

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 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

Australia and New Zealand Banking Group Limited

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

Series 1

November 2003 Series 1 Preference Shares stapled to a non-cumulative 4.484% note issued by a wholly-owned subsidiary of ANZ (refer to item 3 for more details)

Series 2

November 2003 Series 2 Preference Shares stapled to a non-cumulative 5.36% note issued by a wholly-owned subsidiary of ANZ (refer to item 3 for more details)

November 2003 Series 1 Preference Shares and November 2003 Series 2 Preference Shares are collectively referred to as "Preference Shares"

+ See chapter 19 for defined terms.

2	Number of ⁺ securities issued or to be issued (if known) or maximum number which may be issued	<p>Total = 1,100,000</p> <p>Series 1 350,000 (US\$1,000 per security, to raise US\$350,000,000)</p> <p>Series 2 750,000 (US\$1,000 per security, to raise US\$750,000,000)</p>
3	Principal terms of the ⁺ securities (eg, 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)	<p>(See Annexure I to this Appendix 3B)</p> <p>This announcement does not constitute an offer of any securities for sale. The securities offered have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.</p>
4	<p>Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Both series of the Preference Shares rank equally with existing preference shares currently on issue.</p>
5	Issue price or consideration	US\$1,000 per Preference Share
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	<p>For capital management purposes, including to fund a buy-back of 124,032,000 preference shares that are components of trust securities, referred to as TrUEPrS, and as part of the acquisition financing with respect to the proposed acquisition of NBNZ Holdings Limited.</p>

⁺ See chapter 19 for defined terms.

7	Dates of entering ⁺ securities into uncertificated holdings or despatch of certificates	Not applicable
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8	Number and ⁺ class of all ⁺ securities quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	Number	⁺ Class
		1,523,525,320 (plus the number of new ordinary share to be issued pursuant to the renounceable pro rata rights issue announced on 24 October 2003)	Ordinary shares
		10,000,000	ANZ Stapled Exchangeable Preferred Securities

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	Number	⁺ Class
		1,100,000	Preference Shares
		124,032,000	Redeemable Preference Shares (issued in connection with TrUEPrS)
	Other classes available upon request		

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	See Annexure A
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Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
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12	Is the issue renounceable or non-renounceable?	
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13	Ratio in which the ⁺ securities will be offered	
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⁺ See chapter 19 for defined terms.

14	*Class of *securities to which the offer relates	
15	*Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has *security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	
19	Closing date for receipt of acceptances or renunciations	
20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of *security holders	
25	If the issue is contingent on *security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
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	

+ See chapter 19 for defined terms.

28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do *security holders sell their entitlements <i>in full</i> through a broker?	
31	How do *security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	
32	How do *security holders dispose of their entitlements (except by sale through a broker)?	
33	*Despatch date	

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

+ See chapter 19 for defined terms.

- 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

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now
Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement (Not applicable)

- 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.

 - We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided 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 not available now, 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: 28 November 2003
(Director/Company secretary)

Print name: Tim Paine

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+ See chapter 19 for defined terms.

Annexure A to Appendix 3B

Series 1

The Securities. Each November 2003 Series 1 preference share (an "ANZ Preference Share"), liquidation preference of US\$1,000, issued by Australia and New Zealand Banking Group Limited ("ANZ") is stapled to one US\$1,000 principal amount of 4.484% Notes due 2053 issued by a wholly-owned subsidiary of ANZ ("ANZ NZ Sub"), which will be fully and unconditionally guaranteed, on a subordinated basis, by ANZ (together, the preference share and note constitute a "unit"). Prior to a conversion event described in the Terms of Issue (attached as Appendix B) (each a "Conversion Event"), the ANZ preference share and note components of the units may not be separately traded. The units will be held by ANZ Capital Trust I ("trust") with trust securities, representing an interest in the units, being issued. Payments in respect of the units will pass through the trust as payments on the trust securities.

Distributions. Prior to a conversion event, each unit will pay a non-cumulative semi-annual cash distribution in arrears of US\$22.42 or such other amount as shall have accrued on the notes component of the unit during the relevant distribution period. These distributions will be payable on June 15 and December 15 of each year, commencing June 15, 2004, out of interest paid on the notes on corresponding interest payment dates; provided that January 15, 2010 will be an interest payment date for the notes, and therefore a distribution payment date for the units, in lieu of December 15, 2009. The ANZ preference shares will not pay dividends unless and until a conversion event has occurred.

Redemption of the Trust Securities Upon Conversion Event. On the business day prior to December 15, 2053 or earlier if one of the conversion events described in the terms of issue occurs,

- the ANZ preference shares will detach from the notes,
- the notes will be transferred to ANZ Capital LLC I ("ANZ US Sub") pursuant to the Indenture relating to the notes,
- the ANZ preference shares will become dividend paying in accordance with the terms of issue and the ANZ preference shares (or the redemption price thereof) will be distributed to holders in redemption of the trust securities, and
- if the Conversion Event relates to all of the trust securities, the trust will be dissolved.

Following a conversion event, the ANZ preference shares, if they are not redeemed in connection with the conversion event, will pay non-cumulative semi-annual cash dividends, if, as and when resolved by the board of directors of ANZ, of US\$22.42 per ANZ preference share. The dividend payment dates for the ANZ preference shares will be the same as the distribution payment dates for the trust securities.

Redemption of Trust Securities for Cash. The trust securities will be redeemed upon the redemption by ANZ of the ANZ preference shares. Any redemption by ANZ of ANZ preference shares prior to the occurrence of a conversion event will itself constitute a conversion event entitling holders of trust securities to the redemption price payable in respect of the ANZ preference shares.

Redemption of ANZ Preference Shares for Cash. ANZ may redeem the ANZ preference shares in whole, but not in part, at any time prior to January 15, 2010 on an early exchange date relating to an "acceleration event" or upon the occurrence of an "ANZ special event", as described in the terms of issue, and in whole, or in part, at any time on or after January 15, 2010. The redemption price payable in respect of the ANZ preference shares will be determined as set forth in the terms of issue.

Exchange for Ordinary Shares. Unless ANZ elects to redeem the ANZ preference shares, on January 15, 2010 and on each distribution payment date after January 15, 2010 or on an early exchange date following an acceleration event, holders of trust securities are entitled to require ANZ to exchange each trust security for a number of ANZ ordinary shares having an aggregate market value equal to US\$1,000 based on the formula described below. In order to satisfy this exchange obligation, ANZ will use its commercially reasonable efforts to deliver cash in lieu of all or a portion of the ANZ ordinary shares that it is required to deliver by arranging for the resale of the trust securities to third parties and delivering the proceeds of such sales to holders of trust securities. In addition, holders of ANZ preference shares will be entitled to require ANZ to exchange their ANZ preference shares for ANZ ordinary shares at any time ANZ is subject to the restrictions on payments described in the terms of issue because ANZ has failed to pay a regular dividend on the ANZ preference shares on a scheduled dividend payment date. In addition, on the business day prior to December 15, 2053, a conversion event will occur and on December 15, 2053 all ANZ preference shares will be exchanged for ANZ ordinary shares.

Conversion formula

On the relevant exchange date, each ANZ preference share that is part of a unit corresponding to a trust security in respect of which an exchange event occurs will, in accordance with its terms, convert into one ANZ ordinary share and the holder will be allotted on that date an additional number of ANZ ordinary shares for each trust security equal to one less than the Conversion Ratio, where the Conversion Ratio is calculated in accordance with the following formula:

$$\text{Conversion Ratio} = \text{US\$1,000} / [\text{USD-VWAP} - (\text{CD} \times \text{USD-VWAP})]$$

where:

- USD-VWAP means the simple average of the US dollar equivalents of VWAP for each of the 20 trading days immediately preceding January 15, 2010 or the applicable dividend payment date, as the case may be;
- CD is a conversion discount of five percent;
- VWAP means, in respect of a trading day, the volume weighted average sale price of ANZ's ordinary shares sold on the ASX, or the principal securities exchange on which ANZ's ordinary shares are then listed, on such trading day (excluding certain transactions, including any "special" transactions within the meaning of the ASX Business Rules, crossings prior to the commencement of normal trading on the ASX, crossings during the after hours adjust phase on the ASX, crossings during the closing phase on the ASX, overnight crossings, or any overseas trades or trades pursuant to the exercise of options for ANZ ordinary shares); and
- US dollar equivalent means for any date, the amount determined by applying the noon buying rate in New York City for cable transfers of Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per A\$1.00;

provided that where the total number of additional ANZ ordinary shares to be allotted to an exchanging holder in respect of all such holder's trust securities to be exchanged includes a fraction, such fraction will be disregarded.

For purposes of determining VWAP, adjustments will be made on account of certain events which include the payment of dividends or other distributions on the ordinary shares, but only to the extent that holders would not be entitled to those dividends or distributions at any time after the exchange has occurred.

Series 2

The Securities. Each November 2003 Series 2 preference share (an "ANZ preference share"), liquidation preference of US\$1,000, issued by Australia and New Zealand Banking Group Limited ("ANZ") is stapled to one US\$1,000 principal amount of 5.36% Notes due 2053 issued by a wholly-owned subsidiary of ANZ ("ANZ NZ Sub"), which will be fully and unconditionally guaranteed, on a subordinated basis, by ANZ (together, the preference share and note constitute a "unit"). Prior to a conversion event described in the Terms of Issue (attached as Appendix B) (each a "Conversion Event"), the ANZ preference share and note components of the units may not be separately traded. The units will be held by ANZ Capital Trust II ("trust") with trust securities, representing an interest in the units, being issued. Payments in respect of the units will pass through the trust as payments on the trust securities.

