ANZ Capital Notes 4 Offer

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

August 2016

Contents

Offer Summary

ANZ Capital Notes 4 - Summary

Offer	● Offer by Australia and New Zealand Banking Group Limited ("ANZ") of ANZ Capital Notes 4 ("Notes") – Mandatorily Convertible into Ordinary Shares
Offer size	● $1 billion with the ability to raise more or less
Term	● Perpetual unless Redeemed, Converted or Written-Off ● Mandatory Conversion on 20 March 2026 or following a Trigger Event or a Change of Control Event ● ANZ Optional Exchange on 20 March 2024 or following a Tax Event or Regulatory Event
Distributions	● Discretionary, non-cumulative distributions scheduled to be paid quarterly based on a floating rate (90 Day BBSW), subject to conditions including ANZ not breaching its APRA capital adequacy requirements ● Distribution Rate = (90 day BBSW + Margin) x (1 – Australian corporate tax rate) ● Margin expected to be in the range of 4.70% to 4.90% per annum ● Expected to be fully franked
Ranking[1]	● In a Winding-Up of ANZ, the Notes rank for payment: – ahead of Ordinary Shares; – equally with ANZ Capital Securities and any other equal ranking instruments; and – behind depositors, senior ranking securities, ANZ Subordinated Notes and other creditors of ANZ
Purpose	● The Notes are offered as part of ANZ's ongoing capital management strategy. ANZ will use the proceeds to refinance CPS2 and for general corporate purposes. ● APRA has confirmed that the Notes will constitute Additional Tier 1 Capital for the purposes of ANZ's regulatory capital requirements
Offer structure	● The Offer includes: – Reinvestment Offer which is an offer to eligible CPS2 holders; – Securityholder Offer to eligible ANZ Securityholders; – Broker Firm Offer to retail clients of syndicate brokers; and – Institutional Offer to institutional investors ● Record date - 7:00pm AET on 8 August 2016
Listing	● Expected to trade under ASX code 'ANZPG'

1. The ranking of a Holder's claim in a winding-up will be adversely affected if a Trigger Event occurs. Following Conversion, Holders will have a claim as an Ordinary Shareholder. If a Note is Written-Off, that Note will never be Converted or Exchanged, all rights in respect of that Note will be terminated and the Holder will not have their capital repaid.

Comparison of ANZ Capital Notes 4 to other ANZ securities

The Reinvestment Offer is not a simple rollover into a similar investment. The Notes and CPS2 have different rights, benefits and risks.

	ANZ Capital Notes 4	ANZ Capital Notes 3	CPS2
ASX Code	ANZPG	ANZPF	ANZPA
Term	Perpetual, subject to Mandatory Conversion after ~9.5 years	Perpetual, subject to Mandatory Conversion after ~10 years	Perpetual, subject to Mandatory Conversion after ~7 years
Margin	Expected to be between 4.70% and 4.90%	3.60%	3.10%
Distribution Payment Dates	Quarterly	Half-yearly	Quarterly
Franking	Franked, subject to gross-up for non-franked portion	Franked, subject to gross-up for non-franked portion	Franked, subject to gross-up for non-franked portion
Conditions to payment of Distributions	Yes, subject to ANZ's absolute discretion and Payment Conditions	Yes, subject to ANZ's absolute discretion and certain payment conditions	Yes, subject to absolute director discretion and certain payment conditions
Restrictions for non-payment of Distribution	Yes, applies to Ordinary Shares until the next Distribution Payment Date	Yes, applies to Ordinary Shares until the next Distribution Payment Date	Yes, applies to equal or junior ranking instruments (including Ordinary Shares) unless 12 months worth of unpaid dividends are paid
Mandatory Conversion	Yes, on 20 March 2026 and a Change of Control	Yes, on 24 March 2025 and a change of control	Yes, on 15 December 2016 and a change of control
ANZ Early Redemption Option[1]	Yes, on 20 March 2024 and for Tax or Regulatory Events	Yes, on 24 March 2023 and for tax or regulatory events	Yes, on 15 December 2016 if mandatory conversion conditions are not satisfied and for tax, regulatory and acquisition events
Conversion on Trigger Event	Yes, on a Common Equity Capital Trigger Event for the ANZ Level 1 and 2 Groups and Non-Viability Trigger Event	Yes, on a Common Equity Capital Trigger Event for the ANZ Level 1 and 2 Groups and Non-Viability Trigger Event	No
Capital Classification	Additional Tier 1	Additional Tier 1	Additional Tier 1 (on a transitional basis)

