another institution that does. Thus, an investor whose Note is represented by a Global Note will not be a Holder of the Note, but only an indirect owner of an interest in the Global Note. As an indirect owner, an investor's rights relating to a Global Note will be governed by the account rules of DTC and those of the investor's financial institution or other intermediary through which it holds its interest (e.g. Euroclear or Clearstream, Luxembourg), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a Holder of Notes and instead deal only with DTC as the registered holder of the Global Notes. An investor in a Global Note will be an indirect holder and must look to his or her own bank or broker for payments on the Notes and protection of his or her legal rights relating to the Notes.

See "*Description of the Notes—Payment mechanics for Notes—How we will make payments—Payments on global certificates*" and "*Book Entry, Delivery and Form*" for further discussion of the risks associated with holding Global Notes.

**The Notes are novel and complex financial instruments and may not be a suitable investment for all investors**

The Notes are novel and complex financial instruments, which include features which, since January 1, 2013, are required for the Notes to qualify as ANZ's Additional Tier 1 Capital under APRA Prudential Standards. As a result, an investment in the Notes will involve certain increased risks. Each potential investor in the Notes must determine the suitability of such investment in the Notes (or the Ordinary Shares if Conversion is required) in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes, the rights attaching to the Notes, when and how the Notes may be Converted or Written Off and the information contained or incorporated by reference in this Offering Memorandum;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes (and the Ordinary Shares to be issued if Conversion is required) will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes (or the Ordinary Shares), including the risk associated with a Conversion or Write Off or the non-payment of interest, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the Conditions, such as the provisions governing a Conversion or Write Off with respect to, or the non-payment of interest on, the Notes (including, in particular, the uncertainty as to the circumstances under which a Trigger Event will or may be deemed to occur), and be familiar with the behavior of any relevant financial markets and their potential impact on the likelihood of certain events under the Notes occurring; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions and their resulting effects on the likelihood of a Conversion or Write Off or the non-payment of interest and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Memorandum or incorporated by reference herein.

**The tax and stamp duty consequences of holding Ordinary Shares following a Conversion could be different for some categories of Holders from the tax and stamp duty consequences for them of holding Notes**

Upon the occurrence of a Trigger Event, ANZ will Convert a principal amount of Notes into Ordinary Shares. The tax and stamp duty consequences of holding Ordinary Shares following a Conversion could be different for some categories of Holders from the tax and stamp duty consequences for them of holding Notes.

**In certain circumstances, an investor holding Notes subject to Conversion may not receive Ordinary Shares, only the proceeds thereof, as the Ordinary Shares would be issued upon Conversion to the Holders' Nominee for immediate sale, which sale is likely to occur when market conditions are not favorable**

If an investor holding Notes subject to Conversion: (i) notifies ANZ that it does not wish to receive Ordinary Shares as a result of the Conversion; (ii) has an address outside of Australia or is a person whom ANZ may otherwise believe is not a resident of Australia; (iii) is a Clearing System Holder; (iv) does not provide Australian securities account information to ANZ prior to the Trigger Event Conversion Date; or (v) where a FATCA Withholding (as defined below) is required to be made in respect of the Ordinary Shares issued on the Conversion, the Ordinary Shares that the investor would receive on Conversion will instead be issued to a the Holders' Nominee (which may not be ANZ or any of its Related Entities (which has the meaning given by APRA from time to time)), who will sell the shares on behalf of that investor. The Holders' Nominee will have no duty to seek a fair market price, or to engage in an arms length transaction in such sale, and market conditions are likely to have deteriorated following the Trigger Event that caused the Conversion.

To enable ANZ to issue Ordinary Shares to an investor on Conversion, investors need to have appropriate securities accounts in Australia for the receipt of Ordinary Shares and to provide to ANZ, prior to the Trigger Event Conversion Date, their name and address and certain security holder account and other details. Investors should understand that a failure to provide this information to ANZ by the Trigger Event Conversion

Date may result in ANZ issuing the Ordinary Shares to the Holders' Nominee which, if the information is not provided to the Holders' Nominee no later than 30 days after the Trigger Event Conversion Date, will sell the Ordinary Shares and pay the net proceeds to the investors. In this situation, investors will have no rights against ANZ in relation to the Conversion and will not be able to trade in any Ordinary Shares issued to the Holders' Nominee.

**If Conversion of Notes is not effected within five Trading Days of the Trigger Event Conversion Date for any reason (including if ANZ is prevented from Converting Notes by law), the Notes will be Written Off and the Holders of the Notes will not be entitled to receive anything**

If ANZ is required to Convert Notes but, for any reason (including if ANZ is prevented from Converting Notes by applicable law, court order, government action or for any other reason), the Conversion is not effected within five Trading Days of the Trigger Event Conversion Date, the Conversion will not occur and the rights of investors in relation to those Notes will be Written Off and immediately and irrevocably terminated with effect on and from the Trigger Event Conversion Date. In this situation also, investors will lose the value of their investment in the Notes so Written Off and will not receive any compensation or have any further recourse with respect to the lost value.

The rules and regulations of the ASX in certain circumstances limit ANZ's ability, without shareholder approval, to issue Ordinary Shares and other equity securities (which may include convertible notes) without the approval of holders of Ordinary Shares. If the issue or Conversion of Notes would contravene that limit, then ANZ may be prevented from Converting Notes and such Notes may be required to be Written Off.

As described further in the U.S. Disclosure Documents under "Major Shareholders, Description of Ordinary Shares and Constituent Documents and Related Party Transactions," there are provisions of Australian law that are relevant to the ability of any person to acquire interests in ANZ beyond the limits prescribed by those laws, as well as securities laws of general application which restrict persons acquiring or selling shares in various circumstances.

Holders should take care to ensure that by acquiring any Notes which provide for such Notes to be Converted to Ordinary Shares as described under "*Description of the Notes—Conversion of the Notes*" (taking into account any Ordinary Shares into which they may Convert), Holders do not breach any applicable restrictions on the ownership of interests in ANZ. If the acquisition or Conversion of such Notes by the Holder or a nominee would breach those restrictions, ANZ may be prevented from Converting such Notes and, where Conversion is required, such Notes may be required to be Written Off.

**Insolvency and similar proceedings are likely to be governed by Australian law**

In the event that ANZ becomes insolvent, insolvency proceedings are likely to be governed by Australian law. Australian insolvency laws are different from the insolvency laws of certain other jurisdictions, including the United States. In particular, the voluntary administration procedure under the Corporations Act, which provides for the potential reorganization of an insolvent company, is different from Chapter 11 under the U.S. Bankruptcy Code and may differ from similar provisions under the insolvency laws of other non-Australian jurisdictions.

In addition, to the extent that the Holders are entitled to any recovery with respect to the Notes in any bankruptcy or certain other events in bankruptcy, insolvency, dissolution or reorganization relating to ANZ, those Holders might not be entitled in such proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in Australian dollars.

The Commonwealth Treasury of Australia announced in September 2012 a consultation on a series of reform proposals directed at strengthening APRA's crisis management powers. Submissions closed in December

2012; however, the Commonwealth Treasury of Australia is yet to release an official response to the submissions received. If implemented, these proposals could lead to some changes (for example, a broadening of APRA's powers to appoint an ADI statutory manager) to the Australian law matters described above. The FSI recommended that the issues raised in that consultation be pursued and the Government has endorsed that recommendation.

**Provision of information and certifications pursuant to Common Reporting Standard compliance requirements**

The Organization for Economic Co-operation and Development's Common Reporting Standard for Automatic Exchange of Financial Account Information ("**CRS**") will require certain financial institutions to report information regarding certain accounts (which may include the Notes) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed the CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS will apply to Australian financial institutions with effect from July 1, 2017.

## SUPERVISION AND REGULATION

Information on the regulatory and supervisory bodies relevant to ANZ can be found under "Section 2: Information on the Group—Supervision and Regulation" on pages 11 to 17 of the 2016 Half Year U.S. Disclosure Document and is incorporated by reference herein.

### Supervision and Regulation in Australia

Below is a summary of the regulation and supervision regime applicable to the Group in Australia.

#### Overview of APRA's Prudential and Regulatory Supervision

Since July 1, 1998, APRA has been responsible for the prudential and regulatory supervision of Australian ADIs, which cover banks (including ANZ), credit unions, building societies, insurance companies (including OnePath Life Limited) and superannuation funds. Prior to this, the Australian banking industry was regulated by the RBA. The RBA has retained overall responsibility for monetary policy, financial system stability and payments system regulation. APRA draws authority from the Australian Prudential Regulation Authority Act 1998 of Australia.

APRA requires ADIs to meet certain prudential requirements that are covered in a range of APRA Prudential Standards.

APRA discharges its responsibilities in part by requiring ADIs subject to its supervision to regularly provide it with reports that set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters. APRA gives special attention to capital adequacy, liquidity, earnings, credit quality and associated loan loss experience, concentration of risks, maturity profile of assets and liabilities, operational risks, market risks, interest rate risk in the banking book, exposures to related entities, outsourcing, funds management, securitization activities and international banking operations. APRA may also exercise certain investigative powers if an ADI fails to provide information about its financial condition. Where APRA considers that an ADI may become unable to meet its obligations or may suspend payment (among other circumstances), APRA can take control of the ADI's business (including by appointment of an ADI statutory manager). APRA also has power to direct the ADI not to make payments in respect of its indebtedness and to compulsorily transfer some or all of the ADI's assets and liabilities to another ADI in certain circumstances. A counterparty to a contract with an ADI cannot rely solely on the fact that an ADI statutory manager is in control of the ADI's business or on the making of a direction or compulsory transfer order as a basis for denying any obligations to the ADI or for accelerating any debt under that contract or closing out any transaction relating to that contract.

In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from each ADI with selective "on site" visits and formal meetings with the ADI's senior management and the external auditor. APRA has also formalized a consultative relationship with each ADI's external auditor, with the agreement of the ADIs. The external auditor provides additional assurance to APRA that the information sourced from an ADI's accounting records and included in the ADI's APRA reporting is, in all material respects, reliable and in accordance with the relevant APRA Prudential and Reporting Standards. The external auditor also undertakes targeted reviews of specific risk management areas as selected by APRA. In addition, an ADI's Chief Executive Officer attests to, and its directors endorse, the adequacy and operating effectiveness of the ADI's risk management systems to control exposures and limit risks to prudent levels.

## Capital Management and Adequacy and Liquidity within APRA's Regulations

For further details of the Group's capital management and adequacy, liquidity and APRA's regulatory environment, refer to the sections entitled "Capital management" and "Liquidity risk" set out in "Section 3: Operating and Financial Review and Prospects" in the U.S. Disclosure Documents.

## Capital

### Basel 3

The common framework for determining the appropriate level of bank regulatory capital is set by the Basel Committee under a framework that is commonly known as "**Basel 3**."

For calculation of minimum capital requirements under Pillar 1 ("**Capital Requirements**") of the Basel Accord, the Group has been accredited by APRA to use the Advanced Internal Ratings Based ("**AIRB**") methodology for credit risk weighted assets and Advanced Measurement Approach ("**AMA**") for the operational risk weighted asset equivalent.

On January 1, 2013, APRA's new Prudential Standards, implementing the Basel 3 capital reform package released by the Basel Committee with the aim of strengthening the global capital and liquidity framework to improve the banking sector's ability to absorb shocks arising from financial and economic stress, came into effect.

Basel 3 also aims to increase the quality, quantity, consistency and transparency of banks' capital bases, whilst strengthening the risk coverage of the capital framework. APRA has adopted the majority of the Basel 3 capital reform package in Australia, although APRA required ADIs to satisfy in full the minimum capital requirements from January 1, 2013 and the Combined Capital Buffers (defined below) from January 1, 2016. APRA views the Basel 3 reforms as a minimum requirement and hence has not incorporated some of the concessions proposed in the Basel 3 rules and has also set higher requirements in other areas. As a result, Australian banks' Basel 3 reported capital ratios are not directly comparable with international peers.

In particular, APRA's Basel 3 Level 1 group (which constitutes the ADI on a standalone basis (i.e. ANZ and a limited number of APRA approved subsidiaries)) and Level 2 group (being the consolidated banking group (i.e. ANZ's consolidated financial group less certain subsidiaries and Associates (as defined in the Australian Accounting Standards) excluded under APRA's Prudential Standards, principally ANZ's insurance subsidiaries and ANZ's associated offshore financial institutions)) capital standards:

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

- increase the capital requirements for traded market risk, credit risk and securitization transactions.

**Prudential Regulatory Changes**

These standards may be supplemented by yet to be finalized proposals from the Basel Committee and APRA as to:

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

**Composition of Level 2 ADI Group**

APRA recently provided industry-wide clarification to the definition of the ADI Level 2 Group, where subsidiary intermediate holding companies are now considered part of the ADI Level 2 Group. The main impact of the changes resulted in the phasing out of the capital benefits arising from issuing debt from these holding companies. ANZ, at March 31 2016, had fully repaid any debt affected by this change. Whilst APRA is still providing implementation guidance on some of the changes, any impact on ANZ is not expected to be material to ANZ.

**Financial System Inquiry ("FSI")**

The FSI final report into Australia's financial system was released on December 7, 2014 (the "**FSI Final Report**"). The contents of the FSI Final Report are wide-ranging and key recommendations that may have an impact on regulatory capital levels include:

- setting capital standards ensuring that capital ratios of ADIs are "unquestionably strong";
- raising the average internal ratings-based ("**IRB**") mortgage risk weights to narrow the difference between average mortgage risk-weights for ADIs, which use IRB models, and those that use standardized risk weights in order to increase competition in mortgage lending;
- implementing a framework for minimum loss absorption and recapitalization capacity in line with emerging international practice;
- developing a common reporting template that improves the transparency and comparability of capital ratios of ADIs; and
- introducing a leverage ratio that acts as a backstop to ADIs' risk-based capital requirements, in line with Basel 3.

APRA responded to key recommendations of the FSI Final Report in July 2015 with the following announcements:

- APRA released an information paper entitled "International capital comparison study" (the "**APRA Study**") which supported the FSI's recommendation that the capital ratios of ADIs should be

unquestionably strong. The APRA Study confirmed that the major ADIs are well-capitalized and acknowledged the challenges and complexity of comparing capital ratios between ADIs and international peers given the varied national discretions exercised by some different jurisdictions when implementing the Basel 3 global capital adequacy framework. The APRA Study did not confirm the definition of "unquestionably strong" and stated that APRA does not intend to directly link Australian capital requirements with a continually moving benchmark, such as the top quartile of banks internationally. The results of the APRA Study will only inform but will not determine APRA's approach for setting capital adequacy requirements.

- Effective from July 1, 2016, APRA will increase the capital requirements for Australian residential mortgage exposures for ADIs accredited to use the IRB approach for credit risk. These new requirements are expected to increase the average risk weighting for mortgage portfolios to approximately 25%. The estimated impact on ANZ is an approximate 60 bps reduction in the Common Equity Capital Ratio of the ANZ Level 2 Group on implementation of this change. In response to this, ANZ raised A$3.2 billion of ordinary share capital via a fully underwritten institutional share placement in August 2015 (A$2.5 billion raised) and a retail share purchase plan to eligible Australian and New Zealand shareholders in September 2015 (A$0.7 billion raised). APRA has indicated that further changes may be required once greater clarity on the deliberations of the Basel Committee is available, particularly in relation to revisions to the standardized approach for credit risk and capital floors.

The Australian Government released its response to the FSI Final Report in October 2015 and it agrees with all of the above capital-related recommendations. The Australian Government supports and endorses APRA to implement the recommendations, including the initial actions to raise the capital requirements for Australian residential mortgage exposures as well as taking additional steps to ensure that major ADIs have "unquestionably strong" capital ratios by the end of 2016.

Apart from the July 2015 announcements, APRA has not made any determinations on the other key recommendations in the FSI Final Report to date. Therefore, the final outcome of the FSI, including any impacts and the timing of these impacts on ANZ remain uncertain.

In addition, there are several Government inquiries and proposals for new inquiries, the impact of which is indeterminate at this stage.

**Common Equity Capital Ratio**

APRA's new Level 1 and Level 2 Basel 3 Prudential Standards require a minimum Common Equity Capital Ratio of 4.5% from January 1, 2013, although APRA may require ADIs, such as ANZ, to maintain a higher capital ratio which may not be disclosed ("**Prudential Capital Ratio**" or "**PCR**"). From January 1, 2016, APRA also requires ADIs to hold Common Equity Tier 1 Capital buffers ("**Combined Capital Buffers**") consisting of:

- a capital conservation buffer ("**CCB**") of 2.5%, unless APRA determines otherwise; plus
- an additional capital buffer of 1.0% if APRA has determined that the ADI is an Australian domestic systemically important bank ("**D-SIB**"). APRA has determined that ANZ is a D-SIB; plus
- a counter-cyclical capital buffer which from January 1, 2016 in respect of Australian exposures is 0.0%, although it may vary over time up to 2.5% in response to market conditions. Regulators in jurisdictions in which ANZ operates may set counter-cyclical capital buffers that apply to exposures in that jurisdiction, and as such apply to ANZ. As at March 31, 2016 the total weighted counter-cyclical capital buffer applicable to ANZ at Level 1 and at Level 2 was 0.0%.

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

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

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

An ADI may apply to APRA to make payments in excess of these constraints imposed by the Capital Conservation Buffer regime. APRA will only grant approval where it is satisfied that an ADI has established measures to raise capital equal to or greater than the amount above the constraint that it wishes to distribute.

Australian corporations law does not limit the sources of payment of interest on the Notes to the profits of a particular year or period. As at September 30, 2015, ANZ had retained earnings of A$20,138 million.

The Common Equity Capital Ratios of the ANZ Level 1 and Level 2 Groups were 10.2% and 9.8%, respectively at March 31, 2016. Volatility in the Common Equity Capital Ratio can be expected to arise in the

future reflecting the buildup of current year earnings in normal conditions which increase the ratio and the subsequent payment of Ordinary Share dividends (generally in July and December of each year) which decreases the ratio. This also equates, as at March 31, 2016, to:

- over A$18.2 billion and A$18.1 billion of surplus Common Equity Tier 1 Capital for the ANZ Level 2 Group and ANZ Level 1 Group respectively in excess of a Common Equity Capital Ratio of 5.125% which is the point at which a Common Equity Capital Trigger Event would occur; and
- over A$7.0 billion and A$7.9 billion of surplus Common Equity Tier 1 Capital for the ANZ Level 2 Group and ANZ Level 1 Group respectively in excess of a Common Equity Capital Ratio of 8% which is the current APRA Minimum Capital Ratio applying under the prudential standards.

References to the Minimum Capital Ratio applicable under APRA's Prudential Standards refer to general minima applying under the APRA Prudential Standards, rather than specific minima applying to ANZ. For further details of the capital ratios for the ANZ Level 1 Group and ANZ Level 2 Group see "*Selected Financial Data.*"

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

Subject to APRA finalizing changes to its Level 2 Prudential Standards and introducing level 3 Prudential Standards (including any requirement to hold additional capital) arising from the recommendations contained in the FSI Final Report, ANZ will target an operating range for the Common Equity Capital Ratio around 9.0% during normal conditions which is above the Common Equity Capital Trigger Event level of 5.125% and APRA's Minimum Capital Ratio of approximately 8.0%. ANZ gives no assurance as to what its Common Equity Capital Ratio for the ANZ Level 1 Group or ANZ Level 2 Group will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.