Distributions. Prior to a conversion event, each unit will pay a non-cumulative semi-annual cash distribution in arrears of US\$26.80 or such other amount as shall have accrued on the notes component of the unit during the relevant distribution period. These distributions will be payable on June 15 and December 15 of each year, commencing June 15, 2004, out of interest paid on the notes on corresponding interest payment dates. The ANZ preference shares will not pay dividends unless and until a conversion event has occurred.

Redemption of the Trust Securities Upon Conversion Event. On the business day prior to December 15, 2053 or earlier if one of the conversion events described in the terms of issue occurs,

- the ANZ preference shares will detach from the notes,
- the notes will be transferred to ANZ Capital LLC II ("ANZ US Sub") pursuant to the Indenture relating to the notes,
- the ANZ preference shares will become dividend paying in accordance with the terms of issue and the ANZ preference shares (or the redemption price thereof) will be distributed to holders in redemption of the trust securities, and
- if the Conversion Event relates to all of the trust securities, the trust will be dissolved.

Following a conversion event, the ANZ preference shares, if they are not redeemed in connection with the conversion event, will pay non-cumulative semi-annual cash dividends, if, as and when resolved by the board of directors of ANZ, of US\$26.80 per ANZ preference share. The dividend payment dates for the ANZ preference shares will be the same as the distribution payment dates for the trust securities.

Redemption of Trust Securities for Cash. The trust securities will be redeemed upon the redemption by ANZ of the ANZ preference shares. Any redemption by ANZ of ANZ preference shares prior to the occurrence of a conversion event will itself constitute a conversion event entitling holders of trust securities to the redemption price payable in respect of the ANZ preference shares.

Redemption of ANZ Preference Shares for Cash. ANZ may redeem the ANZ preference shares in whole, but not in part, at any time prior to December 15, 2013 on an early exchange date relating to an "acceleration event" or upon the occurrence of an "ANZ special event", as described in the terms of issue, and in whole, or in part, at any time on or after December 15, 2013. The redemption price payable in respect of the ANZ preference shares will be determined as set forth in the terms of issue.

Exchange for Ordinary Shares. Unless ANZ elects to redeem the ANZ preference shares, on December 15, 2013 and on each distribution payment date after December 15, 2013 or on an early exchange date following an acceleration event, holders of trust securities are entitled to require ANZ to exchange each trust security for a number of ANZ ordinary shares having an aggregate market value equal to US\$1,000 based on the formula described below. In order to satisfy this exchange obligation, ANZ will use its commercially reasonable efforts

to deliver cash in lieu of all or a portion of the ANZ ordinary shares that it is required to deliver by arranging for the resale of the trust securities to third parties and delivering the proceeds of such sales to holders of trust securities. In addition, holders of ANZ preference shares will be entitled to require ANZ to exchange their ANZ preference shares for ANZ ordinary shares at any time ANZ is subject to the restrictions on payments described in the terms of issue because ANZ has failed to pay a regular dividend on the ANZ preference shares on a scheduled dividend payment date. In addition, on the business day prior to December 15, 2053, a conversion event will occur and on December 15, 2053 all ANZ preference shares will be exchanged for ANZ ordinary shares.

Conversion formula

On the relevant exchange date, each ANZ preference share that is part of a unit corresponding to a trust security in respect of which an exchange event occurs will, in accordance with its terms, convert into one ANZ ordinary share and the holder will be allotted on that date an additional number of ANZ ordinary shares of ANZ for each trust security equal to one less than the Conversion Ratio, where the Conversion Ratio is calculated in accordance with the following formula:

$$\text{Conversion Ratio} = \text{US\$1,000} / [\text{USD-VWAP} - (\text{CD} \times \text{USD-VWAP})]$$

where:

- USD-VWAP means the simple average of the US dollar equivalents of VWAP for each of the 20 trading days immediately preceding December 15, 2013 or the applicable dividend payment date, as the case may be;
- CD is a conversion discount of five percent;
- VWAP means, in respect of a trading day, the volume weighted average sale price of ANZ's ordinary shares sold on the ASX, or the principal securities exchange on which ANZ's ordinary shares are then listed, on such trading day (excluding certain transactions, including any "special" transactions within the meaning of the ASX Business Rules, crossings prior to the commencement of normal trading on the ASX, crossings during the after hours adjust phase on the ASX, crossings during the closing phase on the ASX, overnight crossings, or any overseas trades or trades pursuant to the exercise of options for ANZ ordinary shares); and
- US dollar equivalent means for any date, the amount determined by applying the noon buying rate in New York City for cable transfers of Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per A\$1.00;

provided that where the total number of additional ANZ ordinary shares to be allotted to an exchanging holder in respect of all such holder's trust securities to be exchanged includes a fraction, such fraction will be disregarded.

For purposes of determining VWAP, adjustments will be made on account of certain events which include the payment of dividends or other distributions on the ordinary shares, but only to the extent that holders would not be entitled to those dividends or distributions at any time after the exchange has occurred.

Preference Share Terms

1 Issue price and Face Value

The issue price and face value of each Preference Share is US\$1,000.00 (“Face Value”). The Preference Shares shall be designated the “November 2003 Series I Preference Shares.”

2 Stapling and transfer

2.1 *STAPLING*

Each Preference Share will be stapled to a Note. Each stapled Preference Share and Note together will constitute an ANZ Unit. Until a Conversion Event occurs with respect to all Preference Shares, ANZ and ANZ NZ Sub will maintain a joint register for ANZ Units and joint holding statements or certificates will be issued to holders. Subject to the Indenture and these Preference Share Terms, ANZ will not and will cause ANZ NZ Sub not to take any corporate action which prejudices the stapling of each Note to the corresponding Preference Share.

2.2 *TRANSFER RESTRICTIONS*

- (a) Until a Conversion Event occurs with respect to a Preference Share, no transfer of that Preference Share may be registered by the Registrar unless a transfer of the corresponding Note, which forms part of the same ANZ Unit, is registered at the same time, from the same transferor to the same transferee.
- (b) The Preference Share comprising part of each ANZ Unit (and following a Conversion Event with respect to such Preference Share, such Preference Share) will be subject to the same restrictions on transfer that apply to the Notes as set forth in the Indenture and the Notes and any Preference Shares withdrawn from the ANZ Capital Trust and any Preference Shares distributed to Holders following a Conversion Event will contain the same applicable legends that are set forth on the face of the Notes, unless compliance with such transfer restrictions shall be waived by ANZ in accordance with the terms of the Indenture.

2.3 *NO SEPARATE DEALINGS*

Until a Conversion Event with respect to a Preference Share, such Preference Share and any interest in such Preference Share, shall not be capable of being transferred, assigned or made the subject of an Encumbrance or trust in whole or in part, separately from the corresponding Note which forms part of the same ANZ Unit. Any transferee, assignee or holder of an Encumbrance or trust takes ANZ Units subject to, and agrees to be bound by, the Preference Share Terms.

2.4 *UNSTAPLING*

Upon assignment of a Note to ANZ US Sub in accordance with the Indenture, the corresponding Preference Share shall cease to be stapled to the Note. For the avoidance of doubt, no Preference Share will cease to be stapled to the corresponding Note which forms part of the same ANZ Unit in any other circumstance.

3 **Dividends**

3.1 *DIVIDENDS*

- (a) Until the occurrence of a Conversion Event in relation to a Preference Share, the Holder of such Preference Share is not entitled to receive any Dividend on such Preference Share and such Preference Share will not be a dividend paying instrument.
- (b) Subject to these Preference Share Terms, upon the occurrence of a Conversion Event in relation to a Preference Share, such Preference Share will become a dividend paying Preference Share and will automatically begin to accrue non-cumulative Dividends and such Dividends shall be payable in accordance with these Preference Share Terms, if, as and when declared by the Directors, from and including the last Distribution Payment Date on the ANZ Unit of which such Preference Share formed a part before the date on which such Conversion Event occurred or, if such Conversion Event occurs on a Distribution Payment Date, from and including that date.
- (c) If determined by the Directors to be payable, the Dividend payable on each Dividend Payment Date shall be calculated for the immediately preceding Dividend Period at the fixed rate per annum of 4.484% of US\$1,000 for each Preference Share from and including the last Dividend Payment Date (or if the Dividend Payment Date is the first Dividend Payment Date for a Preference Share, from and including the last Distribution Payment Date on the ANZ Unit of which such Preference Share formed a part) to but excluding such first-mentioned Dividend Payment Date, computed on the basis of a 360 day year of twelve 30-day months. The amount of interest payable for any full Dividend Period will be computed by dividing the rate specified in this clause 3.1(c) by two.

3.2 *DIVIDEND PAYMENT TESTS*

The payment of a Dividend is subject to:

- (a) the Directors in their sole discretion resolving to pay that Dividend on the Preference Shares on the relevant Dividend Payment Date,

- (b) unless APRA otherwise agrees:
 - (i) the Dividend (or its payment) not resulting in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the relevant entities within the ANZ Group (on a Level 2 or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or those entities within the ANZ Group (as the case may be) at the time, and
 - (ii) the Dividend not exceeding Distributable Profits as at the Record Date for the Dividend, and
- (c) APRA not otherwise objecting to the payment of the Dividend.