1. Only with APRA's prior written approval

Reinvestment Offer to Eligible CPS2 Holders

What is the Reinvestment Offer?	• An offer by ANZ to Eligible CPS2 Holders to reinvest their CPS2 in Notes. • Participating CPS2 will be bought-back early for $100 each and the proceeds applied to the Application Payment for Notes ($100 per Note)
Who is an Eligible CPS2 Holder?	• A CPS2 Holder who : – Was a registered holder of CPS2 at 7pm AET on 8 August 2016; – Is shown on the CPS2 register as having an address in Australia; and – Is not in, or acting as a nominee for a person in, the United States
Options for Eligible CPS2 holders	1. Apply for some or all of the CPS2 registered in their name on 8 August 2016 to be reinvested in Notes under the Reinvestment Offer. 2. Apply for more Notes than the number of CPS2 they have applied to be reinvested; 3. Take no action. Eligible CPS2 Holders may still apply for Notes as an ANZ Securityholder; or 4. Sell your CPS2 on market through your broker or otherwise[1]
Differences between CPS2 and Notes[2]	• The Reinvestment Offer is not a simple rollover into a similar investment. The Notes and CPS2 have different rights, benefits and risks, which must be evaluated separately. There are a number of differences between them, which include: – the term and dates for Mandatory Conversion; – the margin; – the CPS2 Terms do not contain Trigger Event; – the Distribution Payment Dates and conditions; and – early Redemption options
Pro-rata dividend[3]	• Eligible CPS2 Holders who have their CPS2 reinvested will receive a Pro-rata Dividend (calculated in accordance with the CPS2 Terms) for the period from 15 September 2016 to (but excluding) 27 September 2016 • All CPS2 Holders will receive the dividend scheduled for 15 September 2016[3]
What happens to CPS2 not reinvested?	• Subject to APRA and other approvals, ANZ expects to resell all remaining CPS2 on 15 December 2016. Holders will receive $100 per CPS2 and the scheduled dividend payment[3]. • ANZ intends to provide details in a resale notice which may have conditions. • CPS2 otherwise would mandatorily convert into ANZ ordinary shares on 15 December 2016 at a 1% discount (subject to the mandatory conversion conditions)

1.Eligible CPS2 Holders may have to pay brokerage and may receive a price greater or less than the face value of $100 per CPS2. 2. A table comparing Notes to other ANZ securities including CPS2 is found on page 5 of this presentation and in section 3.2 of the Prospectus. You should consider these differences in light of your investment objectives, financial situation and particular needs before applying. 3. Each dividend payment is subject to the payment tests in the CPS2 Terms (including that the Board resolves to pay the relevant dividend).

Financial Update

Group Strategy - Four medium term strategic goals

Rebalancing the Group's businesses to bring greater focus to what the Group does uniquely well for Australian and New Zealand home owners and small businesses, and for clients driven by trade and capital flows between Australia, New Zealand and Asia

1	**Create a simpler, better capitalised, better balanced and more agile bank**	• Reduce operating costs and risks by exiting low return and non-core businesses • Reducing ANZ's reliance on low-returning aspects of Institutional banking • Reducing product and management complexity
2	**Build a superior experience for our people and customers in order to compete in the Digital Age**	• With more convenient and more engaging banking solutions designed to simplify the lives of our customers and people • by building a more innovative and experimental culture • by recognising, valuing and supporting the social contract ANZ has with its staff
3	**Redouble our efforts in attractive areas where we can carve out a winning position**	• Notably the Consumer and Small Business segments in Australia and New Zealand • Institutional clients driven by trade and capital flows across the region
4	**Drive a purpose and values led transformation of the Bank**	• Create a stronger, more cohesive culture built around ethics, humility and a clearer sense of purpose • investing in leaders who can help ANZ sense and navigate the changing environment, live the values and care for their own people • amend products, policies and services to embed fairness as a core consideration in everything that ANZ does
	Progress year to date	• Adjusting the DPOR to a more conservative and sustainable level; • Taking steps to reduce absolute operating costs; • Exiting low return Institutional lending assets; • Completing the sale of the Esanda Dealer Finance business and Wealth Oasis platform; • Establishing a dedicated Digital Banking Division to support growth in priority areas; • Commencing a strategic review of the Wealth, Asia Retail and NZ Asset Finance businesses which may result in either the restructure or sale of some or all of these businesses; • Repositioning minority investments in Asia as Group assets, and possibly exiting some or all of these investments over time • Exploring strategic options for ANZ Share Investing and review of other assets in the portfolio