**Liquidity**

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

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

A key component of this framework is the LCR that was implemented in Australia on January 1, 2015. The LCR is a severe short-term liquidity stress scenario, introduced as part of the Basel 3 international framework for liquidity-risk measurement, standards and monitoring. As part of meeting the LCR requirements, ANZ has a Committed Liquidity Facility ("**CLF**") with the RBA. The CLF has been established as a solution to a High Quality Liquid Asset ("**HQLA**") shortfall in the Australian marketplace and provides an alternative form of

RBA-qualifying liquid assets. The total amount of the CLF available to a qualifying ADI is set annually by APRA.

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

**Liquidity Ratios**

The Basel 3 liquidity changes include the introduction of two liquidity ratios to measure liquidity risk: (i) the LCR, which became effective on January 1, 2015, and (ii) the NSFR.

The final Basel 3 NSFR standard was released in October 2014 which will require banks to maintain a stable funding profile relative to the composition of their assets including off-balance sheet exposures. The NSFR is a ratio of available stable funding relative to the amount of required stable funding and banks have to meet a minimum ratio requirement of 100% on January 1, 2018.

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

**Supervision and Regulation applicable to the Issuer**

For a discussion of the risks related to the supervisory and regulatory provisions applicable to the Issuer, see "*Risk Factors—Risk Factors Relating to the Notes—Holders could be adversely impacted by the actions of an ADI statutory manager and APRA and other regulators*."

## DESCRIPTION OF THE NOTES

This section summarizes the material terms that will apply to the Notes.

For convenience and unless otherwise indicated, in this section references to "**we**," "**our**," "**ANZ**" and "**us**" refer to Australia and New Zealand Banking Group Limited (ABN 11 005 357 522), and references to the "**Issuer**" refer to ANZ acting through its London Branch.

### Form of the Notes and ownership

The Notes will be issued in global registered form. The Notes will be represented by one or more global certificates registered in the name of a nominee for DTC (the "**Clearing System**," which term includes any successor thereto) as Holder, which will be the Holder of all of the Notes represented by such global certificates. DTC is a Clearing System Holder (as defined herein) for the purposes of the Holders' Nominee provisions described below.

Those investors who own beneficial interests in the Notes while in global form will do so through participants in the Clearing System, and the rights of these indirect owners will be governed by the applicable procedures of the Clearing System and of its participants. We describe the global certificates in a separate section of this Offering Memorandum entitled "*Book Entry, Delivery and Form*."

In this section, references to "**Holders**" mean those persons who own Notes registered in their own names, on the books that the Fiscal Agent, in its capacity as Registrar, maintains for this purpose, and not those persons who own beneficial interests in Notes held by a Clearing System Holder. Owners of beneficial interests in the Notes (including, without limitation, where the Notes are held in DTC) should read the separate section of this Offering Memorandum entitled "*Book Entry, Delivery and Form*."

When we refer to "**your Note**," this means the Note or Notes in which you are investing.

### The Notes will be issued under a Fiscal and Paying Agency Agreement; this section is only a summary

The Notes will be issued pursuant to a document called a fiscal and paying agency agreement (the "**Fiscal and Paying Agency Agreement**") which is a contract between the Issuer and The Bank of New York Mellon, which will initially act as fiscal agent, paying agent, transfer agent, calculation agent and registrar in relation to the Notes (referred to collectively in such capacities as the "**Agent**" and, in each of such several capacities, as the "**Fiscal Agent**," "**Paying Agent**," "**Transfer Agent**," "**Calculation Agent**" and "**Registrar**," respectively, which terms include successors thereto). The Fiscal Agent performs administrative duties for us such as sending you interest and notices.

See "*—Our relationship with the Fiscal Agent*" for more information about the Fiscal Agent.

The Notes and the Fiscal and Paying Agency Agreement and its associated documents, including your Note, contain the full legal text of the matters described in this section. This section summarizes all the material terms of the Fiscal and Paying Agency Agreement and your Note. They do not, however, describe every aspect of the Fiscal and Paying Agency Agreement and your Note. For example, in this section we use terms that have been given special meaning in the Fiscal and Paying Agency Agreement, but we describe the meaning of only the more important of those terms.

See the separate section of this Offering Memorandum entitled "*Available Information*" for information on how to obtain a copy of the Fiscal and Paying Agency Agreement.

**Acting through London branch**

The Notes will be issued by ANZ acting through its London branch. The London branch is not a separate legal entity and so, in insolvency proceedings relating to ANZ, creditors of ANZ acting through its London branch would not be limited to making claims on the assets of ANZ allocated to or booked in the London branch. Conversely, creditors of ANZ acting other than through the London branch will have a claim on the assets of ANZ acting through its London branch.

Further, if ANZ is unable to make payment on the Notes via its London branch it may make the payment via any other branch or through its head office and may do so from cash held anywhere in the world.

**We may incur other indebtedness, issue other series of debt securities and increase the number of Notes in issue**

The Fiscal and Paying Agency Agreement will not restrict us from incurring further indebtedness (including, without limitation, from issuing other securities) from time to time which indebtedness may rank equally with or senior to the Notes and may be issued in such amounts, at such times and on such terms as we wish. Also, we are not subject to financial or similar restrictions on incurring further indebtedness by the Conditions or the Fiscal and Paying Agency Agreement. Further, the Notes do not limit the amount of liabilities that our subsidiaries may incur or assume.

ANZ may, from time to time, without the consent of Holders, issue additional Notes ("**Additional Notes**") having the same terms (other than as to their issue date and first scheduled Interest Payment Date), subject to us obtaining the prior written consent of APRA. Such additional Notes may be consolidated and form a single series with the Notes.

The Issuer shall not issue Additional Notes having the same CUSIP, ISIN or other identifying number as the outstanding Notes unless such Additional Notes are fungible with the outstanding Notes for United States federal income tax purposes.

The Issuer shall not issue Additional Notes where the First Reset Date (as defined herein) for the Additional Notes is less than five years from the date of issue of the Additional Notes.

**No stated maturity**

The Notes will be perpetual securities in respect of which there will be no stated maturity date or other fixed redemption date. Holders may not require any redemption or purchase of the Notes at any time.

**Principal amount**

As used herein, the "**prevailing principal amount**" of a Note means the initial principal amount of such Note, as it may from time to time be adjusted by endorsement on Schedule B to such Note or reduced due to Conversion or Write Off (as defined below) in accordance with "*—Conversion of the Notes*."

**Currency of Notes**

Amounts that are scheduled to be paid on your Note in cash will be payable in U.S. dollars.

You will have to pay for your Notes by delivering the requisite amount of U.S. dollars for the principal unless other arrangements have been made between you and the Joint Lead Managers.

**Status and Subordination of the Notes and how the Notes rank against other liabilities**

The Notes will constitute our fully paid, direct, unsecured and subordinated obligations and, unless Converted or Written Off, will rank for payment of the prevailing principal amount of the Notes in a Winding Up, (i) in priority to holders of Ordinary Shares, (ii) *pari passu* without any preference among themselves and with the holders of Equal Ranking Instruments and (iii) junior to the claims of all Senior Creditors.

***Ranking in a Winding Up***

If an order is made by a court of competent jurisdiction in Australia (other than an order successfully appealed or permanently stayed within 60 days), or an effective resolution passed, for the Winding Up in Australia, the Notes will become payable at their prevailing principal amount as described below.

A Holder will have no further or other claim on ANZ in a Winding Up other than the claim for the prevailing principal amount described below. Accordingly, the Notes will not entitle a Holder or any beneficial owner to claim any unpaid scheduled interest on the Notes in a Winding Up.

Holders will rank for payment of the prevailing principal amount of each Note in a Winding Up in Australia:

(a) in priority to the holders of Ordinary Shares;

(b) equally among themselves and with all holders of Equal Ranking Instruments with respect to priority of payment in a Winding Up; and

(c) junior to the claims of all Senior Creditors with respect to priority of payment in a Winding Up in that:

(i) all claims of Senior Creditors must be paid in full (including in respect of any entitlement to interest under section 563B of the Corporations Act) before the claims of the Holders are paid; and

(ii) until the Senior Creditors have been paid in full, the Holders must not claim in the Winding Up in competition with the Senior Creditors so as to diminish any distribution, dividend or payment which, but for that claim, the Senior Creditors would have been entitled to receive,

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

Accordingly, if proceedings with respect to the Winding Up were to occur, the Holders could recover less relatively than the holders of deposit liabilities or protected accounts, the holders of more senior securities and the holders of prior ranking subordinated liabilities of ANZ. For the purposes of the Banking Act, a "protected account" is broadly an account (i) kept with an ADI where the ADI is required to pay the account-holder, on demand or at an agreed time, the net credit balance of the account; or (ii) that is prescribed by regulation. Protected accounts include current accounts, savings accounts and term deposit accounts. Protected accounts must be recorded in Australian currency and must not be kept at a foreign branch of an ADI. For the avoidance of doubt, the Notes will not be deposit liabilities or protected accounts of ANZ for the purposes of the Banking Act, will not be covered deposits of ANZ pursuant to a deposit guarantee scheme for the purposes of the UK Banking Act and will not be insured by the FDIC, the UK Financial Services Compensation Scheme or any other government, government agency or compensation scheme of the Commonwealth of Australia, the United States, the United Kingdom or any other jurisdiction or by any party.

Nothing in the Conditions or the Fiscal and Paying Agency Agreement shall be taken to (A) create a charge or security interest on or over any right of the Holder or (B) require the consent of any Senior Creditor to any amendment of the Note or the Fiscal and Paying Agency Agreement made in accordance with the Fiscal and Paying Agency Agreement.

By its acquisition and holding of a Note, each Holder will irrevocably agree:

(a) that the subordination of the Notes referred to above is a debt subordination for the purposes of section 563C of the Corporations Act;

(b) that it does not have, and waives to the maximum extent permitted by law, any entitlement to interest under section 563B of the Corporations Act to the extent that a holder of a Preference Share would not be entitled to such interest;

(c) not to exercise any voting or other rights as a creditor in the Winding Up in any jurisdiction:

(i) until after all Senior Creditors have been paid in full; or

(ii) otherwise in a manner inconsistent with the subordination of the Notes contemplated above;

(d) that it must pay or deliver to the liquidator any amount or asset received on account of its claim in the Winding Up in respect of a Note in excess of its entitlement as set out above; and

(e) that the subordination of the Notes referred to above will not be affected by any act or omission of ANZ or a Senior Creditor which might otherwise affect it at law or in equity.

If, upon a return of capital in a Winding Up, there are insufficient funds to pay in full the prevailing principal amount of the Notes and the amounts payable in respect of any other Equal Ranking Instruments, 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. To the extent that Holders are entitled to any recovery with respect to the Notes in any Winding Up, such Holders might not be entitled in such proceedings to a recovery in U.S. dollars in respect of such Notes and might be entitled only to a recovery in Australian dollars.

Neither ANZ nor any Holder or any beneficial owner of a Note has any contractual right to set off any sum at any time scheduled to be paid to a Holder, such beneficial owner or ANZ (as applicable) under or in relation to such Note against amounts owing by the Holder or such beneficial owner to ANZ or by ANZ to the Holder or such beneficial owner (as applicable).

On a Winding Up, the Holder shall only be entitled to prove for any sums payable in respect of this Note as a debt which is subject to and contingent upon prior payment in full of the obligations of ANZ to the Senior Creditors, and the Holder waives to the fullest extent permitted by law any right to prove in the Winding Up as a creditor of ANZ ranking for payment in any other manner. Holders and beneficial owners of the Notes shall not be entitled to place ANZ in administration or to seek the appointment of a receiver, receiver and manager, liquidator or provisional liquidator to ANZ.

Further, the Notes (or a portion thereof) will be mandatorily Converted into Ordinary Shares or Written Off without delay following the occurrence of a Trigger Event, as further described under "*—Conversion of the Notes*." Where a Note is Converted only in part, then the principal amount of the Note will be reduced by the amount Converted or Written Off. Where as a result of the Conversion of a Note you hold our Ordinary Shares, your claim in any future Winding Up will be that of a holder of Ordinary Shares. Where a Note is Written Off, you will have no claim in any future Winding Up.

As used herein:

- "**Capital Notes 1**" means the convertible notes issued by ANZ in 2013 under a prospectus dated July 10, 2013 (which replaced a prospectus dated July 2, 2013).
- "**Capital Notes 2**" means the convertible notes issued by ANZ in 2014 under a prospectus dated February 19, 2014 (which replaced a prospectus dated February 11, 2014).
- "**Capital Notes 3**" means the convertible notes issued by ANZ in 2015 under a prospectus dated February 5, 2015 (which replaced a prospectus dated January 23, 2015).
- "**CPS2**" means the convertible preference shares issued by ANZ in 2009 under a prospectus dated November 18, 2009 (which replaced a prospectus dated November 10, 2009).

- "**CPS3**" means the convertible preference shares issued by ANZ in 2011 under a prospectus dated August 31, 2011 (which replaced a prospectus dated August 23, 2011).
- "**Equal Ranking Instruments**" means, in respect of a return of capital in a Winding Up:
  (a) CPS2;
  (b) CPS3;
  (c) each other preference share that ANZ may issue that ranks or is expressed to rank equally with the foregoing and the Notes in respect of a return of capital in a Winding Up (as the case may be);
  (d) Capital Notes 1;
  (e) Capital Notes 2;
  (f) Capital Notes 3; and
  (g) any securities or other instruments that rank or are expressed to rank equally with those preference shares and the Notes in respect of a return of capital in a Winding Up (as the case may be).
- "**Preference Share**" means a notional preference share in the capital of ANZ conferring a claim in the Winding Up equal to the prevailing principal amount of a Note and ranking equally in respect of return of capital in a Winding Up with each of the preference shares which is an Equal Ranking Instrument.
- "**Senior Creditors**" means all present and future creditors of ANZ (including but not limited to depositors), whose claims are (a) entitled to be admitted in the Winding Up and (b) not expressed to rank equally with, or subordinate to, the claims of a Holder.
- "**Winding Up**" means any procedure whereby ANZ may be wound up, dissolved, liquidated or cease to exist as a body corporate and whether or not involving insolvency or bankruptcy, but shall exclude any winding up under or in connection with a scheme of amalgamation or reconstruction not involving our bankruptcy or insolvency where our obligations are assumed by a successor to which all, or substantially all, of our property, assets and undertaking are transferred or where an arrangement with similar effect not involving a bankruptcy or insolvency is implemented.

At March 31, 2016, ANZ was subject to outstanding claims of its Senior Creditors (including depositors) in an aggregate principal amount of approximately U.S.$583,221 million.

At March 31, 2016, ANZ was subject to outstanding claims of holders of its Equal Ranking Instruments in an aggregate principal amount of approximately U.S.$5,381 million.

**Interest on the Notes**

Subject to the Conditions and the Fiscal and Paying Agency Agreement, each Note entitles the Holder on the Regular Record Date falling prior to the relevant Interest Payment Date (as defined below) to a cash interest payment.

***Initial Interest Rate***

From and including June 15, 2016 (the "**Issue Date**") to but excluding June 15, 2026 (the "**First Reset Date**"), interest will be scheduled to be paid in arrears on the prevailing principal amount of the Notes at an initial rate equal to 6.750% per annum (the "**Initial Interest Rate**").

Subject to the provisions for the non-payment of interest set out below, interest, if any, will be scheduled to be paid semi-annually in arrears on June 15 and December 15 in each year, commencing on December 15, 2016

(each, whether or not such interest is, or is able to be, paid on that date in accordance with the Conditions, an "**Interest Payment Date**") until (but not including) the date on which a redemption of such Note occurs.

***Interest Rate Reset***

From and including each Reset Date (as defined below) to but excluding the next succeeding Reset Date, interest will be scheduled to be paid on the prevailing principal amount of the Notes at a rate per annum (each a "**Subsequent Interest Rate**" and, together with the Initial Interest Rate, the "**Interest Rate**") equal to the sum of the then prevailing Mid-Market Swap Rate on the relevant Reset Determination Date and 5.168% (being the margin determined at the time of the bookbuilding for the Notes) (rounded to three decimal places, with 0.0005 rounded upwards). The First Reset Date and every fifth anniversary thereafter shall be a "**Reset Date**."

As used herein:

- The "**Mid-Market Swap Rate**" is the mid-market U.S. dollar swap rate having a 5-year maturity appearing on Bloomberg page "USISDA05 Index" (or such other page as may replace such page on Bloomberg, or such other page as may be nominated by the person providing or sponsoring the information appearing on such page for purposes of displaying comparable rates) at 11.00 a.m. (New York time) on the Reset Determination Date, as determined by the Calculation Agent. If such swap rate does not appear on such page (or such other page or service), the Mid-Market Swap Rate shall instead be determined by the Calculation Agent on the basis of (a) quotations provided by the principal office of each of four major banks in the U.S. dollar swap rate market (which banks shall be selected by the Calculation Agent in consultation with the Issuer (the "**Reference Banks**")) of the rates at which swaps in U.S. dollars are offered by it at approximately 11.00 a.m. (New York time) (or thereafter on such date, with the Calculation Agent acting on a best efforts basis) on the Reset Determination Date to participants in the U.S. dollar swap rate market for a five-year period and (b) the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001% (0.0005% being rounded upwards) of such quotations. If the Mid-Market Swap Rate is not able to be determined on the relevant Reset Determination Date in accordance with the foregoing procedures, the Mid-Market Swap Rate shall be the mid-market U.S. dollar swap rate having a 5-year maturity that appeared most recently on Bloomberg "USISDA05 Index" (or such other page as may replace such page on Bloomberg, or such other page as may be nominated by the person providing or sponsoring the information appearing on such page for purposes of displaying comparable rates) that was last available prior to 11.00 a.m. (New York time) on such Reset Determination Date, as determined by the Calculation Agent.
- The "**Reset Determination Date**" shall be the second Business Day immediately preceding the relevant Reset Date.

***Calculation of interest***

Any interest scheduled to be paid on any Interest Payment Date or the date for payment of the prevailing principal amount of the Note in accordance with the Conditions, as the case may be, shall be the amount of interest in respect of the period from, and including, the immediately preceding Interest Payment Date (or, if no Interest Payment Date has yet occurred, from and including the Issue Date (as defined below)), to, but excluding, such Interest Payment Date or the date for payment of the prevailing principal amount of the Note in accordance with the Conditions, as the case may be (each such period is referred to as an "***Interest Period***").

The relevant day-count fraction for determining interest payable for any Interest Period shall be determined on the basis of the number of days in the relevant Interest Period, from and including the first day in such

period to but excluding the last day in such period, such number of days being calculated on the basis of a 360-day year consisting of 12 months of 30 days each, divided by 360.

As used herein, the term "**Business Day**" means any weekday, other than one on which banking institutions are authorized or obligated by law, regulation or executive order to close in each of London, United Kingdom, New York, New York, United States and Sydney, New South Wales, Australia.