Notwithstanding the above, the Directors, in their sole discretion and with the consent of APRA, may pay Optional Dividends in accordance with clause 3.9.

3.3 *NON-CUMULATIVE DIVIDENDS*

The Dividend rights attached to the Preference Shares are non-cumulative. Therefore, if and to the extent that all or any part of a Dividend is not paid because of any provision of clause 3.2 or because of any applicable law, ANZ has no obligation to pay that Dividend and, notwithstanding that ANZ may pay an Optional Dividend, no Holder shall have any claim or entitlement to be paid any amount in respect of the non-payment of that Dividend, even if Dividends or other payments are made in the future on the Preference Shares. No interest will accrue on any unpaid Dividends or Optional Dividends, and no Holder shall have any claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

3.4 *CALCULATION OF DIVIDENDS*

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any payment of a Dividend in respect of a Holder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.

3.5 *DIVIDEND PAYMENT DATES*

The Dividend Payment Dates for each Preference Share will be each June 15 and December 15 following a Conversion Event for such Preference Share, as adjusted in accordance with clause 11.1(k) until such Preference Share is Exchanged or Redeemed, provided that if a Conversion Event for such Preference Share prior to January 15, 2010, January 15, 2010 will be a Dividend Payment Date for such Preference Share in lieu of December 15, 2009. The payment date for an Optional Dividend will be the date as determined by the Directors.

3.6 *RECORD DATES*

A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend. An Optional Dividend is only payable to those persons registered as Holders on the Record Date in respect of such Optional Dividend. The Record Date will be a date not less than 20 days and not more than 60 days before the applicable Dividend Payment Date or the date of payment for an Optional Dividend, in each case, as determined by the Directors.

3.7 *PAYMENT*

- (a) All Dividends and Optional Dividends will be paid in United States dollars.
- (b) Unless otherwise agreed with a Holder, payment of a Dividend or an Optional Dividend will be made by mailing a cheque to the registered address of the Holder of the Preference Shares or, at ANZ's election, by wire transfer. If a cheque in connection with a Dividend or an Optional Dividend on the Preference Shares is mailed on or prior to the Dividend Payment Date therefor or date of payment of such Optional Dividend, as the case may be, such Dividend or Optional Dividend, as the case may be, will be regarded as having been paid on the Dividend Payment Date therefor or date of payment of such Optional Dividend, as the case may be.

3.8 *DEDUCTIONS AND GROSS-UP*

- (a) All payments in respect of the Preference Shares will be made without withholding or deduction for, or on account of, any and all present and future taxes, assessments or other governmental charges of whatever nature ("Relevant Tax") imposed or levied by or on behalf of Australia or any political subdivision or authority in or of Australia, unless the withholding or deduction is required by law. In that event, ANZ will pay, as further dividends, such additional amounts as may be necessary so that the net amount received by the Holder, after such withholding or deduction, will equal the amount that the Holder would have received in respect of the Preference Shares without such withholding or deduction ("Additional Amounts"). However, ANZ will not pay any Additional Amounts with respect to any Preference Shares as provided in each of the following (or any combination thereof):
 - (i) to the extent the Additional Amount (if it were a Dividend) would not be lawfully able to be paid or would not be payable (in addition to the amount from which the withholding or deduction was made) under clause 3.2;

- (ii) to the extent that the Relevant Tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Preference Shares having some connection with (whether present, past or future), or being or having been engaged in any activity, trade or business in, Australia, or any political subdivision or authority in or of Australia, other than being a Holder, or the beneficial owner, of the Preference Shares;
 - (iii) to the extent that the Relevant Tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Preference Shares not complying with any statutory requirements or not having made a declaration of non-residence in, or other lack of connection with, Australia, or any political subdivision or authority in or of Australia, or any similar claim for exemption, if ANZ or its agent has provided the Holder, or the beneficial owner, of the Preference Shares with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim; or
 - (iv) to the extent that the payee is an Australian resident, if it has not provided its "tax file number" or evidence that a relevant exemption applies.
- (b) Subject to clause 3.8(a), ANZ may deduct from any Dividend or Optional Dividend or other amounts payable to a Holder, the amount of any withholding or other tax, duty or levy required by any law, treaty, regulation or official administrative pronouncement to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by ANZ to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then subject to clause 3.8(a), the full amount payable to such Holder is deemed to have been duly paid and satisfied by ANZ.
 - (c) ANZ must pay the full amount deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law or otherwise and must, if required by any Holder, deliver to that Holder a copy of the relevant receipt issued by the revenue authority without unreasonable delay after the original receipt is received by ANZ.

3.9 *DIVIDEND STOPPER*

If, for any reason:

- (a) a Dividend has not been paid in full on the relevant Dividend Payment Date; or

- (b) a Conversion Event occurs because a Distribution on the ANZ Units is not paid in full on or within seven Business Days of a Distribution Payment Date in respect of the Distribution Period ended immediately prior to that Distribution Payment Date,

then, unless the Holders of a majority in Face Value of the Preference Shares otherwise consent, ANZ may not:

- (i) declare or pay any dividends or distribution on any other ANZ Shares or other instruments or securities that by their terms rank equally with or junior to the Preference Shares, other than proportionate payments on the Preference Shares and shares and other instruments and securities that rank equally with the Preference Shares for dividends, or set aside any sum for the payment thereof; or
- (ii) repurchase, redeem or otherwise acquire for value legal or beneficial ownership of any other ANZ Shares or other instruments or securities that by their terms rank equally with or junior to the Preference Shares for a return of capital in a winding up or set aside any sum or establish a sinking fund for such purpose,

unless and until,

- (A) where clause 3.9(a) applies,
 - (i) ANZ has paid in full the relevant Dividend within seven Business Days after the relevant Dividend Payment Date to the holders registered as Holders on the Record Date for the relevant Dividend,
 - (ii) ANZ has paid in full Dividends on two consecutive Dividend Payment Dates, or
 - (iii) with APRA's prior approval (if required), an Optional Dividend has been paid equal to the unpaid amount of scheduled Dividends or scheduled Distributions on the ANZ Units, as the case may be, for the 12 consecutive calendar months prior to the payment of such Optional Dividend; or
- (B) where clause 3.9(b) applies,
 - (i) ANZ has paid in full Dividends on two consecutive Dividend Payment Dates, or

- (ii) with APRA's prior approval (if required), an Optional Dividend has been paid equal to:
 - (x) if paid within 21 Business Days of the Conversion Event referred to in clause 3.9(b), the Distribution on the ANZ Units which was scheduled to be paid on the Distribution Payment Date immediately prior to the date the Conversion Event occurred; or
 - (y) otherwise, the unpaid amount of the scheduled Dividends or scheduled Distributions on the ANZ Units, as the case may be, for the 12 consecutive calendar months prior to the date of payment of such Optional Dividend.

3.10 EXCLUSIONS FROM DIVIDEND STOPPER

The restrictions in clause 3.9 do not apply to:

- (a) repurchases (including buy-backs), redemptions or other acquisitions of ANZ Shares in connection with
 - (i) any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any entity ANZ controls,
 - (ii) a dividend reinvestment plan or shareholder share purchase plan, or
 - (iii) the issuance of ANZ Shares, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to the event in clause 3.9(a) or (b) (as the case may be);
- (b) an exchange, redemption or conversion of any class or series of ANZ Shares, or any shares of an ANZ subsidiary, for any class or series of ANZ Shares, or of any class or series of ANZ's indebtedness for any class or series of ANZ Shares;
- (c) the purchase of fractional interests in ANZ Shares under the conversion or exchange provisions of the shares or the security being converted or exchanged;

- (d) any payment or declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (e) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares.

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

- taking security over ANZ Shares in the ordinary course of business; and
- 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).

For the purposes of this section 3, "control" has the meaning given in the Corporations Act.

4 Conversion Event

A Preference Share will automatically become a dividend paying instrument and detach from the corresponding Note to which it had been stapled upon the occurrence of a Conversion Event with respect to such Preference Share. The Conversion Event with respect to a Preference Share will be the earliest occurrence of any of the following dates or events:

- (i) any date ANZ selects in its absolute discretion, which election must be in respect of all Preference Shares then outstanding;
- (ii) the Business Day prior to December 15, 2053;
- (iii) the Redemption Date for such Preference Share;
- (iv) where a Holder provides ANZ with an Exchange Notice in respect of the Trust Securities, or ANZ Units withdrawn from the ANZ Capital Trust, it holds and such Preference Share corresponds to such ANZ Units or ANZ Units that correspond to such Trust

Securities, January 15, 2010, the relevant Dividend Payment Date or Distribution Payment Date or the Early Exchange Date, as the case may be, unless ANZ arranges for the sale of the Trust Securities or the ANZ Units in accordance with the provisions of the Conversion and Exchange Agreement before such date;

- (v) the ANZ Units or Trust Securities fail for any reason to pay in full a Distribution on or within seven Business Days after it is due (in which case the Conversion Event shall be the eighth Business Day after the relevant Distribution Payment Date), including because
 - (A) ANZ NZ Sub defers an Interest Payment on the Notes as set forth in the Notes, or
 - (B) ANZ NZ Sub fails to make an Interest Payment on the Notes when it is required to do so and ANZ fails to make a payment in respect of the Guarantee;
- (vi) the following events as required by APRA
 - (A) APRA determines in writing that ANZ has a Tier 1 Capital Ratio of less than 5% (or such other percentage as required from time to time by APRA) or a Total Capital Adequacy Ratio of less than 8% (or such other percentage as required from time to time by APRA),
 - (B) APRA issues a written directive to ANZ under applicable banking regulations, legislation or guidelines for ANZ to increase its capital,
 - (C) APRA appoints a statutory manager to ANZ or assumes control of ANZ under Australian banking law or proceedings are commenced for the winding up of ANZ, or
 - (D) the retained earnings of ANZ fall below zero, unless APRA otherwise approves; or
- (vii) an event of default occurs under the Notes

ANZ shall deliver to Holders written notice of any Conversion Event (other than a Conversion Event set forth in (iv) above) as soon as practicable but in any event no later than five Business Days of an Authorized Officer becoming aware of the occurrence thereof. Such notice shall state that a Conversion Event has occurred, briefly describe the nature of the Conversion Event and state that, with respect to Units held in ANZ Capital Trust, such notice also constitutes a notice of the redemption of the related Trust Securities.