1H16 Result Overview

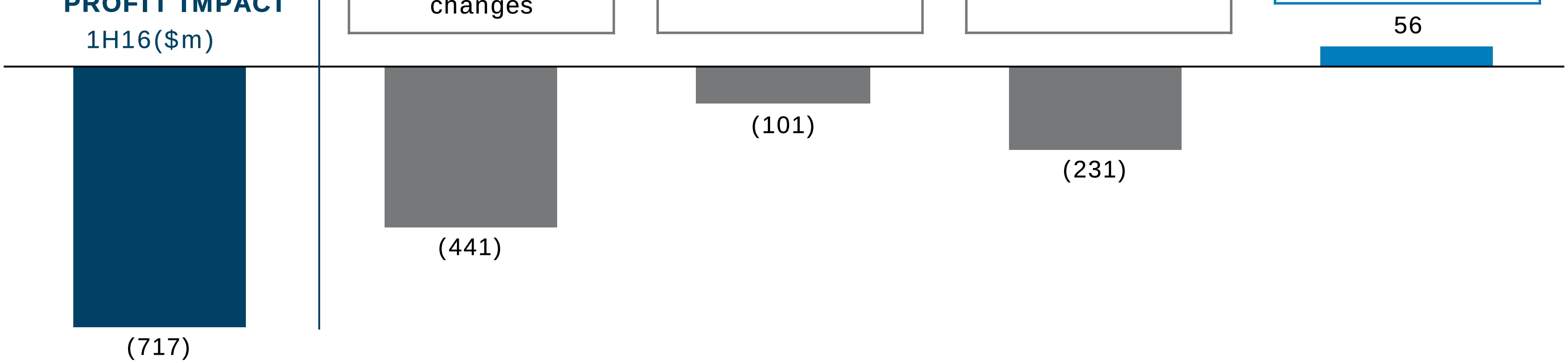
	1H16 A$m	1H15 A$m	PCP % / bps
Net interest income	7,568	7,138	6.0%
Other operating income	2,748	3,058	-10.1%
Operating income	**10,316**	**10,195**	**1.2%**
Expenses	(5,479)	(4,603)	19.0%
Pre-provision profit	**4,837**	**5,592**	**-13.5%**
Credit impairment charge	(918)	(510)	(large)
Profit before tax	**3,918**	**5,082**	**-22.9%**
Income tax expense & non-controlling interests	(1,136)	(1,406)	-19.2%
Cash profit	**2,782**	**3,676**	**-24.3%**
Specified items after tax	717	(38)	nm
Adjusted pro-forma cash profit	**3,499**	**3,638**	**-3.8%**
Net interest margin	2.01%	2.04%	(3) bps
Cost to income ratio	53.1%	45.1%	(8.0%)
Credit impairment charge % avg GLA	0.32%	0.19%	(13) bps
Return on equity	9.7%	14.7%	(5.0%)
Gross loans and advances	565,868	562,230	0.6%
Customer deposits	446,779	436,147	2.4%
APRA Basel III CET1 ratio	9.8%	8.7%	
Internationally Comparable Basel III CET1 ratio[1]	14.0%	12.1%	
APRA Basel III Leverage Ratio	5.1%	5.1%	
APRA Basel III Liquidity Coverage Ratio	126%	118%	

1. The “Internationally Comparable basis” figures have been calculated by ANZ using certain assumptions. It is not relevant to capital triggers.

1H16 result: Specified items

Total	Capitalised Software	Restructuring expenses	Asian Minority Investments	Esanda Dealer Finance sale
	Costs, including accelerated amortisation, resulting from software capitalisation changes	Expenses incurred in relation to organisational restructures	AMMB Impairment charge; Bank of Tianjin gain on cessation of equity accounting	Pro-forma adjustment to remove the operating results of that business and gain on sale

PROFIT IMPACT
1H16($m)



	Capitalised Software	Restructuring expenses	Asian Minority Investments	Esanda Dealer Finance sale
CET1 IMPACTS	Zero	Marginal	Zero	Positive
P&L IMPACTS	Timing of expenses	Timing of Expenses	One time OOI impact	Negative

Further detail on 'Specified items' is provided in the ANZ Half Year 2016 consolidated Financial Report page 14.

3Q16 Trading Update

Group	• Statutory net profit $4.3 billion • Cash Profit $5.2 billion on an adjusted proforma[1] basis • Stable Group NIM[2]
Retail & Commercial	• The Retail businesses in both Australia and New Zealand performed well. • Retail experienced modest asset growth and margin pressure in a competitive market for mortgages and deposits. • Small Business Banking remains an area of good growth in both markets, while conditions in Corporate and Business Banking remained highly competitive.
Institutional	• Rebalancing of Institutional business continued with further reductions in lower yielding assets supported by business restructuring. • Ongoing focus on reducing and improving quality of RWA. • The rebalancing of the business had a positive impact on the Division's margins of approximately 5 bps (excl Global Markets)
Credit Quality	• The third quarter individual provision charge was in line with the average of the First Half.

1. Adjusted Proforma refers to Cash Profit adjusted to remove the impact of Specified Items (please refer page 9). In the nine months to 30 June 2016 there have been approximately $780 million of Specified Items impacts. Cash profit excludes non-core items included in Statutory Profit. These non-core adjustments mainly relate to accounting timing differences that will reverse through earnings in future periods. In the nine months to 30 June 2016 there have been approximately $100 million of after tax non-core adjustments.
2. NIM commentary is 30 June 2016 compared to 31 March 2016. Group NIM at 31 March was 201 bps.

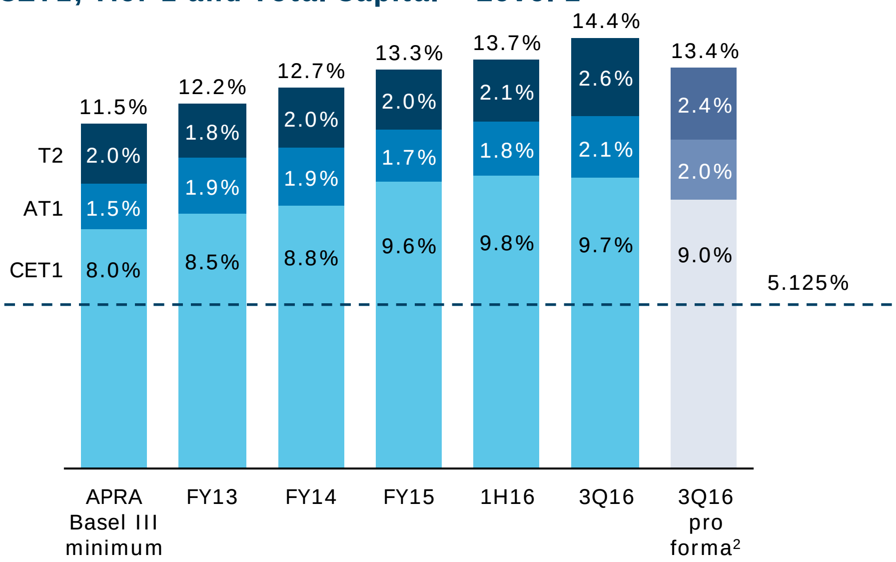
Capital Position

Common Equity Capital (CET1)