All calculations of the Calculation Agent, in the absence of manifest error, will be conclusive for all purposes and binding on the Issuer and on the Holders.

***Non-payment of interest***

Payments of interest on the Notes will be non-cumulative.

The payment of any interest on the Notes is subject to:

(a) the Issuer's absolute discretion; and

(b) no Payment Condition existing in respect of the Notes as at the relevant Interest Payment Date.

If all or any part of any interest payment is not paid because of subsection (a) or (b) above or because of any applicable law, ANZ will have no liability to pay the unpaid amount of interest, neither Holders nor any other person will have a claim or entitlement in respect of such non-payment and such non-payment will not constitute a breach of the Conditions or give any Holder or any other person a right to apply for a Winding Up, to place ANZ in administration or to seek the appointment of a receiver, receiver and manager, liquidator or provisional liquidator to ANZ or exercise any remedies in respect of the Notes. Neither Holders nor any other person shall have any rights to receive any additional interest or compensation as a result of such non-payment.

See also "*—Conversion of the Notes*" below in relation to the mandatory and automatic termination of any right to interest on the principal amount of each Note which is converted or written off upon Conversion or Write Off.

Further, by its acquisition and holding of a Note, each Holder acknowledges and agrees that:

(a) the Notes do not confer any claim on ANZ except as set out in the Notes;

(b) the Notes do not confer on Holders any right to subscribe for new securities in ANZ or to participate in any bonus issues of securities of ANZ; and

(c) nothing in the terms of the Notes prevents ANZ from issuing securities of any kind or, except as provided in "*—Interest on the Notes— Restrictions in the case of non-payment of interest*," redeeming, buying back, returning capital on or converting any securities, other than the Notes.

As used herein, "**Payment Condition**" means, with respect to any payment of interest on the Notes on any Interest Payment Date:

(a) making such interest payment on the Notes on such Interest Payment Date would result in the ANZ Level 1 Group or the ANZ Level 2 Group (or, if applicable the ANZ Group on a Level 3 basis) not complying with APRA's then current capital adequacy requirements;

(b) making such interest payment on the Notes on such Interest Payment Date would result in ANZ becoming, or being likely to become, insolvent for the purposes of the Corporations Act; or

(c) APRA objecting to the interest payment on the Notes on such Interest Payment Date.

***Restrictions in the case of non-payment of interest***

For so long as the Notes remain outstanding, if for any reason a payment of interest on the prevailing principal amount of a Note is not paid in full on an Interest Payment Date (the "**Relevant Interest Payment Date**"), ANZ must not from (and including) the Relevant Interest Payment Date to (and including) the next following Interest Payment Date:

(a) resolve to pay or pay any Ordinary Share Dividend; or

(b) undertake any Buy Back or Capital Reduction,

provided that such restrictions shall not apply:

(i) if the relevant payment of interest on the Notes is made to each Holder within 3 Business Days of the Relevant Interest Payment Date;

(ii) if Holders approve the relevant Ordinary Share Dividend, Buy Back or Capital Reduction pursuant to a Special Resolution;

(iii) to a Buy Back or Capital Reduction in connection with any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any Controlled Entity; or

(iv) to the extent that at the time a payment of interest on the Notes has not been made on the Relevant Interest Payment Date, ANZ is legally obliged to pay on or after that date an Ordinary Share Dividend or complete on or after that date a Buy Back or Capital Reduction.

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

(A) taking security over ANZ Shares in the ordinary course of business; and

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

As used herein:

- "**ANZ Shares**" means Ordinary Shares or any other shares in the capital of ANZ.
- "**Buy Back**" means a transaction involving the acquisition by ANZ of its Ordinary Shares pursuant to the provisions of Part 2J of the Corporations Act.
- "**Capital Reduction**" means a reduction in capital by ANZ of its Ordinary Shares in any way permitted by the provisions of Part 2J of the Corporations Act.
- "**Control**" has the meaning given in the Corporations Act.
- "**Ordinary Share Dividend**" means any interim, final or special dividend payable in accordance with the Corporations Act and the constitution of ANZ in relation to Ordinary Shares.

**Payment of additional amounts**

The Issuer will make all payments of interest in respect of the Notes to all Holders of such Notes without withholding or deduction for, or on account of, any taxes, assessments or other governmental charges

("**relevant tax**") imposed or levied by, or on behalf of Australia or any political subdivision or taxing authority in, or of, Australia and, where the Notes remain issued through a branch outside Australia, the jurisdiction in which the branch is located or any political subdivision or taxing authority in, or of, that jurisdiction (each a "**Relevant Jurisdiction**") unless the withholding or deduction is required by law. In that event, the Issuer will increase the amount of any interest that is scheduled to be paid by such additional amounts (each an "**Additional Amount**") as may be necessary so that the net amount received by the Holder of the Notes, after such withholding or deduction, will equal the amount that the Holder would have received in respect of the Notes without such withholding or deduction. However, the Issuer will pay no Additional Amounts:

- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having some connection (whether present, past or future) with Australia or a Relevant Jurisdiction, other than mere receipt of such payment or being a Holder, or the beneficial owner, of the Notes;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes not complying with any statutory requirements or not having made a declaration of non-residence in, or lack of connection with, Australia or a Relevant Jurisdiction or any similar claim for exemption (including supplying an appropriate tax file number or Australian Business Number, as applicable), if the Issuer or its agent has provided the Holder, or the beneficial owner, of the Notes with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim;
- to the extent that the relevant tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Notes having presented for payment more than 30 days after the date on which the payment in respect of the Notes was first scheduled to be paid;
- to the extent that the relevant tax is imposed or levied as a result of the Holder, or the beneficial owner, of the Notes being party to or participating in a scheme to avoid tax, being a scheme which the Issuer was neither a party to nor participated in; or
- any combination of the above.

In addition, notwithstanding any other provision of these conditions, any amounts to be paid on the Notes will be paid, and any Ordinary Shares to be issued to a Holder on Conversion of a Note will be issued to the Holder net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation of Sections 1471 through 1474 of the Code (or any fiscal or regulatory legislation, rules or practices adopted pursuant to such an intergovernmental agreement) (a "**FATCA Withholding**"), and no Additional Amounts will be required to be paid and no additional Ordinary Shares will be required to be issued on account of any such deduction or withholding.

No Additional Amounts shall be paid with respect to any payment of, or in respect of, interest on a Note to any such Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would, under the laws of the Commonwealth of Australia or any political subdivision or taxing authority thereof or therein, be treated as being derived or received for tax purposes by a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such Additional Amounts had it been the Holder of such Note.

Whenever we refer in this Offering Memorandum, in any context, to the payment of interest on any Note, we mean to include the payment of Additional Amounts to the extent that, in that context, Additional Amounts are, were or would be payable.

**Redemption and repurchase**

The Notes will be perpetual securities in respect of which there will be no stated maturity date or other fixed redemption date. Holders may not require any redemption or purchase of the Notes at any time.

Your Note will not be entitled to the benefit of any sinking fund and we will not deposit money on a regular basis into any separate custodial account to repay your Note.

***Optional redemption***

Subject as set out below under *"—Conditions to redemption and repurchase,"* the Issuer will have the right to redeem the Notes, in whole but not in part, on the First Reset Date or any Reset Date thereafter at a redemption price equal to 100% of the prevailing principal amount of the Notes, together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as described under "*—Interest on the Notes—Non-payment of interest*."

If we exercise our option to redeem the Notes, we will give to the Holders written notice thereof not less than 30 days nor more than 60 days before the applicable redemption date. We will give the notice in the manner described below in "*—Notices*."

***Redemption for taxation reasons***

Subject as set out below under "*—Conditions to redemption and repurchase*," the Issuer will have the right to redeem the Notes as a whole, but not in part, at its option at any time at a redemption price equal to 100% of the prevailing principal amount of the Notes together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as described under "*—Interest on the Notes—Non-payment of interest*," if a Tax Event occurs; provided, however, that ANZ shall deliver to the Fiscal Agent an opinion of reputable legal counsel confirming that the conditions that must be satisfied for such redemption have been satisfied or have occurred.

Immediately prior to the giving of any notice of such a redemption of Notes, the Issuer will deliver to the Fiscal Agent a certificate of an Authorized Officer (as defined in the Fiscal and Paying Agency Agreement) (an "**Officer's Certificate**") stating that the Issuer is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem the Notes have occurred.

As used herein, "**Tax Event**" means the receipt by the directors of ANZ of an opinion from a reputable legal counsel or other tax adviser in Australia or the applicable Relevant Jurisdiction experienced in such matters to the effect that, as a result of:

(a) any amendment to, clarification of, or change (including any announcement of a change that will be introduced) in, the laws or treaties or any regulations affecting taxation in Australia or a Relevant Jurisdiction;

(b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice, announcement or communication (including any notice, announcement or communication of intent to adopt such procedures or regulations) affecting taxation in Australia or a

Relevant Jurisdiction or affecting the taxation treatment of the Notes in Australia or a Relevant Jurisdiction ("**Administrative Action**"); or

(c) any amendment to, clarification of, or change in, an Administrative Action that provides for a position that differs from the current generally accepted position,

in each case, by any legislative body, court, governmental authority (including, without limitation, a tax authority) or regulatory body in Australia or a Relevant Jurisdiction, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known, which amendment, clarification, change or Administrative Action is effective, or which pronouncement or decision is announced, on or after the Issue Date and which on the Issue Date is not expected by ANZ to come into effect, it is likely that:

(i) the Issuer would be required to increase the amount of any interest scheduled to be paid on the Notes by payment of an Additional Amount in respect of any withholding tax and such an increase cannot be avoided within 60 days of such Tax Event by ANZ by filing a form, making an election or taking some reasonable measure that in ANZ's sole judgment will not be adverse to ANZ and will involve no material cost to ANZ;

(ii) the Issuer is or would be no longer entitled to claim a deduction for any payments in respect of the Notes in computing its taxation liabilities in or relating to such Relevant Jurisdiction or the amount of such deduction is materially reduced;

(iii) where the United Kingdom is such Relevant Jurisdiction, the Notes are or would be prevented from being treated as loan relationships for United Kingdom tax purposes;

(iv) where the United Kingdom is such Relevant Jurisdiction, the Notes or any part thereof are or would be treated as a derivative or an embedded derivative for United Kingdom tax purposes; or

(v) any interest scheduled to be paid on the Notes would be a frankable dividend or distribution within the meaning of Division 202 of the Tax Act.

If, after the Issue Date, (A) as a result of a Branch Change Notice, the Notes are issued through a branch located in a jurisdiction different from the jurisdiction of the branch through which the Notes were issued immediately before such notice, the references to "Issue Date" in the preceding paragraph shall be deemed to be to the date the Branch Change Notice is given or (B) ANZ is merged into or consolidated with another entity, or all or substantially all of ANZ's assets are sold or transferred to another entity (each, a "***Relevant Transaction***") and in each case the home jurisdiction for tax purposes of such other entity is not Australia (or if such jurisdiction has already become a jurisdiction other than Australia, is different to the jurisdiction which it is immediately prior to the Relevant Transaction), the references to "Issue Date" in the preceding paragraph shall be deemed to be the date the Relevant Transaction is completed, provided that, the Issue Date will not be so amended if the location of the branch through which the Notes are issued is unchanged as a result of the Relevant Transaction.

***Redemption of Notes for Regulatory Event***

Subject as set out below under "*—Conditions to redemption and repurchase*," the Issuer will have the right to redeem the Notes as a whole, but not in part, at its option at any time at a redemption price equal to 100% of the prevailing principal amount of the Notes together with any unpaid interest on the prevailing principal amount of the Notes for the period from (and including) the most recent Interest Payment Date to (but excluding) the date of redemption, except to the extent that the Issuer has determined not to pay or ANZ is obliged not to pay such interest as described under "*—Interest on the Notes—Non-payment of Interest*," if a Regulatory Event occurs; provided, however, that ANZ shall deliver to the Fiscal Agent an opinion of

reputable legal counsel confirming that the conditions that must be satisfied for such redemption have been satisfied or have occurred.

Immediately prior to the giving of any notice of such a redemption of Notes, the Issuer will deliver to the Fiscal Agent an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth in reasonable detail a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem the Notes have occurred.

As used herein, "**Regulatory Event**" means the receipt by the directors of ANZ of an opinion from a reputable legal counsel, that, as a result of any amendment to, clarification of or change (including any announcement of a change that will be introduced) in, any law or regulation in Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations or any statement of APRA, which amendment, clarification or change is effective, or pronouncement, action or decision is announced, or statement is made, on or after the Issue Date and which on the Issue Date is not expected by ANZ to come into effect (each, a "**Regulatory Change**"), the directors of ANZ determine that ANZ is not or will not be entitled to treat all Notes as Additional Tier 1 Capital in whole.

***Repurchases***

Subject as set out below under "*—Conditions to redemption and repurchase*," ANZ (or any Related Entities) may, to the extent permitted by applicable laws and regulations, repurchase your Note at any time and at any price in the open market, in private negotiated transactions or otherwise.

At the date of this Offering Memorandum, a related entity is one over which an authorized deposit-taking institution (as defined in the Banking Act) or parent entity exercises control or significant influence and can include a parent company, a sister company, a subsidiary or any other affiliate.

***Conditions to redemption and repurchase***

Notwithstanding anything to the contrary in this Offering Memorandum, the Issuer may not redeem and ANZ may not repurchase any Notes without the prior written approval of APRA.

Holders should not expect that APRA's approval will be given for any redemption or repurchase of a Note.

Additionally, the Issuer will not be permitted to redeem and ANZ will not be permitted to repurchase any Notes unless:

(a) the Notes are replaced concurrently or beforehand with a Tier 1 Capital instrument of the same or better quality and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity; or

(b) APRA is satisfied that the capital position of the ANZ Level 1 Group and the ANZ Level 2 Group is well above its minimum capital requirements after the Issuer elects to redeem or ANZ repurchases the Notes.

Notice will be given once not more than 60 days nor less than 30 days prior to the date fixed for redemption. If by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impracticable to give notice to the Holders in the manner prescribed herein, then such notification in lieu thereof as shall be made by the Issuer or by the Fiscal Agent on behalf of and at the instruction of the Issuer shall constitute sufficient provision of such notice, if such notification shall, so far as may be practicable, approximate the terms and conditions of the mailed notice in lieu of which it is given. Neither the failure to give notice nor any defect in any notice given to any particular Holder shall affect the sufficiency of any notice with respect to that Holder or any other Holders. Such notices will be deemed to have been given on the date of such mailing.

**Conversion of the Notes**

***Trigger Events***

(a) As used herein:

- a "**Common Equity Capital Trigger Event**" means that ANZ determines, or APRA has notified ANZ in writing that it believes, that a Common Equity Capital Ratio is equal to or less than 5.125% (such determination or notification being a "**Capital Deficiency Determination**"). ANZ must immediately notify APRA in writing if ANZ makes a Capital Deficiency Determination.
- a "**Non-Viability Trigger Event**" means the earlier of:
    - the issuance of a notice in writing by APRA to ANZ that conversion or write off of Relevant Securities (including, without limitation, the Notes) is necessary because, without it, APRA considers that ANZ would become non-viable; or
    - a determination by APRA, notified to ANZ in writing, that without a public sector injection of capital, or equivalent support, ANZ would become non-viable,

  each such determination being a "**Non-Viability Determination**."
- a "**Trigger Event**" means a Common Equity Capital Trigger Event or a Non-Viability Trigger Event.

See "*—Certain defined terms*" for the meanings of certain other capitalized terms used in this Section.

For so long as the Notes are held by a nominee for DTC, promptly following receipt of the Trigger Event Notice (as defined below) by DTC (the "**Trigger Event Notice Receipt Date**"), DTC will post the Trigger Event Notice on its Reorganization Inquiry for Participants System pursuant to DTC's procedures then in effect (or such other system as DTC uses for providing notices to holders of securities) and will suspend all clearance and settlement of the Notes that are specified by the Trigger Event Notice to be Notes that have been Converted ("**Relevant Notes**"), with such suspension commencing no later than the close of the next day following the Trigger Event Notice Receipt Date that is a Business Day in New York City (the date of such suspension, the "**Suspension Date**"). Promptly following its receipt of the Trigger Event Notice, DTC will, pursuant to its procedures currently in effect, post the Trigger Event Notice to its Reorganization Inquiry for Participants System.

Holders of Relevant Notes will not be able to settle the transfer of any Relevant Notes from the Suspension Date, and any sale or transfer of the Relevant Notes that a Holder of Relevant Notes may have initiated prior to the Suspension Date that is scheduled to settle after the Suspension Date will be rejected by DTC and will not be settled within DTC.

The Trigger Event Notice shall request that (to the extent not previously provided) Holders of Relevant Notes provide to ANZ or the Holders' Nominee (as defined below) a notice (a "**Conversion Shares Settlement Notice**"), containing the information specified in subsection (b) of the subsection "*—Conversion following a Trigger Event*."

For so long as the Notes are held by a nominee of DTC, the Conversion Shares Settlement Notice must be given in accordance with the standard procedures of DTC (which may include the notice being given to ANZ by electronic means) and in a form acceptable to DTC and to ANZ. In order to obtain delivery of Ordinary Shares in respect of Relevant Notes, a Holder of Relevant Notes must (subject as set out below) deliver its Conversion Shares Settlement Notice on or before the date that is 30 days after the Trigger Event Notice Receipt Date (the "**Notice Cut-off Date**").

***Conversion following a Trigger Event***

(b) If a Trigger Event occurs:

(i) on the Trigger Event Conversion Date, subject only to subsection (f) below, such principal amount of the Notes as is required by the relevant Capital Deficiency Determination or Non-Viability Determination, as applicable, to be Converted will immediately Convert, provided that:

(A) where a Common Equity Capital Trigger Event occurs and such Capital Deficiency Determination does not require all Relevant Securities to be converted into Ordinary Shares or written off, such principal amount of the Notes shall Convert as is sufficient (determined by ANZ in accordance with subsection (b)(ii) below) to increase each relevant Common Equity Capital Ratio of ANZ to a percentage above 5.125%, as determined by ANZ in consultation with APRA; or

(B) where a Non-Viability Trigger Event occurs under limb (i) of the definition of Non-Viability Trigger Event and such Non-Viability Determination does not require all Relevant Securities to be converted into Ordinary Shares or written off, such principal amount of the Notes shall Convert as is sufficient (determined by ANZ in accordance with subsection (b)(ii) below) to satisfy APRA that ANZ is viable without further conversion or write off; or

(C) where a Non-Viability Trigger Event occurs under limb (ii) of the definition of Non-Viability Trigger Event, all the principal amount of all of the Notes will be Converted; and

(ii) on the Trigger Event Conversion Date, the rights of each Holder (including to payment of principal and of interest with respect to such Note or portion thereof) in relation to each Note or the relevant portion thereof that is being Converted will be immediately and irrevocably terminated for an amount equal to the relevant prevailing principal amount of that Note that is being Converted and ANZ will apply that amount by way of payment for subscription for the Ordinary Shares to be allotted to such Holder in accordance with this section.