5 Redemption

5.1 PREFERENCE SHARES ARE REDEEMABLE AT ANZ'S OPTION ONLY

The Preference Shares are Redeemable at the option of ANZ alone. ANZ may Redeem Preference Shares only in accordance with clause 5.2. A Holder has no right to require Redemption of the Preference Shares.

5.2 REDEMPTION

ANZ may, after receipt of the prior written approval by APRA, if approval is then required, Redeem the Preference Shares for cash:

- (a) before January 15, 2010, in whole only,
 - (i) upon the occurrence and continuance of a Tax Event or a Regulatory Event (each, an "ANZ Special Event"), or
 - (ii) on the Early Exchange Date relating to an Acceleration Event, or
- (b) on or after January 15, 2010, in whole or in part on one or more occasions at any time.

5.3 REDEMPTION PRICE

If ANZ elects to Redeem the Preference Shares, the Redemption Price of each Preference Share Redeemed will be equal to:

- (a) in the case of any Redemption prior to January 15, 2010 other than a Redemption as a result of the circumstances described in clauses (1) and (3) of the definition of Tax Event, the Make-whole Redemption Price, or
- (b) in the case of all other Redemptions, the Par Redemption Price,

plus, in either case, any accrued and unpaid Dividends for the then current Dividend Payment Period on such Preference Share to the Redemption Date or, if the date of Redemption is a Dividend Payment Date, the immediately preceding Dividend Period; provided that, with respect to Preference Shares being Redeemed following or in connection with the occurrence of a Conversion Event, but prior to the first Dividend Payment Date with respect to such Preference Shares, the current Dividend Period will be deemed to have commenced on the Distribution Payment Date immediately preceding the date fixed for Redemption of the Preference Shares being Redeemed

5.4 NOTICE OF REDEMPTION

- (a) ANZ must give notice of any Redemption, except in the case of buy-backs on the open market, not less than 30 nor more than 60 days prior to the date fixed for the Redemption, provided that:
 - (i) in respect of a Redemption for cash on January 15, 2010 or on any Dividend Payment Date thereafter, ANZ must give such notice no less than 40 Business Days and no more than 50 Business Days prior to January 15, 2010 or such Dividend Payment Date; and
 - (ii) in respect of a Redemption following an Acceleration Event, ANZ must give such notice no less than 25 Business Days prior to the Early Exchange Date.
- (b) ANZ must mail the notice of Redemption by first-class mail to the registered address of the Holder.
- (c) Each notice of Redemption of Preference Shares must state
 - (i) the Redemption Date,
 - (ii) if less than all outstanding Preference Shares are subject to Redemption, the identification of the Preference Shares subject to Redemption,
 - (iii) that, as from the Redemption Date, Dividends will cease to accrue and the only rights Holders will have will be to obtain the Redemption Price payable in accordance with these Preference Share Terms,
 - (iv) the place or places where the certificates, if any, for the Preference Shares may be submitted and the Redemption Price collected by Holders,
 - (v) whether the Redemption is to be effected by means of a redemption of the Preference Shares or buy back of the Preference Shares, or by other means; and
 - (vi) any other information required by the stock exchange or quotation system where the Preference Shares may be listed or quoted.

5.5 EFFECT OF REDEMPTION

Subject to APRA's consent, on the Redemption Date:

- (a) the Preference Shares to which the notice of Redemption relates will be Redeemed by ANZ for the consideration specified in clause 5.3 paid to the Holder, and
- (b) upon payment of the Redemption Price, all other rights conferred or restrictions imposed by those Preference Shares under these Preference Share Terms will no longer have effect.

5.6 *BUY BACK AGREEMENT*

- (a) For purposes of clause 5.3(a), subject to paragraph (b) below, if the Redemption under clause 5.2 involves a buy back of Preference Shares, each Holder agrees to accept the buy back offer for the Preference Shares held by the Holder to which the notice of Redemption relates and will be deemed to have sold those Preference Shares free of all Encumbrances to ANZ on receipt of the notice of Redemption given under clause 5.4.
- (b) Such agreement of the Holder shall have no force or effect with respect to any Preference Shares unless and until both of the following conditions are satisfied:
 - (i) ANZ shall have sent a notice of Redemption which complies with clause 5.4 to the Holder which states that the Preference Shares are to be bought back; and
 - (ii) ANZ has obtained all consents and approvals (if any) to the buy back from ANZ's shareholders or any regulatory authority or government agency or other person as may be required pursuant to (and in the manner required by) any applicable law, or by the listing rules of any stock exchange on which the Preference Shares or the Trust Securities, or other ANZ Shares, may then be listed.

5.7 *PARTIAL REDEMPTIONS*

- (a) In the case of any partial Redemption, ANZ or its Registrar will select the Preference Shares for Redemption
 - (i) in compliance with the requirements of the principal securities exchange or quotation system, if any, on which the Preference Shares are then listed or quoted, or
 - (ii) if the Preference Shares are not listed on a securities exchange, proportionately, by lot or such other method as ANZ, in its sole discretion, deems fair and appropriate.

- (b) In the case of a partial Redemption, the number of Preference Shares remaining after the Redemption must be not less than the minimum number of shares required to maintain any listing or quotation of the Preference Shares on any stock exchange on which they are listed or any quotation system on which they are quoted immediately prior to the partial Redemption.

5.8 OBLIGATION TO MITIGATE

- (a) The right of ANZ to Redeem the Preference Shares due to an ANZ Special Event is subject to the condition that, if there is available to ANZ the opportunity to eliminate such event by substituting another obligor for ANZ NZ Sub under the Notes or taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that in each case in the absolute discretion of ANZ has or will cause no adverse effect on ANZ, any of ANZ's subsidiaries or controlled entities, the ANZ Capital Trust or the holders of the Trust Securities or the ANZ Units and will involve no material cost to any of these parties, ANZ will pursue that measure in lieu of Redemption.
- (b) ANZ may not Redeem any of the Preference Shares prior to, and any obligations of ANZ under clause 5.7(a) terminate upon, the expiry of the earlier of
 - (i) ninety days from the date of the ANZ Special Event and
 - (ii) the date that ANZ determines in its absolute discretion that not Redeeming the Preference Shares
 - (A) has or will cause an adverse effect on ANZ, any of ANZ's subsidiaries or controlled entities, the ANZ Capital Trust or the holders of the Trust Securities or the ANZ Units, or
 - (B) will involve material cost to any of these persons.

5.9 ON-MARKET BUY BACKS

Subject to the Corporations Act, ANZ may with the consent of APRA buy back the Preference Shares at any time and at any price by an on-market buy back (within the meaning of the Corporations Act).

5.10 DEFAULT INTEREST

If ANZ improperly withholds or refuses payment of the Redemption Price in respect of the Preference Shares when due, interest at the annual rate of 4.484%

will accrue on the Redemption Price from the date on which the cash redemption was due to the date of payment.

5.11 POWER OF ATTORNEY

Each Holder irrevocably appoints ANZ, each of its Authorised Officers and any liquidator, administrator or statutory manager of ANZ (each, an “**Appointed Person**”) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to record or perfect the transfer of the Preference Shares held by the Holder when required in accordance with this section 5 (including, for the avoidance of doubt, in connection with any buy-back, on behalf of the Holder, accept any buy-back offer and sign or otherwise execute a transfer of the Preference Shares under this clause 5).

6 Exchange for Ordinary Shares

6.1 GENERAL

- (a) Holders will be entitled to Exchange their Preference Shares for Ordinary Shares in accordance with these Preference Share Terms and the Conversion and Exchange Agreement, dated November 26, 2003, attached as Annex A hereto on an Exchange Date, Early Exchange Date or Non-payment Exchange Date.
- (b) The Preference Shares will be subject to a Mandatory Exchange for Ordinary Shares on December 15, 2053 in accordance with these Preference Share Terms and the Conversion and Exchange Agreement.
- (c) If the Conversion Event occurs prior to any date on which a holder of Trust Securities or ANZ Units is otherwise entitled to exchange Trust Securities or ANZ Units for Ordinary Shares, but after an Exchange Notice has been tendered to ANZ in respect of such Trust Securities or ANZ Units, as the case may be, the Exchange Notice applicable to the Trust Securities or the ANZ Units will automatically apply in respect of the Preference Shares held by the Holder following the Conversion Event.
- (d) Prior to a Conversion Event in respect of an ANZ Unit, the holder of such ANZ Unit or Trust Security corresponding to such ANZ Unit shall be deemed to be the Holder of the Preference Share comprising a component of such ANZ Unit and shall be entitled to the Exchange rights with respect to such Preference Share as set out in this Section 6.