ANZ Capital Position at 30 June 2016

- The CET1 Ratios for both the ANZ Level 1 Group and the ANZ Level 2 Group was 9.7% (inc. 2016 interim dividend)
- The revised dividend strategy targets a payout ratio of 60-65% over time to:
  - Maintain an unquestionably strong capital and balance sheet position
  - Maintain a fully franked dividend
  - Improve capacity to absorb credit cycle volatility
  - Improve capital efficiency and support EPS growth through lower reliance on DRPs (assumption of only 10% participation); periodically returning surplus capital to shareholders
  - Supports target operating range for the CET1 Ratio around 9.0% during normal conditions[1]

CET1, Tier 1 and Total Capital – Level 2



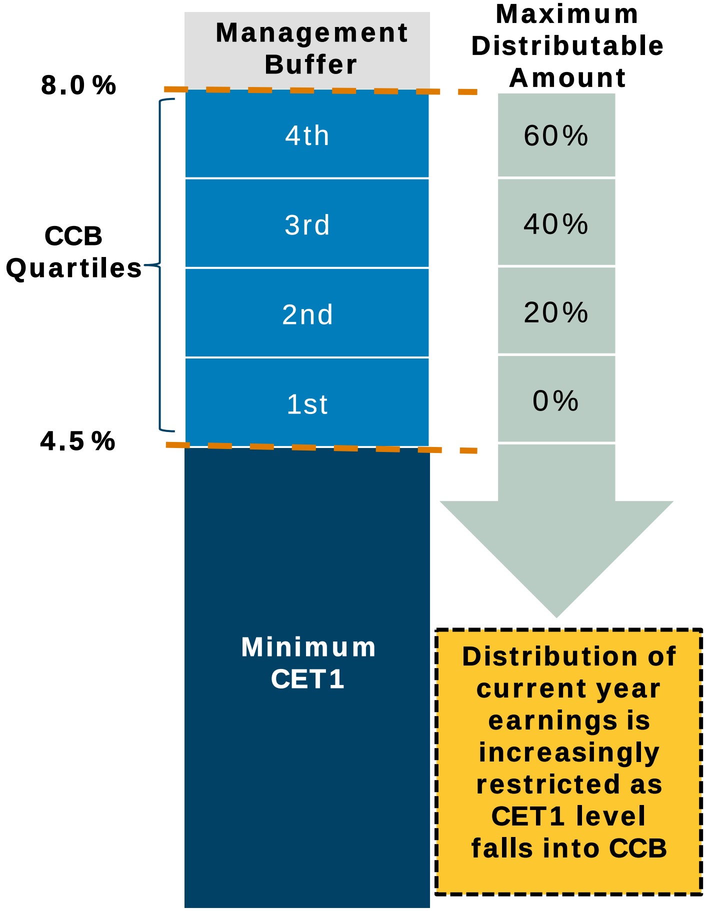
- APRA announced that it is recalibrating the impact of refinements to risk models on the required risk weighting for residential mortgages. The exact increase for ANZ is unlikely to be confirmed until APRA has completed its review
- On a pro forma basis[2], based on a credit risk weighting at the mid-point of the 25%-30% range recommended by the FSI, the ANZ Level 2 Group's CET1 ratio would be approximately 9.0%.
- A further 1% increase or decrease to the credit risk weighting from the mid-point would have an impact on the ANZ Level 2 Group's CET1 of ~0.06% (~$250m)

Note: Level 1 is broadly the bank, Level 2 is the banking Group. APRA Basel III minimum applicable from January 2016.
1. 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.
2. As the exact increase in risk weight remains uncertain, the proforma capital position assumes a credit risk weighting at the mid-point of the 25%-30% range.

AT1 distributions and conversion trigger protection

Significant management flexibility and common equity buffers

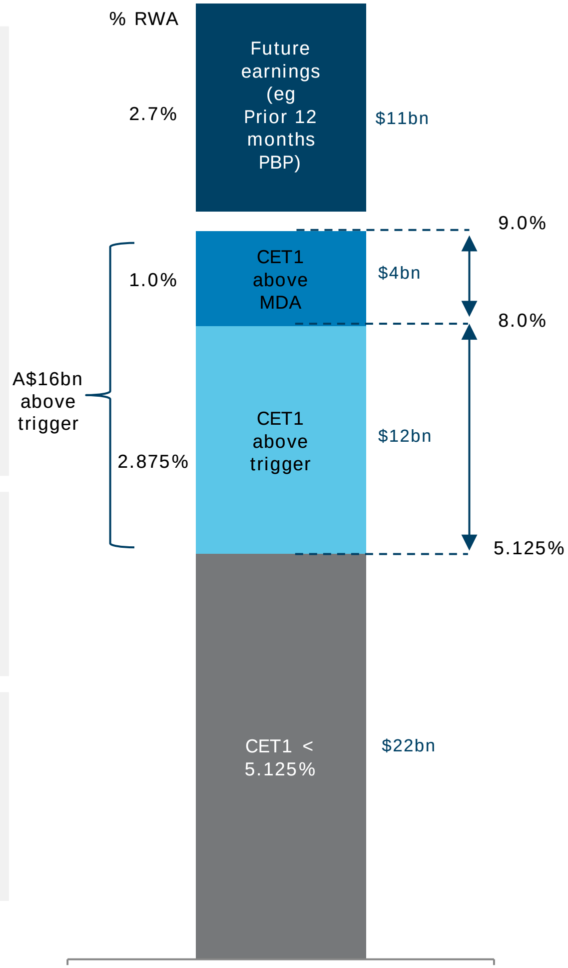
Basel 3 CET1 Capital & Capital Conservation Buffers[1]