In determining the number of Notes that must be Converted, ANZ will:

(A) first, convert into Ordinary Shares or write off Relevant Securities whose terms require or permit them to be converted into Ordinary Shares or written off before Conversion of the Notes or in full; and

(B) second, if conversion into Ordinary Shares or write off of those Relevant Securities is not sufficient to satisfy the requirements of subsection (b)(i) above, Convert Notes and convert into Ordinary Shares or write off other Relevant Securities on an approximately pro rata basis or in a manner that is otherwise, in the opinion of ANZ, fair and reasonable (subject to such adjustment as ANZ may determine to take into account the effect on marketable parcels and the need to round to whole numbers the number of Ordinary Shares and any Notes or other Relevant Securities remaining on issue or outstanding, as the case may be, and the need to effect the conversion immediately) and, for the purposes of this subsection (b)(ii)(B), where the specified currency of the principal amount of Relevant Securities is not the same for all Relevant Securities, ANZ may treat them as if converted into a single currency of ANZ's choice at such rate of exchange for each such specified currency as, in each case, ANZ in good faith considers reasonable,

provided that such determination does not impede the immediate Conversion of the relevant number of Notes;

(iii) on the Trigger Event Conversion Date, ANZ shall determine the Holders whose Notes or portions thereof will be Converted at the time and on the date that the Conversion is to take effect and in making that determination may make any decisions with respect to the identity of the Holders at that time and date as may be necessary or desirable to ensure Conversion occurs immediately in an orderly manner, including disregarding any transfers of Notes that have not been settled or registered at that time and provided that such determination does not impede or delay the immediate Conversion of the relevant principal amount of Notes;

(iv) ANZ must give notice of its determination pursuant to subsection (b)(iii) above (a "**Trigger Event Notice**") as soon as practicable to the Fiscal Agent and, for so long as the Notes are held by a nominee of DTC, to Holders via DTC which must specify:

(A) the Trigger Event Conversion Date;

(B) the principal amount of the Notes Converted; and

(C) the relevant number or principal amount of other Relevant Securities converted or written off;

(v) for so long as the Notes are held by a nominee of DTC, ANZ shall request that DTC post the Trigger Event Notice on its Reorganization Inquiry for Participants System pursuant to DTC's procedures then in effect (or such other system as DTC uses for providing notices to holders of securities) and suspend all clearance and settlement of the Relevant Notes, with such suspension commencing no later than the Suspension Date;

(vi) for so long as the Notes are held by a nominee of DTC, the procedures set forth in subsections (b)(iv) and (b)(v) above are subject to change to reflect changes in DTC practices, and ANZ may make changes to the procedures set forth in this subsection *"—Conversion following a Trigger Event,"* to the extent reasonably necessary, in the opinion of ANZ, to reflect such changes in DTC practices;

(vii) none of the following events shall prevent, impede or delay the Conversion of Notes as required by subsection (b)(i) above:

(A) any failure or delay in the conversion or write off of other Relevant Securities;

(B) any failure or delay in giving a Trigger Event Notice or in any delay by DTC in posting such notice as contemplated by subsection (b)(v) above;

(C) any failure or delay in the quotation of Ordinary Shares to be issued on Conversion; or

(D) any failure by a Holder or any other party to comply with subsection (c) or subsection (i) below; and

(viii) from the Trigger Event Conversion Date, subject to subsection (f) and subsection (g)(iii)(C) below, ANZ shall treat the Holder of any Note or portion thereof which is required to be Converted as the holder of the relevant number of Ordinary Shares and will take all such steps, including updating any register, required to record the Conversion and the issuance of such Ordinary Shares.

(c) Where a principal amount of Notes is required to be Converted pursuant to the terms described in this subsection "*—Conversion following a Trigger Event*," a Holder of Notes or portion thereof that are

subject to Conversion wishing to receive Ordinary Shares must, no later than the Trigger Event Conversion Date (or, in the case where subsection (e)(vii) below applies, within 30 days of the date on which Ordinary Shares are issued upon such Conversion), have provided to ANZ or (if then appointed) the Holders' Nominee a Conversion Shares Settlement Notice setting out:

(i) its name and address (or the name and address of any person in whose name it directs the Ordinary Shares to be issued) for entry into any register of title and receipt of any certificate or holding statement in respect of any Ordinary Shares;

(ii) the security account details of such Holder of Notes in the Clearing House Electronic Subregister System of Australia, operated by the ASX or its affiliates or successors ("**CHESS**"), or such other account to which the Ordinary Shares may be credited; and

(iii) such other information as is reasonably requested by ANZ for the purposes of enabling it to issue the Conversion Number (as defined below) of Ordinary Shares to the Holder of Notes,

and ANZ has no duty to seek or obtain such information.

(d) Subject to the terms described in subsections (e) and (f) below, if, in respect of a Conversion of Notes, ANZ fails to issue, on the Trigger Event Conversion Date, the Conversion Number of Ordinary Shares in respect of the relevant principal amount of such Notes to, or in accordance with the instructions of, the relevant Holder of Notes on the Trigger Event Conversion Date or any Holders' Nominee thereof where subsection (e) below applies, the principal amount of such Notes which would otherwise be subject to Conversion shall remain in issue and outstanding until the Ordinary Shares are issued to, or in accordance with the instructions of, the Holder of such Notes or such Notes are Written Off in accordance with the terms hereof, provided, however, that the sole right of the Holders (in respect of such Notes or the relevant portion thereof that is subject to Conversion) is the right to be issued Ordinary Shares upon Conversion (subject to its compliance with subsection (c) above or to receive the proceeds from their sale pursuant to subsection (e) below, as applicable) and the remedy of such Holder in respect of ANZ's failure to issue the Ordinary Shares is limited (subject always to subsection (f) below) to seeking an order for specific performance of ANZ's obligation to issue the Ordinary Shares to the Holder, or where subsection (e) below applies, to the Holders' Nominee and to receive such proceeds of sale (if any), in each case, in accordance with the Conditions. This Section does not affect the obligation of ANZ to issue the Ordinary Shares when required in accordance with the terms hereof.

(e) If, in respect of a Note and a Holder of that Note, the Note or portion thereof is required to be Converted and:

(i) the Holder of the Note has notified ANZ that it does not wish to receive Ordinary Shares as a result of the Conversion (whether entirely or to the extent specified in the notice), which notice may be given at any time prior to the Trigger Event Conversion Date;

(ii) the Notes are held by a registered Holder of the Note whose address in the register is a place outside Australia or who ANZ otherwise believes is not a resident of Australia (a "**Foreign Holder**");

(iii) the Holder of that Note is a Clearing System Holder;

(iv) for any reason (whether or not due to the fault of the Holder of the Note) ANZ has not received the information required by subsection (c) above prior to the Trigger Event Conversion Date and the lack of such information would prevent ANZ from issuing the Ordinary Shares to the Holder of the Note on the Trigger Event Conversion Date; or

(v) a FATCA Withholding is required to be made in respect of the Ordinary Shares issued on the Conversion,

then, on the Trigger Event Conversion Date:

(vi) where subsections (e)(i), (e)(ii) or (e)(v) above apply, ANZ shall issue the Ordinary Shares to the Holder of the Note only to the extent (if at all) that:

(A) where subsection (e)(i) above applies, the Holder of the Note has notified ANZ that it wishes to receive them;

(B) where subsection (e)(ii) above applies, ANZ is satisfied that the laws of both the Commonwealth of Australia and the Foreign Holder's country of residence permit the issue of Ordinary Shares to the Foreign Holder (but as to which ANZ is not bound to enquire), either unconditionally or after compliance with conditions which ANZ in its absolute discretion regards as acceptable and not unduly onerous; and

(C) where subsection (e)(v) above applies, the issue is net of the FATCA Withholding,

and to the extent ANZ is not obliged to issue Ordinary Shares directly to the Holder of the Note, ANZ will issue the balance of the Ordinary Shares to the Holders' Nominee in accordance with subsection (e)(vii) below;

(vii) otherwise, subject to applicable law, ANZ will issue the balance of Ordinary Shares in respect of the Holder of the Note to a competent nominee (which may not be ANZ or any of its Related Entities) (the "**Holders' Nominee**") and will promptly notify such Holder of the name of and contact information for the Holders' Nominee and the number of Ordinary Shares issued to the Holders' Nominee on its behalf and, subject to applicable law and:

(A) subject to subsection (e)(vii)(B) below, the Holders' Nominee will as soon as reasonably possible and no later than 35 days after issue of the Ordinary Shares 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 Holder of the Note;

(B) where subsection (e)(iii) or (iv) above applies, the Holders' Nominee will hold such Ordinary Shares and will transfer Ordinary Shares to such Holder (or, where subsection (e)(iii) above applies, the person for whom the Clearing System Holder holds the Note) promptly after such person provides the Holders' Nominee with the information required to be provided by such Holder (as if a reference to ANZ is a reference to the Holders' Nominee and a reference to the issue of Ordinary Shares is a reference to the transfer of Ordinary Shares) but only where such information is provided to the Holders' Nominee within 30 days of the date on which Ordinary Shares are issued to the Holders' Nominee upon Conversion of such Note and, where such Holder fails to provide the Holders' Nominee with the information required to be provided by such Holder, the Holders' Nominee will sell the Ordinary Shares and pay the proceeds to such person in accordance with subsection (e)(vii)(A) above; and

(C) where subsection (e)(v) above applies, the Holders' Nominee shall deal with Ordinary Shares the subject of a FATCA Withholding and any proceeds of their disposal in accordance with FATCA;

(viii) nothing in this subsection (e) shall affect the Conversion of the Notes of a Holder who is not a person to which any of subsections (e)(i) to (e)(v) above (inclusive) described in this subsection *"—Conversion following a Trigger Event"* applies; and

(ix) for the purpose of this subsection (e), neither ANZ nor the Holders' Nominee owes any obligations or duties to the Holders in relation to the price at which Ordinary Shares are sold or has any liability for any loss suffered by a Holder as a result of the sale of Ordinary Shares.

(f) Notwithstanding any other provision of this subsection "*—Conversion following a Trigger Event*," where Notes are required to be Converted on the Trigger Event Conversion Date and Conversion of the relevant principal amount of the Notes that are subject to Conversion has not been effected within five Trading Days after the relevant Trigger Event Conversion Date for any reason (including an Inability Event), (i) the principal amount of each Note which, but for this subsection (f), would be Converted, will not be Converted and instead will be Written Off with effect on and from the Trigger Event Conversion Date and (ii) ANZ shall notify the Fiscal Agent and the Holders of the foregoing as promptly as practically possible.

(g) Each Holder of Notes irrevocably:

(i) consents to becoming a member of ANZ upon the Conversion of the relevant principal amount of the Notes required to be Converted as described in this subsection "*—Conversion following a Trigger Event*" and agrees to be bound by the constitution of ANZ, in each case, in respect of the Ordinary Shares issued to such Holder on Conversion;

(ii) acknowledges and agrees that it (or where subsection (e) so requires, the Holders' Nominee on its behalf) is obliged to accept Ordinary Shares upon a Conversion of the Notes it holds, notwithstanding anything that might otherwise affect a Conversion of such principal amount of Notes, including:

(A) any change in the financial position of ANZ since the issue of such Notes;

(B) any disruption to the market or potential market for the Ordinary Shares or to capital markets generally;

(C) any breach by ANZ of any obligation in connection with such Notes; and

(D) any dispute as to the calculation of the Common Equity Capital Ratio;

(iii) acknowledges and agrees that where subsection (a) and subsection (b) above apply:

(A) there are no other conditions to a Trigger Event or to Conversion occurring as and when provided in this Section;

(B) Conversion must occur immediately on the Trigger Event Conversion Date and that may result in disruption or failures in trading or dealings in the Notes;

(C) it will not have any rights to vote in respect of any Conversion and the Note does not confer a right to vote at any meeting of members of ANZ; and

(D) the Ordinary Shares issued on Conversion may not be listed or quoted at the time of issue, or at all;

(iv) acknowledges and agrees that where subsection (f) above applies, no conditions or events other than those referred to in that subsection will affect the operation of that subsection and such Holder will not have any rights to vote in respect of any Write Off under that subsection and has no claim against ANZ arising in connection with the application of that subsection;

(v) acknowledges and agrees that, save as set out herein in relation to specific performance following the delivery of a Trigger Event Notice, such Holder of Notes has no right to request a

Conversion of any principal amount of any Notes or to determine whether (or in what circumstances) the principal amount of Notes it holds are Converted;

(vi) acknowledges and agrees that none of the following shall prevent, impede or delay the Conversion or (where relevant) Write Off of the prevailing principal amount of Notes:

(A) any failure to or delay in the conversion or write off of other Relevant Securities;

(B) any failure or delay in giving a Trigger Event Notice or other notice required as described in this subsection *"—Conversion following a Trigger Event";*

(C) any failure or delay in the listing or quotation of the Ordinary Shares to be issued on Conversion;

(D) any failure or delay by a Holder or any other party in complying with the provisions of subsection (c) above or subsection (i) below; and

(E) any requirement to select or adjust the number or principal amount of Notes to be Converted in accordance with subsection (b)(ii)b or (b)(iii) above.

(vii) acknowledges and agrees that ANZ is authorized on behalf of the Holder to execute any transfer form or perform any other act as ANZ considers appropriate to reflect the transfers contemplated hereby;

(viii) authorizes, directs and requests DTC and any direct participant in DTC or other intermediary through which such Holder holds Notes to take any and all necessary actions, if required, to implement the Conversion or Write Off, as applicable, without any further action or direction on the part of such Holder or the Fiscal Agent;

(ix) acknowledges and agrees that the transfer of any Relevant Notes will not be able to be settled from the Suspension Date, and any sale or transfer of the Relevant Notes that a Holder of Relevant Notes may have initiated prior to the Suspension Date that is scheduled to settle after the Suspension Date will be rejected by DTC and will not be settled within DTC; and

(x) acknowledges and agrees to any change of branch of ANZ as Issuer and/or payor in the manner and in the circumstances contemplated hereby.

(h) For the purposes of this "*—Conversion following a Trigger Event*" subsection, "**Written Off**" shall mean that, in respect of a Note or portion thereof that is otherwise subject to Conversion and a Trigger Event Conversion Date:

(i) the Note or portion thereof that is otherwise subject to Conversion will not be Converted on that date and will not be Converted or redeemed under the terms hereof on any subsequent date; and

(ii) with effect on and from the Trigger Event Conversion Date, the relevant Holders' rights (including to payment of interest and the relevant principal amount) in relation to such Note or portion thereof are immediately and irrevocably terminated and written off; and

"**Write Off**" has a corresponding meaning.

(i) Subject to the terms described in subsection (c)(ii) of "*—Approved Acquisition Events*," any Note which is to be Converted or Written Off only in part shall be surrendered with, if ANZ or the Fiscal Agent so requires, due endorsement by, or a written instrument of transfer in form satisfactory to ANZ and the Fiscal Agent duly executed by, the Holder thereof or his attorney duly authorized in writing, and the Issuer shall execute, and the Fiscal Agent shall authenticate and deliver to the registered

Holder of such Note without service charge, a new Note or Notes of like form, of any aggregate principal amount equal to and in exchange for the non-Converted or non-Written Off portion of the principal amount of the Note so surrendered.

(j) If a Capital Deficiency Determination or a Non-Viability Determination takes effect, ANZ must perform any obligations in respect of the determination immediately on the day it is made or received by ANZ, whether or not such day is a Trading Day.

(k) Where a Note is Converted or Written Off only in part, then the amount of any interest scheduled to be paid in respect of that Note on each Interest Payment Date falling after that Trigger Event Conversion Date will be reduced and calculated on the prevailing principal amount of that Note as so reduced on the date of the Conversion or Write Off.

**Approved Acquisition Events**

For so long as any Note remains outstanding,

(a) where either of the following occurs:

(i) 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:

(A) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares in issue; or

(B) 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

(ii) 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 in issue after the scheme is implemented and:

(A) 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;

(B) an independent expert issues a report that the proposals in connection with the scheme are in the best interests of the holders of Ordinary Shares; and

(C) 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,

(each an "**Acquisition Event**"); and

(b) the bidder (or its ultimate holding company) or the person having a relevant interest in the Ordinary Shares in ANZ after the scheme is implemented (or any entity that Controls the bidder or the person having the relevant interest) is an Approved Acquirer,

each Holder shall, by its purchase and acceptance of such Note, agree that, upon the occurrence of any of the foregoing events, without further authority, assent or approval of the Holders (but with the prior written approval of APRA):

(c) the Issuer may amend the Conditions such that, unless APRA otherwise agrees, on any date the prevailing principal amount (or any part thereof) of the Notes is to be Converted:

(i) each Note that is being Converted in whole will be automatically transferred by each Holder free from encumbrance to the Approved Acquirer on the date the Conversion is to occur;

(ii) each Note that is being Converted only in part shall be surrendered with, if the Issuer or the Fiscal Agent so requires, due endorsement by, or a written instrument of transfer in a form satisfactory to the Issuer and the Fiscal Agent duly executed by, the Holder thereof or his attorney duly authorized in writing, and the Issuer shall execute, and the Fiscal Agent shall authenticate and deliver to:

(A) the Holder of such Note without service charge, a new Note or Notes of like form and of the aggregate principal amount equal to and in exchange for the portion of the principal amount of the Note so surrendered that is not to be Converted; and

(B) the Approved Acquirer without service charge, a new Note of like form and of the aggregate principal amount equal to and in exchange for the principal amount of the Note so surrendered that is to be Converted,

provided that any failure or delay by any party in complying with these provisions shall not prevent, impede or delay the Conversion or Write Off of the Notes;

(iii) each Holder (or Holders' Nominee in accordance with subsections (c) or (e) of "*—Conversion following a Trigger Event*" (as applicable), which provisions shall apply, *mutatis mutandis,* to such Approved Acquirer Ordinary Shares) of the Note or portion thereof being Converted will be issued a number of Approved Acquirer Ordinary Shares equal to the Conversion Number and the Conversion mechanics that would have otherwise been applicable to the determination of the number of Ordinary Shares shall apply (with any necessary changes) to the determination of the number of such Approved Acquirer Ordinary Shares; and

(iv) as between ANZ and the Approved Acquirer, each Note held by the Approved Acquirer as a result of the transfer will be automatically Converted into a number of Ordinary Shares the aggregate market value of which equals the prevailing principal amount of that Note (determined on the basis set out in "*—Conversion Mechanics"* using a VWAP calculated on the basis of the last period of 5 Trading Days on which trading in Ordinary Shares took place preceding, but not including, the Trigger Event Conversion Date (whether such period occurred before or after the Acquisition Event occurred) and subject in all cases to the Maximum Conversion Number); and

(d) the Issuer may make such other amendments as in the Issuer's reasonable opinion are necessary and appropriate in order to effect the substitution of an Approved Acquirer as the provider of the ordinary shares to be delivered upon Conversion in the manner contemplated by the terms hereof and consistent with the requirements of APRA in relation to Additional Tier 1 Capital, including, without limitation:

(i) to the definitions of "Conversion," "Inability Event," "Ordinary Shares," "Relevant Security" and/or "Trigger Event" and to the procedures relating to Conversion and Write Off as contemplated herein to reflect the identity of the Approved Acquirer as the provider of the ordinary shares to be delivered upon Conversion;

(ii) to cause any necessary adjustment to be made to the Maximum Conversion Number and to any relevant VWAP or Issue Date VWAP consistent with the principles of adjustment set out in "*—Conversion Mechanics"* below; and

(iii) to the terms hereof such that any right of Holders to require delivery of ordinary shares of the Approved Acquirer is consistent with the limited right of Holders to require delivery of Ordinary Shares following a Conversion as set out herein.