6.2 EXCHANGE ON AN EXCHANGE DATE

- (a) If, after or in conjunction with a Conversion Event, ANZ does not provide a notice of Redemption in respect of all of the outstanding Preference Shares on or prior to the 40th Business Day prior to an Exchange Date for Redemption on such date in accordance with clause 5.4(a)(i), each Holder of Preference Shares not so called for Redemption may no earlier than 40 Business Days and no later than 30 Business Days prior to such Exchange Date deliver an Exchange Notice to ANZ requiring it to Exchange all Preference Shares held by such Holder for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.
- (b) ANZ will be required to provide notice to each Holder of the Exchange right set forth in clause 6.2(a) no later than the 40th Business Day prior to each such Exchange Date if it does not provide a notice of Redemption to such Holder for the Redemption of all of such Holder's Preference Shares on or before that date.
- (c) If after January 15, 2010 ANZ provides a notice of Redemption in respect of all the Preference Shares and the related Redemption Date is prior to a Dividend Payment Date, ANZ will have no obligation to provide a notice to Holders pursuant to clause 6.2(b) in respect of that Dividend Payment Date or to exchange Preference Shares on such Dividend Payment Date, whether or not ANZ shall have previously provided such a notice.
- (d) On the relevant Exchange Date, each Preference Share to be Exchanged in accordance with clause 6.2(a) will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for an Exchange Date.
- (e) In lieu of Exchanging Preference Shares for Ordinary Shares, ANZ may fulfill its Exchange obligations under clause 6.2(a) by selling on behalf of the applicable Holder or otherwise arranging for the sale of the Preference Shares in respect of which Exchange Notices have been received to purchasers (which may include ANZ or an entity controlled by ANZ, subject to any applicable legal restrictions or necessary regulatory approvals) for US\$1,000 per Preference Share and by delivering the proceeds of such sales to such Holder. In connection therewith:
 - (i) Subject to the terms of the Conversion and Exchange Agreement, ANZ will use its commercially reasonable efforts to fulfill its Exchange obligation under clause 6.2(a) in this manner and will make a statement to this effect in the notice ANZ is required to provide under clause 6.2(b).

- (ii) If ANZ has not arranged for the sale of all the Preference Shares subject to Exchange Notices by the 25th Trading Day prior to the applicable Exchange Date, then ANZ will be required to notify the Holders that have provided Exchange Notices no later than the 25th Trading Day prior to such Exchange Date that ANZ will nevertheless satisfy its Exchange obligation under clause 6.2(a) through the delivery of Ordinary Shares.
- (iii) Each Holder irrevocably appoints ANZ, each of its Authorised Officers and any liquidator, administrator or statutory manager of ANZ (each, an “**Appointed Person**”) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to arrange such a sale and record or perfect the sale and transfer of the Preference Shares in accordance with this clause. Without limiting the foregoing, each Appointed Person may represent and warrant, in the name and on behalf of the Holder, that the Preference Shares are sold and transferred free and clear of all Encumbrances.

6.3 EXCHANGE ON AN EARLY EXCHANGE DATE

- (a) If, after or in conjunction with a Conversion Event, in connection with the occurrence of an Acceleration Event and subject to the approval of APRA:
 - (i) ANZ does not provide a notice of Redemption under clause 5.4(a)(ii) in respect of all of the Preference Shares on or prior to the 25th Business Day prior to the Early Exchange Date for Redemption of the Preference Shares on such date; and
 - (ii) ANZ does not amend the terms of the Conversion and Exchange Agreement as set forth in clause 6.3(e) of these Preference Share Terms,

then the Holders may Exchange their Preference Shares for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.

- (b) ANZ will be required to provide notice to Holders of the Exchange right set forth in clause 6.3(a) no later than the 25th Business Day prior to each such Early Exchange Date if it does not provide a notice of Redemption for Redemption of all of the Preference Shares on or before that date.

- (c) Holders may no later than the 21st Business Day prior to the Early Exchange Date deliver an Exchange Notice to ANZ requiring it to Exchange their Preference Shares for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.
- (d) On the Early Exchange Date, each Preference Share to be Exchanged in accordance with clause 6.3(a) will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for an Early Exchange Date.
- (e) Notwithstanding the other provisions of this clause 6.3, Holders will not be entitled to require ANZ to Exchange their Preference Shares upon the occurrence of an Acceleration Event where ANZ is no longer the ultimate holding company of the ANZ Group if the successor holding company, subject to compliance with applicable legal requirements and the obtaining of any necessary regulatory approvals (including from APRA), assumes all of ANZ's obligations under the Conversion and Exchange Agreement and amends the Conversion and Exchange Agreement to provide that the Holders will be entitled to Exchange their Preference Shares for ordinary shares of the successor holding company on an Exchange Date (or earlier upon the occurrence of an Acceleration Event in respect of any successor holding company). Any such amendment may be effected without the consent of the Holders only if:
 - (i) the ordinary shares of the successor holding company of the ANZ Group are listed on an internationally recognized stock exchange, and
 - (ii) such amendment would not otherwise adversely affect the interests of the Holders.

6.4 *EXCHANGE DURING DIVIDEND STOPPER*

- (a) Holders will be entitled to require ANZ to Exchange their Preference Shares for Ordinary Shares at any time that ANZ is subject to the restrictions described under clause 3.9 solely as a result of ANZ having failed to pay a regular Dividend on the Preference Shares on a Dividend Payment Date in accordance with the terms of the Conversion and Exchange Agreement.
- (b) ANZ will be required to provide notice to Holders of the Exchange right set forth in clause 6.4(a) no later than the 8th Business Day following the Dividend Payment Date on which ANZ failed to pay a regular Dividend.

- (c) Holders may no later than the 12th Business Day following the Dividend Payment Date on which ANZ failed to pay the regular Dividend deliver an Exchange Notice to ANZ requiring it to Exchange their Preference Shares for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.
- (d) On the Non-payment Exchange Date, each Preference Share to be Exchanged in accordance with clause 6.4(a) will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for a Non-payment Exchange Date.
- (e) Notwithstanding the foregoing, if after January 15, 2010, ANZ provides a notice of Redemption in respect of all the Preference Shares and the related Redemption Date is prior to a Non-payment Exchange Date, ANZ will have no obligation to provide a notice pursuant to clause 6.4(b) in respect of period in which it is subject to the restrictions described under clause 3.9 or to Exchange Preference Shares on such Non-payment Exchange Date, whether or not ANZ shall have previously provided such a notice.

6.5 MANDATORY EXCHANGE ON DECEMBER 15 , 2053

- (a) On the Mandatory Exchange Date, each outstanding Preference Share will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for the Mandatory Exchange.

6.6 CONVERSION MECHANICS

A Preference Share confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5:00pm (Melbourne time) on the date of Conversion. At that time:

- (a) all other rights or restrictions conferred on that Preference Share under these Preference Share Terms will no longer have effect (except for rights relating to a Dividend which has been declared but has not been paid on or before the date of Conversion, which will continue); and
- (b) the Ordinary Share resulting from Conversion will rank equally with all other Ordinary Shares then on issue and ANZ will issue a statement that the holder of those shares holds a share so ranking.

Conversion does not constitute a buy-back, cancellation, redemption or termination of a Preference Share or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clauses 6.2, 6.3, 6.4 and 6.5).

7 Preference Share Ranking

7.1 RANKING WITH RESPECT TO DIVIDENDS

Preference Shares rank with respect to Dividends:

- (a) in priority to Ordinary Shares and other preference shares, instruments and securities that by their terms rank junior to the Preference Shares, and
- (b) equally among themselves and with the preference shares issued in connection with TrUEPrS and ANZ StEPS and any other preference shares, securities and instruments ANZ has issued or may issue that by their terms rank equally with the Preference Shares with respect to priority of payments of dividends.
- (c) junior to any securities or instruments that rank senior to the Preference Shares and to all ANZ's debts and liabilities to its depositors and all other creditors.

7.2 RANKING IN A WINDING UP

- (a) In a winding up of ANZ, a Preference Share confers upon its Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of ANZ on a return of capital in the winding up.
- (b) Holders of Preference Shares will rank for payment of the Liquidation Sum in a winding up of ANZ:
 - (i) in priority to Ordinary Shares and other preference shares, securities and instruments that by their terms rank junior to the Preference Shares,
 - (ii) equally among themselves and with the preference shares issued in connection with TrUEPrS and ANZ StEPS and any other preference shares, securities and instruments ANZ has issued or may issue that by their terms rank equally with the Preference Shares in a winding up, and

- (iii) junior to any securities or instruments that rank senior to the Preference Shares and to all ANZ's debts and liabilities to its depositors and all other creditors.
- (c) The Liquidation Sum is the sum of:
 - (i) US\$1,000, or if it is not possible in accordance with applicable law to pay in US dollars, the Australian Dollar Equivalent of US\$1,000, and
 - (ii) if the amount described in clause 7.2(c)(i) is paid in Australian dollars, an amount in Australian dollars equal to the additional amount (if any) estimated by the liquidator of ANZ in its absolute discretion to be required to convert the Australian dollars into US dollars, including but not limited to amounts required to pay any estimated charges and expenses regarded by the liquidator of ANZ as likely to be incurred in effecting such conversion.
- (d) For purposes of this clause 7.2, the Australian Dollar Equivalent of an amount expressed in US dollars will be calculated by applying the Noon Buying Rate on the date of payment of the amount in Australian dollars or, if that day is not a Business Day, on the Business Day immediately preceding the date of payment.