Actions available to strengthen capital

Management Actions	Possible actions to be invoked if CET1 ratio declines below management target include: • Reducing dividend payout • DRP discount and underwrite • New share issuance • Expense management • Restricting RWA growth • Asset sales
CCB Restrictions	Regulatory restrictions on ordinary share dividends, discretionary bonuses and AT1 distribution payments as CCB buffer is breached
Hierarchy Respected	Priority to payment of AT1 distributions to prevent the dividend restriction applying and to enable ANZ to be able to continue paying Ordinary Share dividends.

Proforma Indicative buffers[2,3]

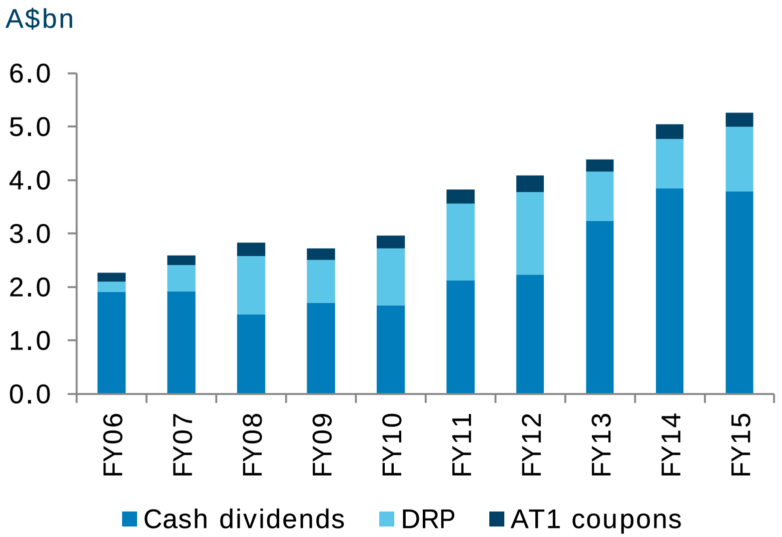


1. Applicable to Australian D-SIBs from 1 January 2016. APRA may set higher minimum capital requirements for individual ADIs. A counter-cyclical buffer may also be required, which APRA has currently set for Australia at 0%. 2. Future earnings are not forecast. Prior 12 months PBP is based on 1H16 result and was $11.3bn excluding 'specified items' in as set out on page 9. 3. This includes the impact of APRA's announcement on 5 August 2016, advising it is recalibrating the impact of refinements to risk models on the required risk weighting for residential mortgages. This follows APRA's requirement of a minimum average Australian IRB mortgage risk weight of 25% that commenced 1 July 2016. Given the exact increase in risk weight remains uncertain, the pro forma capital buffer assumes a credit risk weighting at the mid-point of the 25%-30% range.

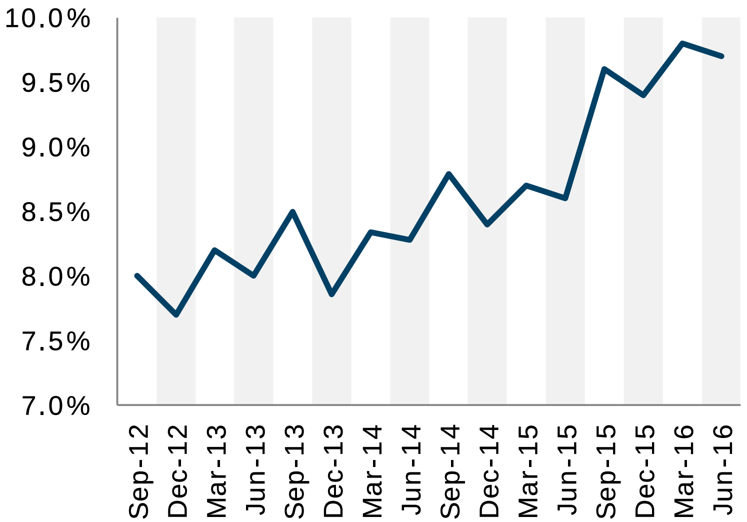
Historical dividend and AT1 distributions

Ordinary dividends at risk of dividend restriction if any AT1 coupons not paid

Ordinary dividends and AT1 coupons



APRA Basel III CET1 Ratio[1]



- 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 FY15, ANZ had retained earnings of ~$20bn.
- Ordinary share dividends may be subject to the dividend restriction if any AT1 distributions are not paid
- Total AT1 distributions = ~7% of total ordinary equity dividends in FY15, ~4% of statutory profit
- Flexibility to reduce size of cash ordinary dividend payment through active use of dividend reinvestment plan as required while maintaining target dividend payout ratio

- Under Basel III, dividends are only deducted from regulatory capital in the quarter in which they are declared (e.g. net 62bps in 1Q16). This results in volatility in quarterly reported capital ratios.
- To assess the underlying regulatory capital position, dividend payments should be adjusted to accrue evenly over the year, aligned with profit generation

1. Minimum CET1 plus capital buffer requirements from 1 January 2013 to 7%, and from 1 January 2016 to 8%. Shaded quarters represent declaration of dividends. Basel III basis.