The Issuer shall give a notice to the Fiscal Agent and to Holders as soon as practicable after such amendments as described herein specifying the amendments to the terms hereof which will be made as described herein to effect the substitution of an Approved Acquirer as the issuer of Ordinary Shares on Conversion.

After a substitution, as described herein, the Approved Acquirer may without the authority, approval or assent of the Holder of Notes, effect a further substitution as described herein (with necessary changes).

A Holder has no right (a) to require the Issuer to make any such amendment or to effect any such substitution or (b) to vote upon, or otherwise require that its approval is obtained prior to the occurrence of, any Acquisition Event, and acknowledges and agrees that there is no provision for any automatic adjustment to the Conditions or the Fiscal and Paying Agency Agreement on account of an Acquisition Event other than by an Approved Acquirer as described above.

If an Acquisition Event occurs and the Issuer does not make any such amendment or substitution prior to the occurrence of a Trigger Event, Holders will remain entitled to Ordinary Shares in ANZ upon Conversion, calculated on the basis of the VWAP for the five Trading Days on which trading in Ordinary Shares last took place (subject as set out above in relation to Write Off) and Holders shall have no right or remedy against the Issuer or ANZ on account of such Acquisition Event occurring or as a result of any subsequent inability to further adjust the VWAP in the manner and at the times set out below.

**Conversion Mechanics**

1 *Conversion*

If ANZ must Convert a Principal Amount of a Note, or any part thereof, then, subject to the terms described in "*—Conversion of the Notes*" the following provisions apply:

(a) ANZ will allot and issue on the Trigger Event Conversion Date a number of Ordinary Shares in respect of the Principal Amount (as defined below) of that Note (or part thereof) equal to the lower of (i) the Conversion Number and (ii) the Maximum Conversion Number,

where the "**Conversion Number**" is a number calculated according to the following formula:

$$\text{Conversion Number} = \frac{\text{Principal Amount}}{(99\% \times \text{VWAP})}$$

where:

"**Principal Amount**" means in relation to a Note the prevailing principal amount of that Note at the relevant time or the relevant proportion thereof to be Converted, as applicable

"**VWAP**" means the VWAP (expressed in U.S. dollars) during the VWAP Period

and where the

"**Maximum Conversion Number**" means a number calculated according to the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Principal Amount}}{\text{Issue Date VWAP x } 0.2}$$

(b) on the Trigger Event Conversion Date, the rights of each Holder (including to payment of interest with respect to such Principal Amount) in relation to each Note or portion thereof that is being Converted will be immediately and irrevocably terminated for an amount equal to the Principal Amount of that Note that is being Converted and ANZ will apply that Principal Amount by way of payment for

subscription for the Ordinary Shares to be allotted and issued under subsection l(a) above. Each Holder is taken to have irrevocably directed that any amount scheduled to be paid under the terms described herein is to be applied as provided for under the terms described herein and no Holder of the Note has any right to payment in any other way;

(c) any calculation under subsection l(a) above shall be, unless the context requires otherwise, rounded to four decimal places, provided that, if the total number of additional Ordinary Shares to be allotted to a Holder of the Note in respect of the aggregate Principal Amount of the Notes it holds which is being Converted includes a fraction of an Ordinary Share, that fraction of an Ordinary Share will be disregarded; and

(d) the rights attaching to Ordinary Shares issued as a result of Conversion do not take effect until 5.00 p.m. (Melbourne, Australia time) on the Trigger Event Conversion Date (unless another time is required for Conversion on that date). At that time all other rights conferred or restrictions imposed on that Note under the terms hereof will no longer have effect to the extent of the Principal Amount of that Note being Converted (except for the right to receive the Ordinary Shares as set forth in this part 1 and the subsection entitled "*—Conversion following a Trigger Event*" above).

2 *Adjustments to VWAP*

For the purposes of calculating VWAP in the terms hereof:

(a) where, on some or all of the Trading Days in the relevant VWAP Period, Ordinary Shares have been quoted on the ASX as cum dividend or cum any other distribution or entitlement and the relevant Principal Amount of the Notes will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend or any other distribution or entitlement, then the VWAP on the Trading 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 subsection 2(a)(i) above which is traded on the ASX on any of those Trading Days) the volume weighted average sale price of all such entitlements sold on the ASX during the VWAP Period on the Trading Days on which those entitlements were traded; or

(iii) (in the case of any other entitlement which is not traded on the ASX during the VWAP Period) the value of the entitlement as reasonably determined by the directors of ANZ; and

(b) where, on some or all of the Trading Days in the VWAP Period, Ordinary Shares have been quoted on the ASX as ex dividend or ex any other distribution or entitlement, and the relevant Principal Amount of the Notes will Convert into Ordinary Shares which would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Trading 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.

3 *Adjustments to VWAP for divisions and similar transactions*

(a) Where during the relevant VWAP Period there is a change in the number of the Ordinary Shares in issue as a result of a division, consolidation or reclassification of ANZ's share capital (not involving any cash payment or other distribution or compensation to or by holders of Ordinary Shares) (a

"**Reorganization**"), in calculating the VWAP for that VWAP Period the daily VWAP applicable on each day in the relevant VWAP Period which falls before the date on which trading in Ordinary Shares is conducted on a post Reorganization basis shall be adjusted by multiplying such daily VWAP by the following formula:

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

where:

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

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

(b) Any adjustment made by ANZ in accordance with subsection 3(a) above will, absent manifest error, be effective and binding on Holders under the Conditions and the terms described herein will be construed accordingly. Any such adjustment must be promptly notified to all Holders.

4 *Adjustments to Issue Date VWAP*

For the purposes of determining the Issue Date VWAP, corresponding adjustments to VWAP will be made in accordance with parts 2 and 3 above during the 20 Trading Day period over which VWAP is calculated for the purposes of determining the Issue Date VWAP. On and from the Issue Date adjustments to the Issue Date VWAP:

(a) may be made in accordance with parts 5 to 7 below (inclusive); and

(b) if so made, will cause an adjustment to the Maximum Conversion Number.

5 *Adjustments to Issue Date VWAP for bonus issues*

(a) Subject to subsection 5(b) below, if at any time after the Issue Date ANZ makes a pro rata bonus issue of Ordinary Shares to holders of Ordinary Shares generally, the Issue Date VWAP will be adjusted immediately in accordance with the following formula:

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

where:

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

"$\mathbf{V_o}$" means the Issue Date VWAP applying immediately prior to the application of this formula;

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

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

(b) Subsection 5(a) above does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or a dividend reinvestment plan.

(c) For the purpose of subsection 5(a) above, an issue will be regarded as a pro rata issue notwithstanding that ANZ does not make offers to some or all holders of Ordinary Shares with registered addresses outside Australia, provided that in so doing ANZ is not in contravention of the ASX Listing Rules.

(d) No adjustments to the Issue Date VWAP will be made under this part 5 for any offer of Ordinary Shares not covered by subsection 5(a) above, including a rights issue or other essentially pro rata issue.

(e) The fact that no adjustment is made for an issue of Ordinary Shares except as covered by subsection 5(a) shall not in any way restrict ANZ from issuing Ordinary Shares at any time on such terms as it sees fit nor require any consent or concurrence of any Holders.

6 *Adjustment to Issue Date VWAP for divisions and similar transactions*

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

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

where:

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

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

(b) Any adjustment made by ANZ in accordance with subsection 6(a) above will, absent manifest error, be effective and binding on Holders under the terms described herein and these terms will be construed accordingly.

(c) Each Holder acknowledges that ANZ may, consolidate, divide or reclassify securities so that there is a lesser or greater number of Ordinary Shares at any time in its absolute discretion without any such action requiring any consent or concurrence of any Holders.

7 *No adjustment to Issue Date VWAP in certain circumstances*

Despite the provisions of part 5 and part 6 above, no adjustment shall be made to the Issue Date VWAP where such adjustment (rounded if applicable) would be less than 1% of the Issue Date VWAP then in effect.

8 *Announcement of adjustment to Issue Date VWAP*

ANZ will notify the Holder of Notes (an "**Adjustment Notice**") of any adjustment to the Issue Date VWAP under the terms described herein within 10 Trading Days of ANZ determining the adjustment and the adjustment set out in the announcement will be final and binding.

9 *Ordinary Shares*

Each Ordinary Share issued or arising upon Conversion will rank *pari passu* with all other fully paid Ordinary Shares. The Holders agree not to trade Ordinary Shares issued on Conversion (except as permitted by the Corporations Act, other applicable laws, the ASX Listing Rules or, following an Approved Acquisition Event, any listing rules of any applicable Recognized Exchange) until ANZ has taken such steps as are required by the Corporations Act, other applicable laws, the ASX Listing Rules and/or, following an Approved Acquisition Event, any listing rules of any applicable Recognized Exchange, for the Ordinary Shares to be freely tradeable without such further disclosure or other action and agree to allow ANZ to impose a holding lock or to refuse to register a transfer in respect of Ordinary Shares until such time. See "*Risk Factors—Risk Factors Relating to the Notes*."

Shareholders hold Ordinary Shares of ANZ through CHESS. We do not issue share certificates to shareholders. Instead, following transfer, we provide shareholders with a shareholding statement (similar to a bank account statement) that sets out the number of Ordinary Shares of ANZ registered in such shareholder's

name. Shareholders receive subsequent statements at the end of any month in which their shareholding changes and may also request statements at any other time subject to payment of a small administration fee.

10 *Listing Ordinary Shares issued upon Conversion*

ANZ shall use all reasonable endeavors to list the Ordinary Shares issued upon Conversion of the Notes on the ASX (or, following an Approved Acquisition Event, the relevant Recognized Exchange).

11 *Certain definitions*

For the purposes of this "*Conversion Mechanics*" Section the following terms shall have the following meanings:

- "**ASX Operating Rules**" means the market operating rules of the ASX as amended, varied or waived (whether in respect of ANZ or generally) from time to time.
- "**ASX**" means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires, or any successor.
- "**Issue Date VWAP**" means the VWAP during the Issue Date VWAP Period;
- "**Issue Date VWAP Period**" means the period of 20 Trading Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Issue Date, as adjusted in accordance with parts 5 to 7 (inclusive) above.
- "**Tax Act**" means:
    - the Income Tax Assessment Act 1936 of Australia or the Income Tax Assessment Act 1997 of Australia as the case may be and a reference to any Section of the Income Tax Assessment Act 1936 of Australia includes a reference to that Section as rewritten in the Income Tax Assessment Act 1997 of Australia; and
    - any other Act setting the rate of income tax payable and any regulation promulgated under it.
- "**VWAP**" means the arithmetic 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 VWAP Period or on the relevant days (with each such daily price (if applicable, as adjusted in accordance with parts 2 and 3 above) converted into U.S. dollars on the basis of the spot rate for the sale of the Australian dollar against the purchase of U.S. dollars in the New York foreign exchange market quoted by any leading international bank selected by ANZ on the relevant day of calculation) but does not include any "Crossing" transacted outside the "Open Session State" or any "Special Crossing" transacted at any time, each as defined in the ASX Operating Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares;
- "**VWAP Period**" means:
    - the period of five Trading Days on which trading in Ordinary Shares took place immediately preceding (but not including) the Trigger Event Conversion Date; or
    - in the case of the Issue Date VWAP, the Issue Date VWAP Period.

**Mergers and similar transactions**

We are generally permitted to consolidate or merge with another person. We are also permitted to convey, transfer or lease our properties and assets substantially as an entirety to any person or buy substantially all of the assets of another person.

However, we may not take any of these actions unless all the following conditions are met:

- Where ANZ consolidates with or merges into another person, or conveys, transfers or leases its properties and assets substantially as an entirety to any person, the person formed by such consolidation or into which ANZ is merged or the person which acquires by conveyance or transfer, or which leases, the properties and assets of ANZ substantially as an entirety shall be a corporation, partnership or trust and shall expressly assume the due and punctual payment of the prevailing principal amount of and interest on the Notes in accordance with the Conditions and the performance or observance of every covenant of the Notes and the Fiscal and Paying Agency Agreement applicable to the Note on the part of ANZ to be performed or observed.

- We deliver to the Holders an Officer's Certificate and opinion of counsel, each stating that the consolidation, merger, lease, conveyance or transfer of assets complies with the Conditions.

If the successor company or entity is not organized and validly existing under the laws of Australia or any State or Territory of Australia, it must expressly agree:

- to indemnify the Holder of the Notes against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, sale of assets or other transaction; and

- that all payments pursuant to the Notes must be made without withholding or deduction for or on account of any tax of whatever nature imposed or levied on behalf of the jurisdiction of organization of such successor company or entity, or any political subdivision or taxing authority thereof or therein, unless such tax is required by such jurisdiction or any such subdivision or authority to be withheld or deducted, in which case, such successor company or entity will increase the relevant interest scheduled to be paid on the Notes by such Additional Amounts in order that the net amounts received by the Holders after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, subject to the same exceptions as would apply with respect to the payment by the Issuer of Additional Amounts in respect of the Notes (substituting the jurisdiction of organization of such successor company or entity for the Commonwealth of Australia),

provided, however, that this indemnity shall not apply to any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code, and shall not require the payment of Additional Amounts on account of any such withholding or deduction.

If the conditions described above are satisfied with respect to the Notes, and we deliver an Officer's Certificate and an opinion of counsel to that effect, we will not need to obtain the approval of the Holders in order to merge or consolidate or sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control of us, but in which we do not merge or consolidate and any transaction in which we sell less than substantially all of our assets.

Also, if we merge, consolidate or sell our assets substantially as an entirety and the successor is a non-Australian entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences relating to the Notes.

Notwithstanding the above, the Conditions do not prevent ANZ from consolidating with or merging into any other person or conveying, transferring or leasing its properties and assets substantially as an entirety to any person, or from permitting any person to consolidate with or merge into ANZ or to convey, transfer or lease its properties and assets substantially as an entirety to ANZ where such consolidation, merger, transfer or lease is:

- required by APRA (or any statutory manager or similar official appointed by it) under law and prudential regulation applicable in the Commonwealth of Australia (including, without limitation, the Banking Act or the Financial Sector Transfer (Business Transfer and Group Restructure) Act 1999 of Australia, which terms, as used herein, include any amendments thereto, rules thereunder and any successor laws, amendments and rules)); or
- determined by the board of directors of ANZ or by APRA (or any statutory manager or similar official appointed by it) to be necessary in order for ANZ to be managed in a sound and prudent manner or for ANZ or APRA (or any statutory manager or similar official appointed by it) to resolve any financial difficulties affecting ANZ, in each case in accordance with prudential regulation applicable in the Commonwealth of Australia.

See also "*—Approved Acquisition Events*."

**Modification of the Fiscal and Paying Agency Agreement and the Notes and waiver of covenants**

There are several types of changes we can make to the Fiscal and Paying Agency Agreement and the Notes, and these changes may have tax consequences for Holders.

***Changes requiring each Holder's approval***

First, there are changes that cannot be made without the written consent or the affirmative vote or approval of the Holders of all outstanding Notes.

Those types of changes are:

- changing the date scheduled for the payment of principal of or any interest on any Note;
- other than as set out above in relation to Conversion and Write Off of the Notes following a Trigger Event and the Issuer's discretion and/or ANZ's obligation not to pay interest otherwise scheduled to be paid on the Notes, reducing the principal amount of any Note or the Interest Rate(s) or methodology for determining any reset Interest Rate;
- changing the subordination provisions of a Note or the Conversion or Write Off features (other than adjustments contemplated by the Conditions) applicable thereto, in a manner adverse to the Holder of the Note;
- changing the coin or currency of any payment on a Note;
- changing the Issuer's obligation to pay Additional Amounts;
- shortening the period during which redemption of the Notes is not permitted or permitting redemption during a period not previously permitted;
- changing the place of payment on a Note;
- reducing the percentage of principal amount of the Notes outstanding necessary to modify, amend or supplement the Fiscal and Paying Agency Agreement or the Notes or to make, take or give any request, demand, authorization, direction, notice, consent, waiver or other action provided in the Fiscal

and Paying Agency Agreement or the Conditions to be made, taken or given or to waive past non-compliance or future compliance;

- reducing the percentage of principal amount of the Notes outstanding required to adopt a resolution or the required quorum at any meeting of Holders at which a resolution is adopted;
- changing any obligation of the Issuer to maintain an office or agency in the places and for the purposes specified in the Conditions or Section 9.1 of the Fiscal and Paying Agency Agreement; or
- changing any of the provisions under this Section "*—Changes requiring each Holder's approval*."

***Changes requiring a Special Resolution***

Changes to or a waiver of the restrictions on Ordinary Share Dividends, Buy Backs and Capital Reductions set forth in "*—Interest on the Notes—Restrictions in the case of non-payment of interest*" may be made if approved by a Special Resolution. As used herein, "**Special Resolution**" means either (i) a resolution passed at a meeting of Holders by at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution at a meeting at which a quorum of Holders is present or (ii) the written consent of Holders representing at least 75% of the aggregate principal amount of the Notes outstanding.

***Changes not requiring approval***

The second type of change does not require any approval by Holders. These changes are limited to amending the Conditions and the Fiscal and Paying Agency Agreement in connection with an Approved Acquisition Event in the manner set out herein, curing any ambiguity or curing, correcting or supplementing any defective provision, modifying the Fiscal and Paying Agency Agreement or the Notes in any manner determined by the Issuer and the Fiscal Agent to be consistent with the Notes and not adverse to the interest of any Holder of Notes, and evidencing and providing for the acceptance of appointment of a successor or successors to the Agent in its capacity as fiscal agent, paying agent, transfer agent, calculation agent and registrar, as applicable.

Subject to receiving APRA's prior written approval, ANZ may, by notice to Holders (a "**Branch Change Notice**"), change the branch through which it acts in respect of the Notes to another branch of ANZ in any jurisdiction, including in Australia with effect from the date specified in the notice. ANZ will not change the branch through which it acts in respect of the Notes to a branch in a jurisdiction where it would be illegal by the laws of that jurisdiction to have the Notes on issue or to perform its obligations in respect of the Notes. A Holder has no right to require ANZ to give a Branch Change Notice.

***Changes requiring simple majority approval***

Any other modification or amendment to the Fiscal and Paying Agency Agreement or the Notes and any other waiver of covenants set out in the Fiscal and Paying Agency Agreement or the Notes shall require:

- the written consent of the Holders of at least a majority of the aggregate principal amount of the Notes at the time outstanding; or
- the adoption of a resolution at a meeting at which a quorum of Holders is present by a majority of the aggregate principal amount of the Notes then outstanding represented at the meeting.