7.3 NO SET OFF

Any amount due to a Holder in respect of the Preference Shares may not be set off against any claims by ANZ against the Holder.

7.4 SHORTFALL ON WINDING-UP OF ANZ

If, upon a return of share capital on a winding up of ANZ, there are insufficient funds to pay in full the amounts referred to in clause 7.2 and the amounts payable in respect of any other shares, securities or instruments in ANZ ranking as to such distribution equally with the Preference Shares on a winding up of ANZ, Holders and the holders of any such other shares, securities or instruments will share in any distribution of assets of ANZ in proportion to the amounts to which they respectively are entitled.

7.5 NO PARTICIPATION IN SURPLUS ASSETS

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

7.6 RESTRICTIONS ON OTHER ISSUES

ANZ may authorize additional issues of preference shares provided that it may only issue preference shares that rank senior to the Preference Shares with approval by a Special Resolution passed at a meeting of Holders of the Preference Shares then on issue or the consent of Holders holding at least 75% of the Preference Shares then on issue.

7.7 TAKEOVER BIDS AND SCHEMES OF ARRANGEMENT

If a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors, or the Directors recommend a member's scheme of arrangement, ANZ will use reasonable endeavours to procure that equivalent takeover bids are made to Holders or that they participate in the scheme of arrangement.

7.8 PARTICIPATION IN NEW ISSUES

Other than as set forth in these Preference Share Terms, the Preference Shares confer no rights to subscribe for new securities of ANZ or to participate in any bonus issues of securities of ANZ.

7.9 NO OTHER RIGHTS

Preference Shares do not confer on the Holders any right to participate in profits or property except as set out in these Preference Share Terms.

8 Meetings and Voting Rights

8.1 MEETINGS

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

8.2 VOTING RIGHTS

- (a) A Holder of Preference Shares will not be entitled to speak or vote at any general meeting of ANZ, except in the following circumstances:
 - (i) on any proposal:
 - (A) to reduce ANZ's share capital,
 - (B) that affects the rights attached to the Preference Shares, and
 - (C) to wind up ANZ or during ANZ's winding up

- (D) for the disposal of the whole of ANZ's property, business and undertaking,
 - (ii) on any resolution to approve the terms of a share buy-back agreement,
 - (iii) during a Special Voting Period, with respect to all matters on which the Holders of Ordinary Shares are entitled to vote.
- (b) A "Special Voting Period" is the period from and including:
- (i) any Dividend Payment Date on which ANZ fails to pay in full the Dividends accrued in respect of the immediately preceding semi-annual Dividend Period, or
 - (ii) the 24th Business Day after the date of the occurrence of the Conversion Event if the Conversion Event is the failure of ANZ NZ Sub to make an Interest Payment in full on the Notes and ANZ does not make the payment pursuant to the Guarantee or pay the Optional Dividend on the Preference Shares on or within 21 Business Days after the occurrence of the Conversion Event,
- in each case, to but excluding the first Dividend Payment Date after that date on which ANZ has paid in full an Optional Dividend or two consecutive semi-annual Dividends.
- (c) If a poll is conducted on a resolution or proposal on which a Holder is entitled to vote under this clause, the Holder has one vote for each Preference Share held.

9 Amendments to the Preference Share Terms

- (a) Subject to complying with all applicable laws and with the prior approval of APRA, ANZ may, without the authority, assent or approval of Holders, amend or add to the Preference Share Terms where the amendment or addition is, in the opinion of ANZ:
- (i) made to correct a manifest error;
 - (ii) of a formal, minor or technical nature;
 - (iii) made to remove any inconsistency between these Preference Share Terms and the provisions of the Conversion and Exchange Agreement;
 - (iv) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which

ANZ proposes from time to time to seek quotation of the Preference Shares or ANZ Units;

- (v) convenient for the purpose of obtaining or, if obtained, maintaining the listing or quotation of the Preference Shares or ANZ Units on any stock exchange; or
 - (vi) is not, and is not likely to become, materially prejudicial to Holders generally.
- (b) The rights attached to the Preference Shares may not be varied or reduced except with any required approvals of APRA or any other governmental agency and with the consent in writing of Holders of at least 75% of the Preference Shares or with the approval by Special Resolution of Holders.
 - (c) The written consent of the Holders of at least 75% of the Preference Shares or the approval by Special Resolution passed at a separate meeting of the Holders will be required if the Directors propose to allot or issue preference shares, or convert existing shares into preference shares, which rank senior in priority to the Preference Shares then on issue as to payment of dividends or for a return of capital in a winding up.
 - (d) The allotment or issue of preference shares, or the conversion of existing shares into preference shares, ranking equally with the Preference Shares then on issue for participation in profits or assets of ANZ, and whether entitled to cumulative or non-cumulative dividends, or a redemption, buy-back or return or distribution of capital in respect of any share capital other than a Preference Share, whether ranking equally with or junior to the Preference Shares, is expressly permitted and authorized and does not constitute a modification or variation of the rights or privileges to the Preference Shares then on issue.

10 Governing law

These Preference Share Terms are governed by the law in force in the State of Victoria, Australia.

11 Interpretation and definitions

11.1 INTERPRETATION

- (a) The provisions of these Preference Share Terms are subject to the provisions of the Conversion and Exchange Agreement. The provisions of the Conversion and Exchange Agreement are incorporated by reference in these Preference Share Terms. If there is any inconsistency between these Preference Share Terms and the provisions of the Conversion and

Exchange Agreement, the latter provisions prevail to the extent of the inconsistency.

- (b) Unless otherwise specified in the Preference Share Terms, notices may be given by ANZ to a Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (c) Definitions and interpretation under the Constitution will also apply to the Preference Share Terms unless the contrary intention is expressed.
- (d) The right of a Holder or ANZ to Exchange or Redemption is subject to all applicable laws.
- (e) Unless otherwise specified, a reference to a clause or a paragraph is a reference to a clause or a paragraph of the Preference Share Terms.
- (f) Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of the Preference Share Terms.
- (g) The singular includes the plural and vice versa.
- (h) If a calculation is required under the Preference Share Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (i) Any provisions which refer to the requirements of APRA will apply to ANZ only if ANZ is an entity or the holding company or subsidiary of an entity subject to regulation and supervision by APRA at the relevant time.
- (j) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (k) If an event under the Preference Share Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (l) Calculations, elections and determinations made by ANZ under the Preference Share Terms are binding on Holders in the absence of manifest error.
- (m) A Holder may not exercise or seek to exercise to take any proceedings for the exercising of any right of set-off or counter claim against ANZ in respect of any claim by ANZ against that Holder.

- (n) Notice shall be deemed received on the Business Day following posting of the notice.

11.2 DEFINITIONS

The following expressions shall have the following meanings:

Acceleration Event means:

- (a) a takeover bid as defined in the Corporations Act, or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers, is at any time made to acquire all or more than 50% of the Ordinary Shares and the offer is, or becomes, unconditional and:
 - (i) the voting power of the offeror in ANZ is, or becomes, greater than 50%; or
 - (ii) the Directors issue a statement recommending acceptance of the offer; or
- (b) a court orders the convening of a meeting to consider approving a scheme of arrangement under Part 5.1 of the Corporations Act (or any successor sections of the Corporations Act relating to schemes of arrangement) which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.

Additional Amounts has the meaning given in clause 3.8.

Allotment Date means the date on which the Preference Shares are issued.

ANZ Capital Trust Declaration means the amended and restated declaration of trust of ANZ Capital Trust, dated as of November 26, 2003.

ANZ Capital Trust means ANZ Capital Trust I, a Delaware statutory trust.

ANZ Group means at any time ANZ and its controlled entities as defined in Australian Generally Accepted Accounting Principles; provided, however, that for purposes of the definition of "Distributable Profits" and Section 3.2, "ANZ Group" means ANZ and its subsidiaries that can issue qualifying Tier 1 Capital.

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

ANZ NZ Sub means Samson Funding Limited, a New Zealand limited liability company.

ANZ Shares means shares in the capital of ANZ.

ANZ Special Event has the meaning given in clause 5.2.

ANZ StEPS means the securities comprising a preference share in ANZ and a note issued by ANZ Holdings (New Zealand) Limited (ARBN 105 689 9321 under a prospectus dated 14 August 2003.

ANZ Unit means a stapled security comprised of a Preference Share and Note.

ANZ US Sub means ANZ Capital LLC I, a Delaware limited liability company.

Appointed Person has the meaning given in clause 5.10.

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

ASX Listing Rules means the listing rules of ASX and any other rules of ASX which are applicable while ANZ is admitted to the official list of ASX, each as amended or replaced, as they apply to ANZ from time to time.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691) or the stock exchange conducted by it, or such other stock exchange as from time to time may become the principal stock exchange on which Ordinary Shares are quoted.