Limited supply of AT1 from Australian major banks

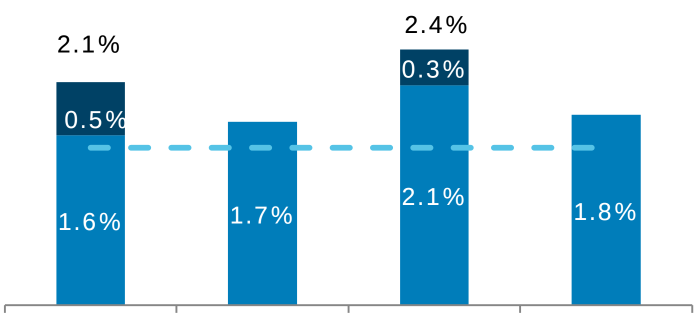
International markets available, major bank AT1 > regulatory minimum

ANZ's Additional Tier 1 Securities on Issue

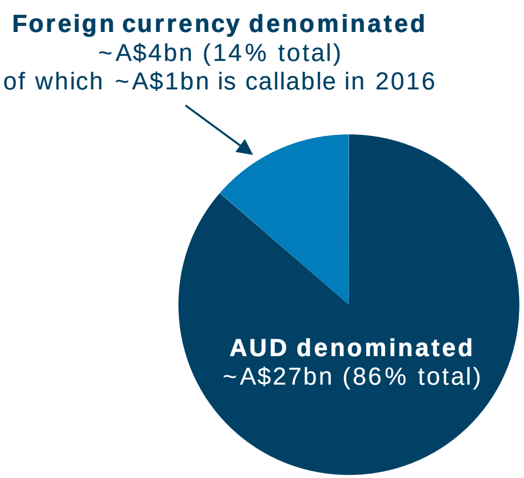
	Ccy	Volume A$m[1]	First Call Date[1]	Mandatory Conversion Date	CET1 Trigger	PONV Trigger
CPS2	AUD	1,969	Dec-16[3]	Dec-16	No	N/A
CPS3	AUD	1,340	Sep-17[4]	Sep-19	5.125%	N/A
CN1	AUD	1,120	Sep-21	Sep-23	5.125%	Yes
CN2	AUD	1,610	Mar-22	Mar-24	5.125%	Yes
CN3	AUD	970	Mar-23	Mar-25	5.125%	Yes
ANZNZ	NZD	451	May-20	May-22	5.125%	Yes
CS1	USD	1,338[2]	Jun-26	N/A	5.125%	Yes
Total		**8,798**				

- Basel II AT1 (CPS2 and CPS3) are preference shares subject to the Banking Act (s14AA) which provides the power for a statutory manager, appointed by APRA, to cancel or vary any share. These securities receive transitional treatment until their first call date.
- All other AT1 securities on issue include a PONV trigger and CET1 capital trigger of 5.125% and qualify as Basel III AT1.
- All ANZ Capital Securities rank pari passu.

Major Australian bank AT1 as % RWA[5]



Major Australian bank AT1 by currency[5]



1. Represents the first possible issuer call option prior to the conversion date upon which debt securities convert to ordinary shares, subject to certain conditions being satisfied. Note: all securities included at face value at spot 31 March 2016 exchange rates unless otherwise stated. Details of all ANZ regulatory capital instruments available from http://www.shareholder.anz.com/regulatory-disclosure/regulatory-capital-instruments. 2. Face value at date of issue. 3. ANZ has the right to require resale. 4. ANZ CPS3 includes an issuer call each dividend payment date up to and including the mandatory conversion date. 5. Source: Company disclosures as at 30 June 2016. NAB adjusted for Capital Notes 2 issue completed 7 July 2016.

Appendix 1
Key Terms

Key Terms
Offer Summary

Offer	• Offer by Australia and New Zealand Banking Group Limited ("ANZ") of ANZ Capital Notes 4 ("Notes") – Mandatorily Convertible into Ordinary Shares
Offer size	• $1 billion with the ability to raise more or less
Term	• Perpetual unless Redeemed, Converted or Written Off • Mandatory Conversion on 20 March 2026 or following a Trigger Event or a Change of Control Event • ANZ Optional Exchange on 20 March 2024 or following a Tax Event or Regulatory Event
Face Value	• $100 per Note
Purpose	• The Offer is part of ANZ's ongoing capital management strategy. ANZ will use the proceeds to refinance CPS2 and for general corporate purposes • APRA has confirmed that the Notes will constitute Additional Tier 1 Capital for the purposes of ANZ's regulatory capital requirements
Offer structure	• The Offer is being made to Australian residents who are: – Eligible CPS2 Holders; – Eligible ANZ Securityholders; – retail clients of syndicate brokers; and – institutional investors • Eligible ANZ Securityholders are holders of ANZ Ordinary Shares, CPS2, CPS3, CN1, CN2, CN3 and ANZ Subordinated Notes, shown on the register at 7pm AET on 8 August 2016 with a registered address in Australia
Listing	• ANZ will apply to have the Notes listed on ASX and the Notes are expected to trade under ASX code 'ANZPG'
Ranking[1]	• In a Winding-Up of ANZ, the Notes rank for payment: – ahead of Ordinary Shares; – equally with ANZ Capital Securities and any other equal ranking instruments; and – behind depositors, senior ranking securities, ANZ Subordinated Notes and all other creditors of ANZ