We will be entitled to set any day as a record date for determining which Holders of book-entry Notes are entitled to make, take or give requests, demands, authorizations, directions, notices, consents, waivers or other action, or to vote on actions, authorized or permitted by the Fiscal and Paying Agency Agreement. In addition, record dates for any book-entry Note may be set in accordance with procedures established by the Clearing System Holder from time to time. Therefore, record dates for book-entry Notes may differ from those for other Notes. Book-entry and other indirect owners should consult their banks or brokers for information on

how approval may be granted or denied if we seek to change the Fiscal and Paying Agency Agreement or any Notes or request a waiver.

***Changes requiring approval of APRA***

Notwithstanding any other provision in the Conditions, the prior written approval of APRA is required to modify, amend or supplement the Conditions or to give consents or waivers in respect of the Notes or take other actions where such modification, amendment, supplement, consent, waiver or other action described above may affect the eligibility of the Notes as Additional Tier 1 Capital. This applies regardless of whether such action would require Holder approval.

**Special rules for action by Holders**

When Holders take any action under the Fiscal and Paying Agency Agreement, such as approving any change or waiver or giving the Fiscal Agent an instruction, we will apply the following rules.

***Only outstanding Notes are eligible***

Only Holders of outstanding Notes will be eligible to participate in any action by Holders. Also, we will count only outstanding Notes in determining whether the various percentage requirements for taking action have been met. For these purposes, all Notes authenticated and delivered pursuant to the Fiscal and Paying Agency Agreement will be "outstanding," except:

- Notes theretofore cancelled by the Registrar or delivered to the Registrar for cancellation or held by the Registrar for reissuance but not reissued by the Registrar;
- Notes, or portions thereof, that have been Converted or Written Off in accordance with the Conditions;
- Notes that have been called for redemption in accordance with the Conditions;
- Notes or portions thereof, for the payment of which moneys in the necessary amount shall have been deposited in trust with the Fiscal Agent;
- Notes in substitution for which other Notes shall have been authenticated and delivered pursuant to the terms of Section 6 of the Fiscal and Paying Agency Agreement unless proof satisfactory to the Registrar is presented that any such Note is held by a person in whose hands such Note is a legal, valid and binding obligation of the Issuer;

provided, however, that in determining whether the Holders of the requisite principal amount of outstanding Notes are present at a meeting of Holders of Notes for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement to the Fiscal and Paying Agency Agreement, Notes owned directly or indirectly by ANZ or its affiliates shall be disregarded and deemed not to be outstanding.

**Form, exchange and transfer of Notes**

If the Notes cease to be issued in global form, they will be issued:

- only in fully registered form;
- without interest coupons; and
- in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (or the equivalent thereof in another currency or composite currency).

The Issuer has initially appointed the corporate trust office in the Borough of Manhattan, The City of New York of the Fiscal Agent as its Registrar and Transfer Agent where Notes may be surrendered for registration

of transfer or exchange and has agreed to cause to be kept at such office a register in which, subject to such reasonable regulations as it may prescribe, the Issuer will provide for the registration of Notes and registration of transfers of Notes. The Issuer reserves the right to vary or terminate the appointment of the Fiscal Agent as the Registrar and the Transfer Agent or of any other additional Registrars or Transfer Agents, to appoint additional or other Registrars or Transfer Agents and to approve any change in the office through which any Registrar or Transfer Agent acts, provided that there will at all times be a security registrar and transfer agent for the Notes in the Borough of Manhattan, The City of New York.

Holders will not be required to pay a service charge to transfer or exchange their Notes, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our Transfer Agent is satisfied with the Holder's proof of legal ownership. The Transfer Agent may require an indemnity before replacing any Notes.

We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

Only the Clearing System Holder (or its nominee) will be entitled to transfer and exchange the Note as described in this subsection, because the Clearing System Holder (or its nominee) will be the sole Holder of the Note.

**Subsequent Holders' agreement**

Each Holder shall, by its purchase and acceptance of such Note, acknowledge, agree to be bound by, and consent to, the same provisions specified herein to the same extent as the Holders that acquire the Notes upon their initial issuance.

**Payment mechanics for Notes**

***Who receives payment?***

If interest is scheduled to be paid on a Note on an Interest Payment Date, we will pay any interest to the person in whose name the Note is registered at the close of business in New York City, New York, United States on the 15th day (whether or not such day is a Business Day) next preceding such Interest Payment Date (the "**Regular Record Date**"). If interest is scheduled to be paid upon redemption, but on a day that is not an Interest Payment Date, we will pay the interest to the person entitled to receive the principal of the Note. If principal or another amount besides interest is due on a Note upon redemption, we will pay the amount to the Holder of the Note against surrender of the Note at a proper place of payment or, in the case of a Global Note, in accordance with the applicable policies of the Clearing System Holder. For the purpose of determining the Holder at the close of business on a Regular Record Date that is not a Business Day, the close of business will mean 5:00p.m. New York City time, on that day.

***No payments in the Commonwealth of Australia***

The Issuer will not make any payments of principal or any interest on the Notes at any office or agency of ANZ in the Commonwealth of Australia or by check to any address in the Commonwealth of Australia or by transfer to an account maintained with a bank located in the Commonwealth of Australia.

***How we will make payments***

*Payments on global certificates.* We will make payments on the global certificates in accordance with the applicable policies as in effect from time to time of the Clearing System Holder. Under those policies, we will pay directly to the Clearing System Holder, or its nominee, and not to any indirect owners who own beneficial interests in the global certificates. An indirect owner's right to receive those payments will be governed by the rules and practices of the Clearing System Holder and its participants, as described below in the section entitled "*Book Entry, Delivery and Form*."

*Payments on non-global Notes.* We will make payments on a Note in non-global, registered form as follows. We will pay interest that is scheduled to be paid on an Interest Payment Date by check mailed on the Interest Payment Date to the Holder at his or her address shown on the Fiscal Agent's records as of the close of business on the Regular Record Date. We will make all other payments by check at the Paying Agent described below, against surrender of the Note. All payments by check will be made in next-day funds—i.e., funds that become available on the day after the check is cashed.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Notes.

***Payment when offices are closed***

If any payment is otherwise scheduled to be paid on a Note on a day that is not a Business Day, the Issuer will make the payment on the next day that is a Business Day (and for the avoidance of doubt, such payment will be made without any additional interest or penalty). Payments postponed to the next Business Day in this situation will be treated under the Fiscal and Paying Agency Agreement and the Note as if they were made on the original date on which they were scheduled to be paid. Postponement of this kind will not result in a breach of the Conditions or the Fiscal and Paying Agency Agreement or entitle the Holders to exercise any remedies in respect of the Notes.

***Paying Agents***

We may appoint one or more financial institutions to act as our paying agents. We may add, replace or terminate paying agents from time to time, provided that at all times there will be a paying agent in the Borough of Manhattan, The City of New York. We may also choose to act as our own paying agent. Initially, we have appointed The Bank of New York Mellon, at its corporate trust office in New York City, as the sole paying agent. We must notify the Fiscal Agent of changes in the paying agents.

***Unclaimed payments***

Regardless of who acts as Fiscal Agent, Paying Agent or Registrar, all money paid by the Issuer to any Fiscal Agent, Paying Agent or Registrar that remains unclaimed at the end of two years after the amount is due to a Holder will be repaid to the Issuer. After that two-year period, the Holder may look only to us for payment and not to the Fiscal Agent, any other Paying Agent or Registrar or anyone else.

**Notices**

Notices to be given to Holders of a Global Note will be given only to the Clearing System Holder, in accordance with its applicable policies as in effect from time to time. Notices to be given to Holders of Notes not issued in global form will be sent by mail to the respective addresses of the Holders as they appear in the Fiscal Agent's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder. Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.

**FATCA Information**

Each Holder of this Note or an interest therein, by acceptance of this Note or such interest in this Note, agrees to provide the Fiscal Agent with the Noteholder Tax Identification Information and Noteholder FATCA Information (as defined below). If the Fiscal Agent determines that the Holder of this Note or beneficial interest therein has failed to provide such information, the Issuer shall at its sole option under the Conditions, amend the terms of this Note or of the Fiscal and Paying Agency Agreement to enable the Issuer to achieve FATCA Compliance (as defined below) provided that the prior written approval of APRA is required to modify, amend or supplement the terms of the Notes or the Fiscal and Paying Agency Agreement or to give consents or waivers or take other actions where such modification, amendment, supplement, consent, waiver

or other action described above may affect the eligibility of the Note as Additional Tier 1 Capital regardless of whether such action would require Holder approval. In addition, the Holder of this Note, by acceptance of this Note, understands and acknowledges that the Fiscal Agent has the right, under the Conditions and the Fiscal and Paying Agency Agreement, to withhold interest payable with respect to this Note (without any corresponding gross-up) on any beneficial owner of an interest in this Note who fails to comply with the foregoing requirements.

As used herein:

"***Noteholder FATCA Information***" means information sufficient to eliminate the imposition of U.S. withholding tax under FATCA.

"***Noteholder Tax Identification Information***" means properly completed and signed tax certifications (generally, in the case of U.S. Federal Income Tax, IRS Form W-9 (or applicable successor form) in the case of a person that is a "United States Person" within the meaning of Section 7701(a)(30) of the Code or the appropriate IRS Form W-8 (or applicable successor form) in the case of a person that is not a "United States Person" within the meaning of Section 7701(a)(30) of the Code).

"***FATCA Compliance***" means the requirement that foreign financial institutions, including any foreign subsidiaries of U.S.-based organizations, take all appropriate steps to comply with FATCA, including but not limited to:

(a) entering into an Foreign Financial Institution Agreement with the United States Internal Revenue Service ("***IRS***") which states an intent to comply with FATCA;

(b) implementing adequate due diligence procedures on new and existing accounts to classify account Holders or investors as U.S. or non-U.S.;

(c) withholding 30% in U.S. taxes when individuals fail to provide appropriate documentation or when undertaking business with non-FATCA compliant entities; and

(d) reporting account information directly to the IRS or indirectly through the relevant national government in the applicable country.

## Our relationship with the Fiscal Agent

The Bank of New York Mellon is initially serving as the Fiscal Agent for the Notes issued under the Fiscal and Paying Agency Agreement. The Bank of New York Mellon has provided services for us and our affiliates in the past and may do so in the future. Among other things, The Bank of New York Mellon serves as trustee or agent with regard to some of our other debt obligations.

The Fiscal and Paying Agency Agreement provides that the Issuer agrees to indemnify the Fiscal Agent for, and hold it harmless against, any loss, liability, claim, damage or expense, incurred without negligence, willful misconduct or bad faith, arising out of or that is in any way related to the Fiscal and Paying Agency Agreement or any Note in connection with its acting as Fiscal Agent of the Issuer under the Fiscal and Paying Agency Agreement, as well as the reasonable costs and expenses of defending against any claim of liability in the premises or in respect of any work undertaken as a result of a Trigger Event. The Fiscal and Paying Agency Agreement provides that no party shall be liable to another contracting party for consequential or indirect loss of any kind whatsoever or for loss of business, goodwill, opportunity or profit. The Fiscal and Paying Agency Agreement provides that the Fiscal Agent shall be protected and shall incur no liability for or in respect of any action taken or thing suffered by it in reliance upon any Note, notice, direction, consent, certificate, affidavit, statement, or other paper document (whether in original or facsimile form) believed by it,

in good faith and without negligence, to be genuine and to have been presented, signed or sent by an Authorized Representative of the Issuer.

The Fiscal Agent in its various capacities assumes no responsibility for the accuracy or completeness of the information concerning the Issuer or any other party contained in this Offering Memorandum or for any failure by the Issuer or any other party to disclose events that may have occurred and may affect the significance or accuracy of such information.

Except as expressly set out in the Fiscal and Paying Agency Agreement and this section, the Fiscal and Paying Agency Agreement does not impose any duties upon the Fiscal Agent with respect to any Conversion or Write Off of Notes following the occurrence a Trigger Event. In particular, the Fiscal Agent shall have no responsibility for (i) calculating the number of ordinary shares issuable upon any Conversion nor (ii) effecting any Conversion.

The Fiscal Agent has no responsibility for nor liability with respect to actions taken or not taken by the DTC or any other clearing system or its participants or members or any broker-dealers with respect to the notification or implementation of the Trigger Event Notice, nor any application of funds or delivery of notices prior to a Conversion or Write Off of Notes.

Whenever the Fiscal Agent shall have discretion or permissive power in accordance with the Fiscal and Paying Agency Agreement or the law, the Fiscal Agent may decline to exercise the same in the absence of approval by the Holders and shall have no obligation to exercise the same unless it has been indemnified or provided with security to its satisfaction against all actions proceedings, claims, actions or demands to which it may render itself liable and all costs, damages, charges, expenses and liabilities which it may incur by so doing.

The Fiscal Agent is permitted to engage in other transactions with the Issuer and can profit therefrom without being obliged to account for such profit. The Fiscal Agent shall not be under any obligation to monitor any conflict of interest, if any, which may arise between itself and the Issuer.

**Governing law and jurisdiction**

The Notes and the Fiscal and Paying Agency Agreement will be governed by, and construed in accordance with, the laws of the State of New York without reference to the State of New York principles regarding conflicts of laws, except as to authorization and execution by the Issuer of these documents and except for the provisions of the Conditions described under "*—Status and Subordination of the Notes and how the Notes rank against other liabilities,*" "*—Conversion of the Notes," "—Approved Acquisition Events*," "*—Conversion Mechanics" and* "*—Mergers and similar transactions*" and Section 11.7 and Section 12 of the Fiscal and Paying Agency Agreement (the "**Victorian Law Matters**"), which in each case will be governed by and shall be construed in accordance with the laws of the State of Victoria and the Commonwealth of Australia.

The courts of the Borough of Manhattan, The City of New York are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Fiscal and Paying Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Notes and the Fiscal and Paying Agency Agreement (including any legal action or proceedings relating to non-contractual obligations arising out of or in connection with them) ("**Proceedings**") may be brought in such courts. The Issuer and ANZ have in the Fiscal and Paying Agency Agreement each irrevocably submitted to the non-exclusive jurisdiction of the courts of the Borough of Manhattan, The City of New York in respect of any such Proceedings and to the jurisdiction of the State of Victoria and the Commonwealth of Australia in respect of any Proceedings relating to Victorian Law Matters.

The Issuer and ANZ have each appointed Australia and New Zealand Banking Group Limited, New York branch, with its offices at 277 Park Avenue, New York, New York, 10172, as our agent for service of process in the City of New York in connection with any Proceedings in the City of New York.

### Restrictions on transfer

The Joint Lead Managers propose to resell and/or place the Rule 144A Notes (as defined below) to certain institutions in the United States in reliance upon Rule 144A under the Securities Act. Notes that are initially offered and sold in the United States to "qualified institutional buyers" or "QIBs" (the "**Rule 144A Notes**") may not be sold or otherwise transferred, except, in the United States, pursuant to registration under the Securities Act or in accordance with Rule 144A or, outside the United States to non-U.S. persons, pursuant to Rule 904 of Regulation S thereunder (the "**Regulation S Notes**") or, in either case, in a resale transaction that is otherwise exempt from such registration requirements, and each of the Global Notes will bear a legend to this effect. In light of current U.S. securities laws, subject to certain exceptions, an exemption should be available for a sale or transfer of a Rule 144A Note after its Specified Date. The "**Specified Date**" means (A) with respect to any Rule 144A Note, the date following the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act (such period the "**applicable holding period**") after the later of (i) the date of acquisition of such Rule 144A Note from ANZ or an affiliate of ANZ, or (ii) any resale of such Rule 144A Note in reliance on Rule 144 under the Securities Act for the account of either the acquiror or any subsequent holder of such Rule 144A Note, in each case demonstrated to the reasonable satisfaction of ANZ (which may require delivery of legal opinions); or (B) with respect to any Regulation S Note, the date which is 40 days after the later of the commencement of the offering or the closing date (such period the "**distribution compliance period**").

Unless a holder of a Rule 144A Note holds such Rule 144A Note for the entire applicable holding period, such holder may not be able to determine the Specified Date because such holder may not be able to determine the last date on which ANZ, or any affiliate thereof, was the beneficial holder of such holder's Rule 144A Note. The Transfer Agent and the Registrar will not be required to accept for registration or transfer any Rule 144A Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as ANZ may from time to time agree with such Fiscal Agent.

### Certain defined terms

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

"**ANZ Group**" shall mean ANZ and its Controlled Entities.

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

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

"**Approved Acquirer**" means the ultimate holding company of ANZ (whether incorporated in Australia or elsewhere) arising as a result of an Approved Acquisition Event.

"**Approved Acquisition Event**" means an Acquisition Event in respect of which each of the following conditions is satisfied:

(a) the entity which has or is to become the Approved Acquirer has assumed all of ANZ's obligations to Convert the Notes into Ordinary Shares by undertaking to convert such Notes into Approved Acquirer Ordinary Shares on any Trigger Event in respect of the Approved Acquirer;

(b) the Approved Acquirer Ordinary Shares are listed on ASX or another Recognized Exchange; and

(c) ANZ, in its sole and absolute discretion, has determined that the arrangements for the issuance of Approved Acquirer Ordinary Shares to Holders following a Trigger Event are in the best interests of ANZ having regard also to the interests of the Holders and are consistent with applicable law and regulation (including, but not limited to, the guidance of APRA or any other applicable regulatory authority).

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

**"ASX Listing Rules"** means the listing rules of the ASX, as amended, varied or waived (whether in respect of ANZ or generally).

"**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 authorized non-operating holding company in respect of the ANZ Group.

"**Banking Act**" means the Banking Act 1959 of Australia.

"**Clearing System Holder**" means that the Holder is the operator of a clearing system or a depository, or a nominee for a depository, for a clearing system.

"**Common Equity Capital Ratio**" means either of:

(a) in respect of the ANZ Level 1 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 1 Group; and

(b) in respect of the ANZ Level 2 Group, the ratio of Common Equity Tier 1 Capital to risk weighted assets of the ANZ Level 2 Group,

in each case, as prescribed by APRA from time to time.

"**Common Equity Tier 1 Capital**" has the meaning given by APRA from time to time.

"**Control**" has the meaning given in the Corporations Act.

"**Controlled Entity**" shall mean, in respect of ANZ, an entity ANZ Controls.

"**Conversion**" means, in relation to a Note, the allotment and issue of Ordinary Shares and the termination of the Holder's rights in relation to the relevant prevailing principal amount of that Note, in each case, as described in "*—Conversion of the Notes*" *and* "*—Conversion Mechanics,"* and in each case, "**Convert**," "**Converting**" and "**Converted**" have corresponding meanings.

"**Corporations Act**" means the Corporations Act 2001 of Australia.

"**Inability Event**" shall mean ANZ is prevented by applicable law or order of any court or action of any government authority (including regarding the insolvency, winding up or other external administration of ANZ) or any other reason from Converting the Notes.

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

"**Ordinary Share**" shall mean a fully paid ordinary share in the capital of ANZ and, where the context so requires, means an ordinary share of ANZ issuable upon Conversion of the Notes.

"**Recognized Exchange**" means a recognized stock exchange or securities market in an Organization for Economic Cooperation and Development ("**OECD**") member state.