Australian Dollar Equivalent has the meaning given in clause 7.2.

Australian dollars, AUD, AS, \$ and cents mean Australian currency.

Australian Generally Accepted Accounting Principles means the accounting standards under the Corporations Act or, if not inconsistent with those standards, accounting principles and practices generally accepted in Australia.

Authorised Officer means each director and secretary of ANZ and any person delegated on the authority of the Directors to exercise the power of attorney conferred by clause 5.11 or 6.2(a)(iii).

Business Day means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in New York City, Melbourne, Australia or Auckland, New Zealand.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary

financial practice, in pricing new issues of corporate debt securities that mature on January 15, 2010.

Comparable Treasury Price means (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the paying agent for the Preference Shares obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Constitution means the constitution of ANZ as amended from time to time.

Conversion Event has the meaning given in section 4.

Conversion and Exchange Agreement means the agreement so titled dated as of November 26, 2003 between ANZ, ANZ US Sub, The Bank of New York and ANZ Capital Trust, attached as Annex A hereto and incorporated herein by reference.

Conversion means the taking effect of the rights of a Preference Share under section 6 (including, without limitation the allotment of additional Ordinary Shares under clauses 6.2, 6.3, 6.4 and 6.5) and **Convert** and **Converted** have the corresponding meaning.

Conversion Ratio has the meaning given in the Conversion and Exchange Agreement.

Corporations Act means the Corporations Act 2001 of Australia

Directors mean some or all of the directors of ANZ acting as a board under the Constitution, or if the relevant powers or discretions have been delegated by the board, the committee or individuals acting as delegate of the board.

Distributable Profits means an amount calculated in accordance with the following formula:

$$\text{Distributable Profits} = A - B$$

where:

A is the consolidated net profit after income tax of ANZ under Australian Generally Accepted Accounting Principles for the immediately preceding two six-monthly financial periods for which results have been publicly announced by ANZ (or such other amount as determined by APRA in its discretion to be appropriate in ANZ's circumstances for the purposes of paying dividends or distributions on the ANZ Group's Tier 1 Capital); and

B is the aggregate amount of any dividends or distributions paid or payable by a member of the ANZ Group before the relevant Dividend Payment Date on its Tier 1 Capital in relation to the current financial year to date, but not including any dividend or distribution paid or payable to a member of the ANZ Group by another member of the ANZ Group.

Distribution means a distribution payable on the ANZ Units on each Distribution Payment Date.

Distribution Payment Date means each June 15 and December 15, beginning June 15, 2004 while any ANZ Units are outstanding, provided that January 15, 2010 will be a Distribution Payment Date in lieu of December 15, 2009.

Distribution Period means each period beginning on the date of original issuance of the ANZ Units or on each Distribution Payment Date thereafter to but excluding December 15, 2053 and ending on the day that precedes the next succeeding Distribution Payment Date.

Dividend means dividends payable on each Dividend Payment Date.

Dividend Payment Date means each date specified as such in Section 3.5.

Dividend Period means, in respect of a Preference Share:

- (a) the period from and including the Interest Payment Date immediately prior to the occurrence of the Conversion Event (or the Allotment Date, if no Interest Payment Date has yet occurred) until but not including the first Dividend Payment Date following the Conversion Event; and
- (b) thereafter, the period from and including each Dividend Payment Date until but not including the day of the first to occur of:
 - (i) the next Dividend Payment Date; or
 - (ii) the Exchange Date, Early Exchange Date, Non-payment Exchange Date or Mandatory Exchange Date; or
 - (iii) the Redemption Date.

Early Exchange Date means the date falling 30 Business Days after the occurrence of an Acceleration Event.

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

Exchange means the exchange of the Preference Shares for Ordinary Shares on the Exchange Date, Early Exchange Date, Non-payment Exchange Date or Mandatory Exchange Date in accordance with (and subject to) section 6 and **Exchanged** has the corresponding meaning.

Exchange Date means January 15, 2010 and each Dividend Payment Date thereafter.

Exchange Notice means the notice given by a Holder to ANZ requesting the Exchange of its Preference Shares in accordance with section 6.

Face Value has the meaning given in section 1.

Guarantee means ANZ's guarantee of the Notes as set forth in the Indenture.

Holder means a person whose name is for the time being registered in the Register as the holder of a Preference Share.

Indenture means the indenture, dated as of November 26, among ANZ NZ Sub, as issuer, ANZ, as guarantor, and The Bank of New York, as indenture trustee.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by ANZ.

Interest Payment means the payment of interest of the Notes.

Interest Payment Date has the meaning given in the Indenture.

Level 1, Level 2 and Level 3 means, in respect of the Total Capital Adequacy Ratio, the Tier 1 Capital Ratio or Tier 1 Capital, those terms so described by APRA.

Liquidation Sum has the meaning given in clause 7.2.

Make-whole Redemption Amount, with respect to each Preference Share, will be equal to the sum of:

- (1) the present value of the Face Value of such Preference Share as if the Face Value were payable on January 15, 2010, together with
- (2) the present values of the scheduled semi-annual Dividends thereon after the Redemption Date to and including January 15, 2010,

in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the US Treasury Rate plus 0.30%; and

(3) any Additional Amounts.

Make-whole Redemption Price means the greater of the Make-whole Redemption Amount and the Par Redemption Price; provided, however, that the Make-whole Redemption Price per Preference Share will be no greater than US\$1,225 plus any Additional Amounts.

Mandatory Exchange means an Exchange in accordance with clause 6.5 on the Mandatory Exchange Date.

Mandatory Exchange Date means December 15, 2053.

Non-payment Exchange Date means the 35th Business Day following the date on which a Holder has provided an Exchange Notice pursuant to clause 6.4 following a scheduled Dividend Payment Date on which ANZ failed to pay a regular Dividend on the Preference Shares

Noon Buying Rate means the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per Australian dollars.

Note means US\$1,000 principal amount of notes due 2053 issued by ANZ NZ Sub pursuant to the Indenture, and fully and unconditionally guaranteed by ANZ pursuant to the Guarantee.

Optional Dividend has the meaning given in clause 3.9.

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

Par Redemption Price, with respect to each Preference Share, will be equal to the sum of US\$1,000 and any Additional Amounts.

Preference Share means a fully paid preference share in the share capital of ANZ issued on the Preference Share Terms.

Preference Share Terms means these terms of issue of Preference Shares.

Primary Treasury Dealer means Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated and their respective successors and three other nationally recognized investment banking firms that are US Government securities dealers.

Record Date has the meaning given in clause 3.6.

Redemption means redeem, buy back, transfer to an ANZ Group entity or cancel Preference Shares, at ANZ's discretion and **Redeem, Redeemed and Redeemable** have corresponding meanings.

Redemption Date means the date the Preference Shares are Redeemed.

Redemption Price has the meaning given in clause 5.3.

Reference Treasury Dealer means each Primary Treasury Dealer or, if any such firm shall cease to be a Primary Treasury Dealer, another nationally recognized investment banking firm that is a Primary Treasury Dealer selected by ANZ.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer, the average, as determined by ANZ, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to ANZ by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding the Redemption Date.

Register means the register of Preference Shares maintained by or on behalf of ANZ.

Registrar means ANZ or any other registrar that maintains the Register.

Regulatory Event means

- (1) the introduction of, or an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation of the Commonwealth of Australia or any state or territory thereof or any directive, order, requirement, guideline or statement of APRA which has the effect that the Preference Shares do not constitute Tier 1 Capital of ANZ on a Level 1, Level 2 or Level 3 (if applicable) basis or its then equivalent;
- (2) ANZ has received any written statement, notification or advice from APRA that the Preference Shares are not included in the Tier 1 Capital on a Level 1, Level 2 or Level 3 (if applicable) basis, or its then equivalent, of ANZ; or
- (3) ANZ has received an opinion of nationally recognized independent legal counsel in Australia experienced in these matters to the effect that as a result of the occurrence on or after the Allotment Date of a change in law, regulation or prudential statement or a change in interpretation or application of law, regulation or prudential statement by any legislative body, court, governmental agency or regulatory authority, the ANZ preference shares are not, or will not within 90 days of such opinion be, included in the Tier 1 Capital, or its then equivalent, of ANZ on a Level 1, Level 2 or Level 3 (if applicable) basis.

Relevant Tax has the meaning given in clause 3.8.

Special Resolution is a resolution of which notice has been given in accordance with the requirements of the Corporations Act and the Constitution and that is passed by at least 75% of the votes cast by Holders entitled to vote on the resolution.

Special Voting Period has the meaning given in clause 8.2.

Tax Action means

- (1) an amendment to, change in or announced proposed change in any laws, or any regulations under those laws;
- (2) a judicial decision interpreting, applying, or clarifying those laws or regulations;
- (3) an administrative pronouncement or action that represents an official position, including a clarification of an official position, of the governmental authority or regulatory body making the administrative pronouncement or taking any action; or
- (4) a threatened challenge asserted in connection with an audit of ANZ, ANZ NZ Sub, any of ANZ's subsidiaries or ANZ Capital Trust, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Notes, the Preference Shares, the ANZ Units or the Trust Securities,

which amendment or change is adopted or which proposed change, decision or pronouncement is announced or which action, clarification or challenge occurs on or after the Allotment Date.