1. The ranking of a Holder's claim in a winding-up will be adversely affected if a Trigger Event occurs. Following Conversion, Holders will have a claim as an Ordinary Shareholder. If a Note is Written-Off, that Note will never be Converted or Exchanged, all rights in respect of that Note will be terminated and the Holder will not have their capital repaid.

Key Terms
Distributions

Distributions	● Non-cumulative based on a floating rate (90 Day BBSW) ● Expected to be fully franked ● If a Distribution is not fully franked, the cash amount of the Distribution will be increased to compensate holders for the unfranked portion of the Distribution, subject to certain Payment Conditions ● Distributions are scheduled to be paid on the 20th of March, June, September and December, subject to complying with applicable law, ANZ's absolute discretion and no Payment Condition existing. A Payment Condition exists where: – payment results in ANZ or the Group breaching its APRA capital adequacy requirements; – payment results in ANZ becoming, or being likely to become, insolvent; or – APRA objects to the payment of the Distribution
Distribution Rate	● Distribution Rate = (90 day BBSW + Margin) x (1 – Australian corporate tax rate) ● Margin expected to be in the range of 4.70% to 4.90% per annum
Dividends and Capital Restrictions	● If a Distribution is not paid in full within 3 Business Days after a Distribution Payment Date, ANZ cannot, without approval of a Special Resolution of Holders, until and including the next Distribution Payment Date (i.e. for the next 3 months): – resolve to pay or pay a dividend on ANZ Ordinary Shares; or – buy back or reduce capital on ANZ Ordinary Shares ● Limited exceptions apply, including not applying to dividends on shares of an approved NOHC

Key Terms
Mandatory Conversion on Mandatory Conversion Date

Mandatory Conversion	• On 20 March 2026 ("Mandatory Conversion Date"), subject to satisfaction of the Mandatory Conversion Conditions, the Notes will mandatorily Convert into a variable number of ANZ Ordinary Shares at a 1% discount to the 20 day VWAP[1], unless previously Exchanged or Written Off following a Trigger Event • The number of Ordinary Shares issued following Conversion on the Mandatory Conversion Date is subject to the Maximum Conversion Number which is set to reflect a VWAP of 50% of the Issue Date VWAP (i.e. the average Ordinary Share price over 20 business days prior to the issue date of the Notes)
Mandatory Conversion Conditions	1. The VWAP on the 25th business day before (but not including) a possible Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP 2. The VWAP during the 20 business days before (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP 3. Ordinary Shares remain listed and admitted to trading and trading has not been suspended for 5 consecutive Business Days before, and the suspension is not continuing on, the Mandatory Conversion Date and no Inability Event exists (ie. ANZ is not prevented by applicable law or court order (such as insolvency, winding-up or external administration of ANZ) from converting the Notes or another reason)
Intention of Mandatory Conversion Conditions	• The Mandatory Conversion Conditions are intended to provide protection on Conversion (other than following a Trigger Event) to Holders from receiving less than approximately $101 worth of Ordinary Shares per Note on the Mandatory Conversion Date and that those Ordinary Shares are capable of being sold on the ASX
Deferral of Conversion	• If any of the Mandatory Conversion Conditions are not satisfied, the Mandatory Conversion Date will be deferred until the next Distribution Payment Date on which all of those conditions are satisfied • Notes may remain on issue indefinitely if those conditions are not satisfied

1. The VWAP during the 20 business days on which trading in Ordinary Shares took place immediately preceding (but not including) the Mandatory Conversion Date that is used to calculate the number of Ordinary Shares that Holders receive may differ from the Ordinary Share price on or after the Mandatory Conversion Date. This means that the value of Ordinary Shares received may be more or less than anticipated when they are issued or thereafter.

Key Terms
Mandatory Conversion on a Trigger Event

Trigger Event	• Means a Common Equity Capital Trigger Event or Non-Viability Trigger Event
Common Equity Capital Trigger Event	• ANZ determines, or APRA has notified ANZ in writing that it believes, that ANZ's Common Equity Capital Ratio is equal to or less than 5.125%
Non-Viability Trigger Event	• APRA notifies ANZ in writing that: – Conversion or Write-Off of Relevant Securities is necessary because without it ANZ would become non-viable; or – without a public sector injection of capital ANZ would become non-viable
Conversion following a Trigger Event	• ANZ may be required to immediately Convert all or some of the Notes into a variable number of Ordinary Shares at a 1% discount to the 5 day VWAP prior to the Conversion date, subject to the Maximum Conversion Number • If a Non-Viability Trigger Event occurs because APRA determines that ANZ would become non-viable without a public sector injection of capital, all of the Notes will Convert • There are no conditions to Conversion following a Trigger Event • The application of the Maximum Conversion Number means that, depending on the price of Ordinary Shares at the time of Conversion, Holders may suffer a loss as a consequence
Maximum Conversion Number	• The number of Ordinary Shares per Note that Holders are issued on Conversion may not be greater than the Maximum Conversion Number. The Maximum Conversion Number is the Face Value of the Notes ($100) divided by 20% of the Issue Date VWAP (as adjusted in limited circumstances)