"**Related Entity**" has the meaning given by APRA from time to time.

"**Relevant Security**" shall mean, where a Trigger Event occurs, an Additional Tier 1 Capital instrument that, in accordance with its terms or by operation of law, is capable of being converted into Ordinary Shares or written off where that event occurs (including, without limitation, the Notes, Capital Notes 1, Capital Notes 2, Capital Notes 3, and, where a Common Equity Capital Trigger Event occurs on account of the Common Equity Capital Ratio in respect of the ANZ Level 2 Group, CPS3).

"**Tier 1 Capital**" shall mean 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.

"**Trading Day**" means a day which is a business day within the meaning of the ASX Listing Rules.

A "**Trigger Event Conversion Date**" means:

(a) in the case of a Common Equity Capital Trigger Event, the date on which the Capital Deficiency Determination is made or notified to ANZ; and

(b) in the case of a Non-Viability Trigger Event, the date on which the Non-Viability Determination is notified to ANZ.

"**UK Banking Act**" means the UK Banking Act 2009 (as amended) of the United Kingdom.

# DESCRIPTION OF THE ORDINARY SHARES

Holders may receive Ordinary Shares on Conversion.

ANZ intends to rely on the relief provided by ASIC Corporations (Regulatory Capital Securities) Instrument 2016/71 so that where Notes are converted into Ordinary Shares or ordinary shares of an Approved Acquirer that is an authorized deposit-taking institution, a general insurer, a life company, an authorized NOHC or a registered NOHC for the purposes of the Banking Act, the Insurance Act 1973 of Australia or the Life Insurance Act 1995 of Australia, those shares may be on-sold to investors in Australia without the lodgment of a prospectus being required at that time.

The rights and liabilities attaching to the Ordinary Shares are set out in ANZ's constitution (the "**Constitution**") and are also regulated by the Corporations Act, the ASX Listing Rules and the general law.

This section summarizes the key rights attaching to the Ordinary Shares. It is not intended to be an exhaustive summary of the rights and obligations of shareholders who hold Ordinary Shares of ANZ (the "**Shareholders**"). A description of ANZ's Ordinary Shares and constituent documents can be found under "Section 5: Major Shareholders, Description of Ordinary Shares and Constituent Documents and Related Party Transactions" on pages 63 to 65 of the 2016 Half Year U.S. Disclosure Document and pages 70 to 72 of the 2015 U.S. Disclosure Document, all of which is incorporated by reference herein.

## Voting Rights

Subject to the Constitution, the Corporations Act and 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 entitled to vote, present in person or by proxy, attorney or representative, has one vote.

On a poll, each Shareholder entitled to vote, present in person or by proxy, attorney or representative, has one vote for each Ordinary Share held. 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.

## General Meetings

Notice of a general meeting must be given to each Shareholder in accordance with the Corporations Act. At least 28 days' notice must be given of a meeting of ANZ's Shareholders. Written notice must be given to all Shareholders entitled to attend and vote at a meeting. All Shareholders are entitled to attend to vote at general meetings of ANZ. Voting rights attaching to other classes of shares in the Company may differ. More information can be found under "Section 5: Major Shareholders, Description of Ordinary Shares and Constituent Documents and Related Party Transactions–Convening of and admission to general meetings" of the U.S. Disclosure Documents and is incorporated by reference herein.

Each Shareholder is entitled to receive notices, financial statements and other documents required to be sent to Shareholders under the Constitution, Corporations Act and the ASX 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.

## Dividend Entitlement

Subject to the Corporations Act, the Constitution and the terms of issue of Ordinary Shares, ANZ's Board of Directors 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).

### 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 terms and conditions 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 directly or indirectly to any entity or 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 of America (including its territories or possessions) or Canada. More information regarding ANZ's dividend reinvestment plan or bonus option plan can be found in the U.S. Disclosure Documents under "Section 6: Additional Information–Dividend distribution policy."

### Rights of Shareholders on a Winding Up

If ANZ is wound up and its property is more than sufficient to pay all debts, 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 held by them at the commencement of the Winding Up (subject to the rights of holders of shares carrying preferred rights on Winding Up, including Notes). A partly paid Ordinary Share is counted as a fraction of a fully paid Ordinary Share 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 and vest assets in trustees of any trusts for the benefit of Shareholders as the liquidator thinks appropriate.

### Transfer of Ordinary Shares

Subject to the Constitution, 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 ASX Listing Rules and the ASX Settlement Operating Rules, or where registration of the transfer is forbidden by the Corporations Act, ASX Listing Rules or ASX Settlement Operating Rules. In addition, subject to the Corporations Act, ASX Listing Rules and ASX Settlement Operating Rules, the Board may decline to register a transfer if registration would create a new holding of less than a marketable parcel under the ASX Listing Rules. Transfers of Ordinary Shares may also be restricted by provisions of Australian law that restrict the ability of a person to acquire an interest in ANZ beyond the limits prescribed by those laws, as further described in the U.S. Disclosure Documents under "Major Shareholders, Description of Ordinary Shares and Constituent Documents and Related Party Transactions."

### Issues of Further Shares

Subject to the Constitution, Corporations Act and ASX Listing Rules, the Board may issue or grant options in respect of Ordinary Shares on such terms as the Board decides. In particular, the Board may issue preference shares, including redeemable preference shares, or convertible notes with any rights attaching to them that the Board determines prior to issue.

## 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.

## 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.

## BOOK ENTRY, DELIVERY AND FORM

The Rule 144A Notes will be represented by beneficial interests in one or more Rule 144A Global Notes in registered form without interest coupons, which will be deposited on or about the closing date of the offering of the Notes with the Fiscal Agent as custodian (the "**Custodian**") for DTC and registered in the name of Cede & Co. as nominee of DTC.

The Regulation S Notes will be represented by beneficial interests in one or more Regulation S Global Notes in registered form without interest coupons, which will be deposited on or about the closing date of the offering of the Notes with the Custodian and registered in the name of Cede & Co. as nominee of DTC. Investors may hold their interests in the Regulation S Global Notes directly through DTC if they are participants in, or indirectly through organizations that are participants in, DTC. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries, which are participants in DTC.

So long as DTC or its nominee is the registered holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by the Global Note for all purposes under the Fiscal and Paying Agency Agreement and the Notes (except as the context otherwise requires in respect of Additional Amounts). The Notes (including beneficial interests in the Global Notes) will be subject to certain restrictions on transfer set forth therein and in the Fiscal and Paying Agency Agreement and will bear a legend regarding such restrictions as set forth under " *Transfer Restrictions*," unless DTC or its nominee determines otherwise in accordance with applicable law. Under certain circumstances, transfers may be made only upon receipt by the Transfer Agent of a written certification (in the form set out in the Fiscal and Paying Agency Agreement).

### Transfers within Global Notes

Subject to the procedures and limitations described herein, transfers of beneficial interests within a Global Note may be made without delivery to the Issuer or the Fiscal Agent of any written certifications or other documentation by the transferor or transferee.

### Transfers between the Global Notes

A beneficial interest in a Rule 144A Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Regulation S Global Note only upon receipt by the Transfer Agent of a written certification (in the form set out in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or, in the case of an exchange occurring following the expiration of the distribution compliance period, Rule 144. Prior to the expiration of the distribution compliance period, a beneficial interest in a Regulation S Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Rule 144A Global Note only upon receipt by the Transfer Agent of a written certification (in the form set out in the Fiscal and Paying Agency Agreement) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. After the expiration of the distribution compliance period, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to applicable transfer restrictions under the Securities Act and the laws of any state of the United States and other jurisdictions. Any beneficial interest in a Rule 144A Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will,

upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

## Transfers or Exchanges from a Global Note to Definitive Notes

No Global Note may be exchanged in whole or in part for Notes in definitive registered form ("**Definitive Notes**"), unless DTC notifies the Issuer that it is unwilling or unable to hold the Global Note or DTC ceases to be a clearing agency registered under the Exchange Act, and in each case the Issuer does not appoint a successor depositary that is registered under the Exchange Act within 90 days after receipt of such notice or becoming aware that DTC is no longer so registered.

The holder of a Definitive Note may transfer such Note by surrendering it at the specified office of the Registrar or any Fiscal Agent. Upon the transfer, exchange or replacement of Definitive Notes bearing the applicable legend set forth under "*Notice to Investors*" herein, or upon specific request for removal of such legend on a Definitive Note, the Issuer will deliver only Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Each such Definitive Note will include terms substantially in the form of those set forth in the Fiscal and Paying Agency Agreement. Except as set forth in this paragraph, no Global Note may be exchanged in whole or in part for Definitive Notes.

## Clearing and Settlement

The information set out below in connection with DTC is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information about DTC set forth below has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer or any of the Joint Lead Managers takes any responsibility for or makes any representation or warranty with respect to the accuracy of the information. Neither of the Issuer nor any of the Joint Lead Managers will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in Notes held through, the facilities of any clearing system, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC participants and to facilitate the clearance and settlement of transactions between DTC participants through electronic book entry changes in accounts of DTC participants, thereby eliminating the need for physical movement of certificates. DTC participants include certain of the Joint Lead Managers, securities brokers and dealers, banks, trust companies, and clearing corporations, and may in the future include certain other organizations ("**DTC participants**"). Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly ("**indirect DTC participants**").

Under the rules, regulations, and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC is required to make book-entry transfers of Notes among DTC participants on whose behalf it acts with

respect to Notes accepted into DTC's book-entry settlement system as described below (the "**DTC Notes**") and to receive and transmit distributions of the nominal amount and interest on the DTC Notes. DTC participants and indirect DTC participants with which beneficial owners of DTC Notes ("**Owners**") have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through DTC participants or indirect DTC participants will not possess Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which such Owners will receive payments and will be able to transfer their interests with respect to the Notes.

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC participants. Indirect DTC participants are required to effect transfers through a DTC participant. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the DTC participants to whose accounts the Notes are credited, which may not be the beneficial owners. DTC participants will remain responsible for keeping account of their holdings on behalf of their customers and for forwarding all notices concerning the Notes to their customers. So long as DTC, or its nominee, is the registered holder of a Global Note, payments on the Notes will be made in immediately available funds to DTC. DTC's practice is to credit DTC participants' accounts on the applicable payment date in accordance with their respective holdings shown on its records, unless DTC has reason to believe that it will not receive payment on that date. Payments by DTC participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of the DTC participants and not of DTC, or any other party, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Fiscal Agent. Disbursement of payments for DTC participants will be DTC's responsibility, and disbursement of payments to the beneficial owners will be the responsibility of DTC participants and indirect DTC participants.

Because DTC can only act on behalf of DTC participants, who in turn act on behalf of indirect DTC participants, and because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC participants or indirect DTC participants, the ability of the owners of the beneficial interests to pledge Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to the Notes, may be limited. DTC will take any action permitted to be taken by an Owner only at the direction of one or more DTC participants to whose account with DTC such Owner's DTC Notes are credited. Additionally, DTC has advised the Issuer that it will take such actions with respect to any percentage of the beneficial interest of Owners who hold Notes through DTC participants or indirect participants only at the direction of and on behalf of DTC participants whose account holders include undivided interests that satisfy any such percentage.

To the extent permitted under applicable law and regulations, DTC may take conflicting actions with respect to other undivided interests to the extent that such actions are taken on behalf of DTC participants whose account holders include such undivided interests.

Ownership of interests in the Rule 144A Global Notes and the Regulation S Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC participants and the indirect DTC participants, including Euroclear and Clearstream, Luxembourg. Transfers between participants in DTC, as well as transfers between participants in Euroclear and Clearstream, Luxembourg will be effected in the ordinary way in accordance with DTC rules.

Subject to compliance with the transfer restrictions applicable to the Notes, cross-market transfers between DTC, on the one hand, and participants in Euroclear or Clearstream, Luxembourg, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be. Such cross-market transactions, however, will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in such system in accordance with its rules

and procedures and within its established deadlines. Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to DTC to take action to effect final settlement on its behalf by delivering or receiving payment in accordance with DTC's Same-Day Funds Settlement System.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer or the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

## Initial Settlement in relation to DTC Notes

Upon the issuance of a DTC Note deposited with DTC or a custodian therefor, DTC or its custodian, as the case may be, will credit, on its internal system, the respective nominal amount of the individual beneficial interest represented by such relevant DTC Note or Notes to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Joint Lead Managers. Ownership of beneficial interest in a DTC Note will be limited to DTC participants, including Euroclear and Clearstream, Luxembourg or indirect DTC participants. Ownership of beneficial interests in DTC Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC participants) and the records of DTC participants (with respect to interests of indirect DTC participants). Investors that hold their interests in a DTC Note will follow the settlement procedures applicable to global bond issues. Investors' securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

## Secondary market trading in relation to DTC Notes

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date. Although DTC has agreed to the following procedures in order to facilitate transfers of interests in Global Notes deposited with DTC or a custodian therefor among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer nor any agent of the Issuer will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Secondary market trading between DTC participants will be settled using the procedures applicable to global bond issues in same-day funds.

## Payments

So long as any of the Notes remain outstanding, the Issuer will maintain in the Borough of Manhattan, The City of New York, an office or agency (a) where the Notes may be presented for payment, (b) in the case of the Issuer, where the Notes may be presented for registration of transfer and for exchange and (c) where notices and demands to or upon the Issuer in respect of the Notes or the Fiscal and Paying Agency Agreement

may be served. The Issuer will give the Fiscal Agent written notice of the location of any such office or agency and of any change of location thereof. The Issuer will initially designate the Fiscal Agent for such purposes. The Issuer may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes or where such notices or demands may be served and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Issuer of any obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Issuer shall give written notice to the Fiscal Agent of any such designation or rescission and of any such change in the location of any other office or agency.

A Holder may transfer or exchange Notes in accordance with the Conditions. The Registrar and Fiscal Agent for the Notes will not be required to accept for registration or transfer any Notes, except upon presentation of satisfactory evidence (which may include legal opinions) that the restrictions on transfer have been complied with, all in accordance with such reasonable regulations as the Issuer may from time to time agree with such Registrar and Fiscal Agent.

Notwithstanding any statement herein, the Issuer reserves the right to impose or remove such transfer, certification, substitution or other requirements, and to require such restrictive legends on the Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and the states therein and any other applicable laws or as may be required by any stock exchange on which the Notes are listed. The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of Notes and any other expenses (including the fees and expenses of the Fiscal Agent). No service charge will be made for any such transaction.

The Transfer Agent and the Registrar will not be required to exchange or register a transfer (i) of any Notes for a period of 15 days preceding the due date for any payment of principal of or interest, if any, in respect of the Notes or the date on which the Notes are scheduled for redemption or (ii) made in violation of the transfer restrictions referred to in the Fiscal and Paying Agency Agreement.

The Notes will be issued in registered form without coupons and transferable in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

**The laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Global Notes is limited to such extent.**

# TAXATION

## CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below) (other than FATCA Withholding, which applies to all Holders). This summary deals only with initial purchasers of the Notes that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of the Notes by particular investors (including consequences under the alternative minimum tax or Medicare tax on net investment income), and does not address state, local, non-U.S. or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly, indirectly or by attribution) 5% or more of the voting stock of ANZ, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate, the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of the Notes by the partnership.

Except as otherwise noted, the summary assumes that the Issuer is not a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes, which the Issuer believes to be the case. The Issuer's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Issuer were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Australia and the income tax treaty between the United States and the United Kingdom (each a "**Treaty**") all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD**

**CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF AN APPLICABLE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

## Taxation of the Notes

### *U.S. Federal Income Tax Characterization of the Notes*

The determination of whether an obligation represents debt or equity is based on all the relevant facts and circumstances. There is no direct legal authority as to the proper U.S. federal income tax treatment of a perpetual instrument that is denominated as a debt instrument and has certain debt features, but is subject to either a Conversion to Ordinary Shares or Write Off in the case of a Trigger Event, such as the Notes. As a consequence, it is unclear whether the Notes should be properly characterized as debt or equity for U.S. federal income tax purposes. We believe, however, that the Notes should be treated as equity of the Issuer for U.S. federal income tax purposes. This characterization will be binding on a U.S. Holder, unless the U.S. Holder expressly discloses that it is adopting a contrary position on its income tax return. However, this characterization is not binding on the U.S. Internal Revenue Service (the "**IRS**") or the courts, and there can be no assurance that this characterization will be accepted by the IRS or a court. If the Notes are properly characterized as debt for U.S. federal income tax purposes, then the U.S. federal income tax consequences of acquisition, ownership and disposition of Notes by a U.S. Holder would be materially different than as described below. Each prospective investor should consult its own tax adviser about the proper characterization of the Notes for U.S. federal income tax purposes, and the consequences of acquiring, owning or disposing of the Notes if the Notes are characterized as debt in the Issuer. The remainder of this summary assumes that the Notes are properly characterized as equity for U.S. federal income tax purposes.

### *Interest Payments*

*General*. Interest payments on the Notes by the Issuer, before reduction for any withholding tax paid by the Issuer with respect thereto (and including any Additional Amounts), generally will be taxable to a U.S. Holder as dividend income to the extent of the Issuer's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), and will not be eligible for the dividends received deduction allowed to corporations. Interest payments in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Notes and thereafter as capital gain. However, the Issuer does not maintain calculations of its earnings and profits in accordance with U.S. federal income tax accounting principles. U.S. Holders should, therefore, assume that any interest payments by the Issuer with respect to Notes will be reported as ordinary dividend income. U.S. Holders should consult their own tax advisers with respect to the appropriate U.S. federal income tax treatment of any interest payments received from the Issuer.

Interest payments by the Issuer treated as dividends generally will be taxable to a non-corporate U.S. Holder at the reduced rate normally applicable to long-term capital gains, provided the Issuer qualifies for the benefits of the U.S.-Australia Treaty, which the Issuer believes to be the case, and certain other requirements are met. A U.S. Holder will not be able to claim this reduced rate on dividends if the Issuer is treated as a PFIC in the taxable year in which the interest payments are received or in the preceding taxable year. See "*—Passive Foreign Investment Company Considerations.*"

*Effect of Australian and U.K. Withholding Taxes*. As discussed under "*—Interest Payments—General*," the amount of dividend income on the Notes will include amounts, if any, withheld in respect of Australian or U.K. taxes. For more information on these withholding taxes, please see the discussions under "*—Certain Australian Tax Considerations*" and "*—Certain United Kingdom Tax Considerations*" below. Interest that the Issuer pays with respect to the Notes will be considered foreign-source income to U.S. Holders. Subject to

applicable limitations, some of which vary depending upon the U.S. Holder's circumstances, Australian or U.K. income taxes withheld from interest payments on the Notes to a U.S. Holder not eligible for an exemption from such withholding tax (under a treaty or otherwise) will be creditable against the U.S. Holder's U.S. federal income tax liability.

The foreign tax credit rules are complex. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Australian or U.K. (or other non-U.S.) taxes.