Key Terms
Optional Exchange & Mandatory Conversion on a Change of Control Event

Optional Exchange Date	• ANZ may choose to Exchange all or some Notes on issue on 20 March 2024
Regulatory or Tax Event	• ANZ may choose to Exchange all or some Notes if a Regulatory Event or a Tax Event occurs
Change of Control Event	• All Notes will mandatorily Convert into Ordinary Shares if a Change of Control Event occurs, subject to satisfaction of certain conditions
Exchange	• Subject to APRA's prior written approval and provided certain conditions are satisfied, ANZ may Exchange Notes via any or a combination of: – Conversion into Ordinary Shares worth approximately $101 per Note; – Redemption for $100 per Note; or – Reselling the Notes to a nominated purchaser for $100 per Note • Key conditions to Redemption are: – the Notes being replaced concurrently or beforehand with Tier 1 Capital of the same or better quality as the Notes and the replacement of the Notes is done under conditions that are sustainable for ANZ's income capacity; or – APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to Redeem the Notes • Conversion into Ordinary Shares is subject to the Maximum Conversion Number which is calculated by reference to 20% of the Ordinary Share price at issue of the Notes • Holders should not expect that APRA will approve any Exchange
Holder Exchange	• Holders do not have the right to request Exchange

Key Terms
What happens following a Trigger Event?

1. A Common Equity Capital or Non-Viability Trigger Event occurs

2. Can Ordinary Shares be issued? → **No** → Basel III AT1 written off up to required amount of CET1[1]

↓ **Yes**

2a. Notes Convert to Ordinary Shares up to required amount of CET1[1]:

$$\text{Conversion number} = \frac{\text{Outstanding principal amount}}{99\% \times \text{VWAP}^{2}}$$

$$\text{Where maximum conversion number} = \frac{\text{Outstanding principal amount}}{20\% \times \text{Issue Date VWAP}^{3}}$$

3. Ordinary Shares issued to holder[4]

1. All Notes convert to Ordinary Shares or are Written Off in the event that APRA has notified ANZ in writing that without a public sector injection of capital, or equivalent support, ANZ would become non-viable. 2. "VWAP" is the average of the daily volume weighted average sale prices of Ordinary Shares sold on the ASX during the 5 Business Days prior to the Trigger Event Date. 3. "Issue Date VWAP" is the average of the daily volume weighted average sale prices of Ordinary Shares sold on the ASX during the period of 20 Business Days prior to the issue date. 4. In limited cases, Ordinary Shares may be issued to a nominee and sold on a Holder's behalf, with the proceeds delivered to the Holder.

Appendix 2
Timetable

Key dates for the Offer[1]

Record Date (Reinvestment Offer and Securityholder Offer eligibility)	**8 August 2016**
Lodgement of the Prospectus with ASIC	**16 August 2016**
Bookbuild to determine the Margin and announcement of the Margin	**23 August 2016**
Lodgement of the replacement prospectus with ASIC	**24 August 2016**
Opening Date	**24 August 2016**
Closing Date for Reinvestment Offer & ANZ Securityholder Offer	**5:00pm AEDT on 19 September 2016**
Closing Date for Broker Firm Offer[2] and Institutional Offer	**10:00am AEDT on 26 September 2016**
Issue Date	**27 September 2016**
ANZ Capital Notes 4 commence trading on ASX (deferred settlement basis)	**28 September 2016**
Confirmation Statements despatched by	**4 October 2016**
ANZ Capital Notes 4 commence trading on ASX (normal settlement basis)	**5 October 2016**
First quarterly Distribution Payment Date	**20 December 2016**
Optional Exchange Date	**20 March 2024**
Mandatory Conversion Date[3]	**20 March 2026**

1. The key dates for the Offer are indicative only and may change without notice
2. Except for applications in respect of the Reinvestment Offer
3. The Mandatory Conversion Date may be later than 20 March 2026 or may not occur at all if the Mandatory Conversion Conditions are not satisfied

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Disclaimer

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") is the issuer of the ANZ Capital Notes 4 (“ANZ Capital Notes 4” or “Notes").

A public offer of the Notes will be made by ANZ pursuant to a Prospectus under Part 6D.2 of the Corporations Act. A Prospectus has been lodged with the Australian Securities and Investments Commission on or about 16 August 2016. A replacement Prospectus with the Margin determined after the Bookbuild will be lodged on or about 24 August 2016. The Prospectus is available (and the replacement Prospectus will be available) on ANZ’s website, capitalnotes4.anz.com. Applications for Notes can only be made on the application form in, or accompanying the Prospectus. Before making an investment decision you should read the Prospectus in full and consult with your broker or other professional adviser as to whether Notes are a suitable investment for you having regard to your particular circumstances, financial objectives and needs. This document is not a Prospectus under Australian law and does not constitute an invitation to subscribe for or buy any securities or an offer for subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction. It is also not financial product advice, and does not take into account your investment objectives, financial situation or particular needs.

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