***Sale, redemption, maturity or Write Off of the Notes***

Subject to the discussion under "*Passive Foreign Investment Company Considerations*" below, for U.S. federal income tax purposes, gain or loss realized on the sale, redemption, maturity or Write Off of the Notes will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held the Notes for more than one year. The amount of the gain or loss will equal the difference between the U.S. Holder's tax basis in the Notes disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. A U.S. Holder's adjusted tax basis in a Note will generally be its U.S. dollar cost. Such gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

The redemption of the Notes for cash and the receipt of cash upon maturity of the Notes will be treated for U.S. federal income tax purposes as a sale or exchange, taxable as described in the preceding paragraph, if, as is likely in most cases, the redemption or maturity is "not essentially equivalent to a dividend," "substantially disproportionate" with respect to a U.S. Holder, "in complete redemption" of a U.S. Holder's interest in the Notes and other instruments of ANZ treated as equity for U.S. federal income tax purposes, or, in the case of non-corporate U.S. Holders, "in partial liquidation" of ANZ, each of the above within the meaning of Section 302(b) of the Internal Revenue Code of 1986, as amended. If none of the above standards is satisfied, then a payment in redemption or upon maturity of the Notes will be treated as a distribution subject to the tax treatment described above under "*—Interest Payments*." U.S. Holders are strongly encouraged to consult their own tax advisor regarding the characterization of a redemption payment under the rules described in this subsection and the consequences of such characterization to such holders.

## Conversion of the Notes

The Conversion of the Notes into Ordinary Shares should be treated as a recapitalization for U.S. federal income tax purposes. As a result, upon such Conversion, a U.S. Holder generally should not recognize gain or loss, the U.S. Holder's basis in the Ordinary Shares received should be equal to the U.S. Holder's basis in the Notes which were converted and the U.S. Holder's holding period in the Ordinary Shares received should include the holding period of the Notes that were converted.

However, if the Ordinary Shares issued upon conversion are issued by an Approved Acquirer that was substituted as the provider of the Ordinary Shares to be delivered upon Conversion, the Conversion of the Notes into Ordinary Shares may be a taxable event. U.S. Holders should consult their tax advisers concerning the consequences of a substitution of an Approved Acquirer as the provider of the Ordinary Shares to be delivered upon Conversion and the subsequent Conversion of the Notes into Ordinary Shares.

## Ordinary Shares

Distributions, if any, paid on Ordinary Shares will be taxed in the same manner as payments of interest on the Notes as discussed above under "*—Interest Payments*." Gain or loss realized on the sale or exchange of Ordinary Shares will be taxed in the same manner as gain or loss realized on the disposition of the Notes as discussed under *"—Sale, redemption, maturity or Write Off of the Notes."*

A U.S. Holder that receives a payment in a currency other than U.S. dollars on the sale, exchange, redemption or other disposition of Ordinary Shares generally will realize an amount equal to the U.S. dollar value of the currency received at the spot rate on the date of disposition (or, if the Ordinary Shares are traded on an established securities market and the U.S. Holder is a cash-basis or electing accrual-basis taxpayer, at the spot rate on the settlement date). A U.S. Holder that realizes gain or loss on the date of disposition of the Ordinary Shares will also recognize foreign currency gain or loss based on the difference in the foreign currency spot rate on the date of disposition and the settlement date. A U.S. Holder will have a tax basis in the foreign currency received equal to its U.S. dollar value at the spot rate on the settlement date. The amount of a distribution paid on the Ordinary Shares that you must include in your income as a U.S. Holder will be the U.S. dollar value of the payments made, determined at the spot rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Any currency gain or loss realized in the sale, exchange, redemption or other disposition of the Ordinary Shares or on a conversion or other disposition of the foreign currency for a different U.S. dollar amount generally will be treated as U.S. source ordinary income or loss.

### Passive Foreign Investment Company Considerations

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Issuer does not believe that it should be treated as a PFIC. Although interest income generally is passive income, a special rule allows banks to treat their banking business income as non-passive. To qualify for this rule, a bank must satisfy certain requirements regarding its licensing and activities. The Issuer believes that it currently meets these requirements. The Issuer's possible status as a PFIC must be determined annually, however, and may be subject to change if the Issuer fails to qualify under this special rule for any year in which a U.S. Holder holds Notes. If the Issuer were to be treated as a PFIC in any year, U.S. Holders would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale of the Notes or Ordinary Shares and (ii) to pay tax on any gain from the sale of the Notes or Ordinary Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Issuer would not be eligible for the reduced rate of tax described above under "*Interest Payments—General*." Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

A U.S. Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which the Issuer is classified as a PFIC may be required to file IRS Form 8621. Prospective purchasers should consult their tax advisers regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

### Backup Withholding and Information Reporting

The proceeds of sale or other disposition (including exchange), as well as interest payments and other proceeds with respect to Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of the Notes, including requirements related to the holding of certain foreign financial assets.

### Transfer Reporting Requirements

A U.S. Holder who purchases Notes may be required to file Form 926 (or similar form) with the IRS in certain circumstances. A U.S. Holder who fails to file any such required form could be required to pay a penalty equal to 10% of the gross amount paid for the Notes (subject to a maximum penalty of U.S.$100,000, except in cases of intentional disregard). U.S. Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the Notes.

### FATCA Withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom, Australia, and New Zealand) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, is not clear at this time. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay Additional Amounts as a result of the withholding.

## CERTAIN AUSTRALIAN TAX CONSIDERATIONS

The following is a summary of the principal Australian tax consequences for certain Holders that are not tax residents of Australia who subscribe for Notes. This summary is of a general nature and is not exhaustive. In particular, it does not deal with the position of non-Australian resident Holders who acquire Notes otherwise than under the offering of Notes or Ordinary Shares described in this Offering Memorandum, who hold Notes or Ordinary Shares in their business of share trading, dealing in securities or otherwise hold their Notes or Ordinary Shares on revenue account or as trading stock, or who are subject to the "taxation of financial arrangements" provisions in Division 230 of the Income Tax Assessment Act 1997 in relation to their holding of Notes or Ordinary Shares. This summary also only relates to the position of non-Australian resident Holders who do not hold Notes through a permanent establishment in Australia.

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

This summary is based on Australian tax laws and regulations, interpretations of such laws and regulations, and administrative practice as at the date of this Offering Memorandum. The laws referred to in this summary are subject to change, possibly with retrospective effect. Holders that are in any doubt as to their tax position should consult their own tax advisers in relation to the Australian tax consequences of acquiring, owning and disposing of Notes.

Unless otherwise specified, statutory references in this section are references to a section of the Income Tax Assessment Act 1936 or the Income Tax Assessment Act 1997 of Australia (the "**Australian Tax Act**").

### Distributions on Notes

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

The Issuer proposes to issue the Notes in a manner which will satisfy the requirements of Section 215-10 of the Australian Tax Act, such that interest payments on the Notes should be treated as non-share dividends that are unfrankable. In the event that interest payments are unfrankable because the requirements of Section 215-10 are satisfied then withholding tax will not be payable.

Non-Australian resident Holders should generally not be subject to Australian income tax on interest payments received on the Notes.

### Disposal, redemption or repurchase of Notes

As the Notes should not be "traditional securities" for income tax purposes and should generally not be "taxable Australian property" for capital gains tax purposes, non-Australian resident Holders should generally not be taxable on any gain realized on the disposal, redemption or repurchase of Notes.

### Conversion of Notes

Under specific provisions of the Australian Tax Act dealing with convertible interests, any gain or loss that would arise on a Conversion of Notes should be disregarded. The consequence of this is that the gain or loss is effectively deferred, with a non-Australian resident Holder's cost base in the Ordinary Shares acquired on Conversion reflecting the Holder's cost base in their Notes.

### Ordinary Shares acquired on a Conversion

Any dividends received on Ordinary Shares acquired on a Conversion of Notes should not be subject to Australian non-resident withholding tax to the extent the dividends are franked or are declared to be conduit foreign income.

To the extent an unfranked dividend not subject to a conduit income declaration is paid to non-Australian resident Holders, withholding tax will be payable. The rate of withholding tax is currently 30%. However, non-Australian resident Holders may be entitled to a reduction in the rate of withholding tax if they are resident in a country which has a double taxation agreement with Australia.

Non-Australian resident Holders should generally not be taxable on any gain realized on disposal of their Ordinary Shares as the Ordinary Shares should generally not be "taxable Australian property."

### Other tax matters

(a) Non-Australian resident Holders should not be liable for goods and services tax ("**GST**") in respect of their investment in Notes or the disposal, redemption, repurchase or Conversion of Notes.

(b) No ad valorem stamp duty, issue, registration or similar taxes are payable in Australia in connection with the issue, redemption or sale of the Notes or in connection with the issue or transfer of Ordinary Shares (including an issue of shares as a result of a Conversion of Notes), provided that:

  (i) if all the shares in ANZ are quoted on the ASX at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in ANZ of 90% or more; or

  (ii) if not all the shares in ANZ are quoted on the ASX at the time of issue or transfer of the Ordinary Shares, no person, either directly or when aggregated with interests held by associates of that person, obtains an interest in ANZ of 50% or more.

## CERTAIN UNITED KINGDOM TAX CONSIDERATIONS

### General

The comments below are of a general nature and are not intended to be exhaustive. Any Holders who are in doubt as to their own tax position should consult their professional advisers.

### Interest payments

Interest payments on the Notes by the Issuer will not be subject to withholding or deduction for or on account of UK tax, provided that either:

(a) the Taxation of Regulatory Capital Securities Regulations 2013 (the "**Regulations**") apply to the Notes, or

(b) the Notes are and remain listed on the ASX or some other "recognized stock exchange" within the meaning of section 1005 of the Income Tax Act 2007.

In all other cases a sum on account of UK income tax must generally be withheld at the basic rate (currently 20%), unless one of certain exceptions relating to the status of the holder applies. In particular, certain U.S. Holders will be entitled to receive payments free of withholding on account of UK income tax under the U.S.: UK double tax convention relating to income and capital gains (the "**U.S.:UK Treaty**") and will under current H M Revenue & Customs ("**HMRC**") administrative procedures be able to make a claim for the issuance of a direction by HMRC to this effect. However, such directions will be issued only on prior application to the relevant tax authorities by the holder in question. If the Regulations do not apply to the Notes, the Notes are not listed on a recognized stock exchange (in each case as described above), and such direction is not given the Issuer will generally be required to withhold tax, although a U.S. Holder entitled to relief under the U.S.: UK Treaty may subsequently be able to claim the amount withheld from HMRC.

Payments of interest on the Notes constitute UK-source income for UK tax purposes and, as such, may be subject to UK tax by direct assessment, irrespective of the residence of the holder. Where the payments are made without withholding on account of UK tax, the payments will not be assessed to UK tax where a holder is not resident in the UK for tax purposes, unless the holder carries on a trade, profession or vocation in the UK through a UK branch or agency, or in the case of a corporate U.S. Holder, if it carries on a trade in the UK through a permanent establishment in the UK in connection with which the payments of interest are received, or to which the Notes are attributable, in which case (subject to exceptions for payments received by certain categories of agent) tax may be levied on the UK branch, agency or permanent establishment.

### Disposal redemption and automatic conversion

Subject to the provisions set out in the next paragraph in relation to temporary non-residents, a U.S. Holder will not, upon the disposal, redemption or Conversion of a Note, be liable for UK taxation on gains realized, unless at the time of the disposal, redemption or Conversion the U.S. Holder is resident for tax purposes in the UK or carries on a trade, profession or vocation in the UK through a branch or agency in the UK or, in the case of a corporate U.S. Holder, if the U.S. Holder carries on a trade in the UK through a permanent establishment in the UK and the Note was used in or for the purposes of the trade, profession or vocation or acquired for use and used by or held for the purposes of that branch or agency or permanent establishment.

A U.S. Holder who is an individual and who has ceased to be resident for tax purposes in the UK for a period of five tax years or less and who disposes of a Note (including on redemption) during that period may be liable to UK tax on chargeable gains arising during the period of absence in respect of the disposal or redemption, subject to any available exemption or relief.

A U.S. Holder who is an individual or other non-corporate taxpayer will not, upon transfer or redemption of a Note, be liable to a UK income tax charge on accrued but unpaid payments of interest, unless the U.S. Holder

at any time in the relevant tax year was resident for tax purposes in the UK or carried on a trade in the UK through a branch or agency to which the Note is attributable.

## Corporate U.S. Holders

Corporate U.S. Holders who are not resident for tax purposes in the UK and who do not carry on a trade in the UK through a permanent establishment in the UK to which the Notes are attributable will not be liable to UK tax charges or relief by reference to fluctuations in exchange rates or in respect of profits, gains and losses arising from the Notes.

## Taxation of Ordinary Shares

Any Ordinary Shares that would otherwise be deliverable to a Holder which is a Clearing System Holder (for example, a Holder who holds its Notes via DTC, Euroclear or Clearstream, Luxembourg) are expected to be issued and delivered to a nominee appointed by ANZ. Such nominee would then deliver the net proceeds of sale of such Ordinary Shares to the relevant Holder after deducting any applicable brokerage, stamp duty and other taxes and charges. The discussion below is, therefore, only relevant in the limited circumstances in which ANZ is obliged to instead deliver Ordinary Shares directly to Holders.

### *Payment of dividends*

No UK withholding tax will be due on any dividends payable on the Ordinary Shares.

Dividends in respect of the Ordinary Shares will only be assessed to UK tax if a U.S. Holder is resident in the UK for UK tax purposes or if the Holder carries on a trade, profession or vocation in the UK through a UK branch or agency, or in the case of a corporate U.S. Holder, if the U.S. Holder carries on a trade in the UK through a permanent establishment in the UK in connection with which the payments are received, or to which the Ordinary Shares are attributable, in which case (subject to exemptions for payments received by certain categories of agent) tax may be levied on the UK branch, agency or permanent establishment.

### *Disposal*

Subject to the provisions set out in the next paragraph in relation to temporary non-residents, a U.S. Holder will not, upon the disposal of an Ordinary Share, be liable for UK taxation on gains realized, unless at the time of the disposal the U.S. Holder is resident for tax purposes in the UK or carries on a trade, profession or vocation in the UK through a branch or agency in the UK or, in the case of a corporate U.S. Holder, if the U.S. Holder carries on a trade in the UK through a permanent establishment in the UK and the Ordinary Share was used in or for the purposes of the trade, profession or vocation or acquired for use and used by or held for the purposes of that branch or agency or permanent establishment.

A U.S. Holder who is an individual and who has ceased to be resident for tax purposes in the UK for a period of 5 tax years or less and who disposes of an Ordinary Share during that period may be liable to UK tax on chargeable gains arising during the period of absence in respect of the disposal, subject to any available exemption or relief.

### Stamp Duty and Stamp Duty Reserve Tax

Provided that the Regulations apply to the Notes (see above), no UK stamp duty or stamp duty reserve tax will be payable on the issue or transfer of the Notes.

No UK stamp duty or stamp duty reserve tax will be payable by a holder on a redemption of the Notes.

No liability for UK stamp duty or stamp duty reserve tax should arise for a holder on a Conversion of the Notes into Ordinary Shares. Provided the Ordinary Shares remain in a clearing system, no UK stamp duty or stamp duty reserve tax should be payable on or in respect of transfers of, or agreements to transfer, Ordinary Shares.

# TRANSFER RESTRICTIONS

## United States Transfer Restrictions

### *Rule 144A Notes*

Each initial and subsequent purchaser of a Note or Notes will be deemed to have acknowledged, represented and agreed as follows:

(1) It is (a) a QIB, (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) The Notes and the Ordinary Shares to be issued upon Conversion of the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case, in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Notes, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM AND IN ACCORDANCE WITH THE FISCAL AND PAYING AGENCY AGREEMENT HEREINAFTER REFERRED TO, A COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE CORPORATE TRUST OFFICE OF THE FISCAL AGENT HEREINAFTER REFERRED TO. THE EXEMPTION PROVIDED BY RULE 144A UNDER THE SECURITIES ACT MAY BE AVAILABLE TO PERMIT SALE OR TRANSFER OF THIS SECURITY TO QUALIFIED INSTITUTIONAL BUYERS (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT) WITHOUT REGISTRATION.

(4) It understands that, any right that it has to receive Ordinary Shares on Conversion of Notes is subject to conditions described under "*Description of the Notes—Conversion of the Notes,*" including with respect to certain restrictions on transfer which may apply to the Ordinary Shares received upon Conversion.

(5) The Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

(6) It understands that the Notes offered in reliance on Rule 144A will be represented by the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S

Global Note, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Fiscal and Paying Agency Agreement) as to compliance with applicable securities laws.

(7) Either (a) it is not a pension, profit-sharing or other employee benefit plan that is subject to ERISA or Section 4975 of the Code, or any similar provision of applicable federal, state, local, foreign or other law, and it is not purchasing the Notes on behalf of or with the assets of any such plan or (b) with respect to its purchase and holding of the Notes, it is eligible for a statutory or administrative exemption from the prohibited transaction rules of ERISA and the Code or, where applicable, any such similar law.

***Regulation S Notes***

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(2) It understands that such Notes and the Ordinary Shares to be issued upon Conversion of the Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with the Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case, in accordance with any applicable securities laws of any State of the United States.

(3) It understands that any right that it has to receive Ordinary Shares on Conversion of Notes is subject to conditions described under "*Description of the Notes—Conversion of the Notes,*" including with respect to certain restrictions on transfer which may apply to the Ordinary Shares received upon Conversion.

(4) The Issuer, the Registrar, the Joint Lead Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(5) It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note. Prior to the expiration of the distribution compliance period, before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Fiscal and Paying Agency Agreement) as to compliance with applicable securities laws.

(6) Either (a) it is not a pension, profit-sharing or other employee benefit plan that is subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or any similar provision of applicable federal, state, local, foreign or other law, and it is not purchasing the Notes on behalf of or with the assets of any such plan or (b) with respect to its purchase and holding of the Notes, it is eligible for a statutory or administrative exemption from the prohibited transaction rules of ERISA and the Code or, where applicable, any such similar law.

## Australian Transfer Restriction

No disclosure document or product disclosure statement has been lodged with ASIC. Notes may only be transferred pursuant to offers received in Australia if the transfer does not constitute an offer to a "retail client" as defined in section 761G of the Corporations Act and such transfer complies with all applicable laws, directives and regulations in Australia and does not require any document to be lodged with, or registered by, ASIC.

## Taiwan Transfer Restriction

If you (or any person for whom you are acquiring the Notes) are in Taiwan, you (and any such person):

(a) are one of the institutional investors set out below:

(i) banks, bill finance enterprises, trust enterprises, insurance enterprises, securities enterprises, financial holding companies or other institutional investors approved by the Financial Supervisory Commission (the "**FSC**"); or

(ii) sophisticated institutional investors that meet the qualifications promulgated by the FSC by the relevant regulations of Taiwan; and

(b) acknowledge that the offer and any offer to resell the Notes and the underlying ordinary shares are subject to restrictions set out in the Securities and Exchange Act and relevant regulations of Taiwan.

## Korean Transfer Restriction

If you (or any person for whom you are acquiring the Notes) are in Korea, you (and any such person) are an "accredited investor" as defined under the FSCMA.

## People's Republic of China Transfer Restriction

If you are a purchaser of the Notes in the PRC, you are a "qualified domestic institutional investor" as approved by the relevant PRC regulatory authorities to invest in overseas capital markets.