Tax Event means that ANZ has received an opinion of competent tax counsel to the effect that there has been a Tax Action relating to any of the items described in (1) through (3) below, and that following the occurrence of such Tax Action there is more than an insubstantial risk that:

- (1) prior to the occurrence of a Conversion Event, payments of principal, interest or any other amounts on the Notes, the Guarantee, the Trust Securities or the ANZ Units are or will be subject to an amount of withholding or deduction in respect of any taxes, duties or other governmental charges for which ANZ, ANZ NZ Sub or the Capital Trust must pay Additional Amounts under clause 3.8;
- (2) prior to the occurrence of a Conversion Event, (i) ANZ, ANZ US Sub or ANZ NZ Sub is, or will be, subject to more than a de minimis amount of other taxes, assessments or other governmental charges in relation to the Notes, the Guarantee, the Indenture, the Preference Shares, the Units, the

Trust Securities or the Conversion and Exchange Agreement, (ii) ANZ or ANZ NZ Sub is not able to deduct for tax purposes in Australia, New Zealand or any other jurisdiction (other than the United States) from which payment is made, payments in relation to the Notes, the Guarantee, the Trust Securities or the ANZ Units, or (iii) Interest Payments on the Notes or Distributions on the ANZ Units or the Trust Securities are treated as frankable distributions; or

- (3) after the occurrence of a Conversion Event, the Australian withholding tax payable on the Dividends on the Preference Shares is or will be increased to greater than 30% of the Dividends paid.

Tier 1 Capital means at any time any equity, debt or other capital so described by APRA.

Tier 1 Capital Ratio means at any time the ratio so described by APRA.

Total Capital Adequacy Ratio means at any time the ratio so described by APRA.

Trading Day means any day on which Ordinary Shares (i) are not suspended from trading on the ASX or such other principal exchange on which the Ordinary Shares are then listed and (ii) have traded at least once on such exchange.

TrUEPrS means the existing trust units (in the ANZ Exchangeable Preferred Trust) exchangeable for preference shares in ANZ issued in the United States under registration statements dated 8 July 1998 and 16 October 1998.

Trust Securities means the Trust Securities, as defined in the ANZ Capital Trust Declaration.

US dollars, US\$ and USD means the currency of the United States of America.

US Treasury Rate means the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, calculated on the third Business Day preceding such Redemption Date assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

CONVERSION AND EXCHANGE AGREEMENT

Relating to Trust Securities of ANZ Capital Trust I

and the Units Corresponding Thereto

Dated as of November 26, 2003

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CONVERSION AND EXCHANGE AGREEMENT

This CONVERSION AND EXCHANGE AGREEMENT (the "Conversion and Exchange Agreement"), dated as of November 26, 2003, is executed and delivered by and among Australia & New Zealand Banking Group Limited (ABN 11 005 357 522), a bank incorporated in the Commonwealth of Australia and registered in Australia under the Corporations Act 2001 of Australia (the "Bank"), ANZ Capital LLC I, a Delaware limited liability company wholly owned by the Bank ("ANZ US Sub"), ANZ Capital Trust I (the "Trust"), a Delaware Statutory Trust, and The Bank of New York, a New York banking corporation, as trustee hereunder (the "Trustee").

WHEREAS, pursuant to a Purchase Agreement (the "Purchase Agreement"), dated November 19, 2003, among the Bank, Samson Funding Limited, a New Zealand limited liability company wholly owned by the Bank ("ANZ NZ Sub"), the Trust and the initial purchasers (the "Initial Purchasers") named therein, the Initial Purchasers have agreed to severally purchase from the Bank, subject to the terms and conditions stated therein, US\$350,000,000 aggregate principal amount of 4.484% Notes due 2053 to be issued by ANZ NZ Sub, pursuant to an indenture, dated as of November 26, 2003 (the "Indenture"), among ANZ NZ Sub, as issuer, the Bank, as guarantor, ANZ US Sub, as assignee pursuant to the Assignment (as defined below), and The Bank of New York, as indenture trustee, and fully and unconditionally guaranteed on a subordinated basis by the Bank (the "Notes");

WHEREAS, upon payment by ANZ US Sub of the assignment fee of US\$350,000,000 to the Initial Purchasers, all rights and interests in Notes will, pursuant to the assignment (the "Assignment") set forth in the Notes and the Indenture, be assigned to ANZ US Sub following the occurrence of a Conversion Event (as such term is defined in the Terms of Issue of the ANZ Preference Shares (as defined below)) with respect to the Units of which such Notes are a component;

WHEREAS, pursuant to the Purchase Agreement, the Initial Purchasers have agreed to severally purchase from the Bank, subject to the terms and conditions stated therein, 350,000 non-cumulative preference shares, liquidation preference US\$1,000 per share (the "ANZ Preference Shares");

WHEREAS, pursuant to the Purchase Agreement, the Initial Purchasers will deposit with the Trust 350,000 Units (the "Units"), each comprised of US\$1,000 aggregate principal amount of Notes and an ANZ Preference Share;

WHEREAS, pursuant to the Amended and Restated Declaration of Trust (the "Declaration"), dated as of November 26, 2003, among ANZ US Sub, the Bank, The Bank of New York (Delaware), as trustee of the Trust (the "Capital Trustee"), The Bank of New York, as paying agent and registrar and transfer agent, and the holders from time to time of the Trust Securities (as defined herein), the Trust is authorized to issue 350,000 Trust Securities, each corresponding to a Unit;

WHEREAS ANZ US Sub, as sponsor of the Trust, has agreed to enter into this Conversion and Exchange Agreement for the benefit of the holders of the Trust Securities and

any Units withdrawn from the Trust in accordance with the provisions of the Declaration and to thereby subject the Trust Securities and any such Units to the terms of this Conversion and Exchange Agreement; and

WHEREAS, for good and valid consideration, the sufficiency of which is acknowledged by the parties hereto, the parties hereto are entering into this Conversion and Exchange Agreement;

NOW, THEREFORE, for the mutual benefit of the parties hereto, each of the parties hereto undertakes to perform the obligations set forth herein upon the terms more fully set forth herein.

ARTICLE I INTERPRETATION AND DEFINITIONS

Section 1.1 Definitions.

Unless the context otherwise requires:

- (a) capitalized terms used in this Conversion and Exchange Agreement but not defined in the recitals hereto have the respective meanings assigned to them in this Section 1.1;
- (b) capitalized terms used in this Conversion and Exchange Agreement but not otherwise defined herein shall have the meanings assigned to them in the Declaration;
- (c) a term defined anywhere in this Conversion and Exchange Agreement, including the recitals, has the same meaning throughout;
- (d) all references to “the Conversion and Exchange Agreement” or “this Conversion and Exchange Agreement” are to this Conversion and Exchange Agreement as modified, supplemented or amended from time to time;
- (e) all references in this Conversion and Exchange Agreement to Articles and Sections are to Articles and Sections of this Conversion and Exchange Agreement, unless otherwise specified; and
- (g) a reference to the singular includes the plural and vice versa.

“*Acceleration Event*” means any of the following events:

- (a) a takeover bid (as defined in the Corporations Act), or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers, is at any time made to acquire more than 50% of the Bank’s outstanding Ordinary Shares and the offer is, or becomes, unconditional and:

- (i) the voting power of the offeror in the Bank is, or becomes, greater than 50%; or
 - (ii) the directors of the Bank issue a statement recommending acceptance of the offer; and
- (b) a court orders the convening of a meeting to consider approving a scheme of arrangement under Part 5.1 of the Corporations Act (or any successor sections of the Corporations Act relating to schemes of arrangement) which, when implemented, will result in a Person's voting power in the Bank being more than 50%.

"*Affiliate*" has the same meaning as given to that term in Rule 405 under the Securities Act or any successor rule thereunder.

"*ANZ Group*" means the Bank and its consolidated subsidiaries.

"*ANZ Preference Shares*" means the Non-cumulative Preference Shares, liquidation preference US\$1,000 per share, issued by the Bank in an aggregate liquidation preference of US\$350,000,000.

"*ANZ NZ Sub*" means Samson Funding Limited, a New Zealand limited liability company wholly owned by the Bank, and its successors and assigns.

"*ANZ US Sub*" means ANZ Capital LLC I, a Delaware limited liability company wholly owned by the Bank, and its successors and assigns.

"*APRA*" means the Australian Prudential Regulation Authority or such other governmental authority having primary regulatory authority with respect to the Bank's prudential regulation from time to time.

"*Assignment*" has the meaning specified in the Indenture, as amended or supplemented from time to time.

"*ASX*" means the Australian Stock Exchange or such other securities exchange as from time to time may become the principal exchange on which the Ordinary Shares are quoted.

"*ASX Business Rules*" means the business rules of the ASX from time to time.

"*Authorized Agent*" has the meaning specified in Section 10.8.

"*Authorized Officer*" means, with respect to the Bank, its Head of Finance, Group General Counsel, Group Treasurer and Group Company Secretary or such officers of equivalent status as may be designated from time to time by the Bank.

"*Bank*" means Australia & New Zealand Banking Group Limited (ABN 11 005 357 522), a bank incorporated in the Commonwealth of Australia and registered in Australia under the Corporations Act 2001 of Australia, and its successors and assigns.

“Bank Notice” has the meaning specified in Section 6.1.

“Banking Act” means the Banking Act of 1959 of Australia as amended from time to time, or any successor statute.

“Business Day” means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in New York City, Melbourne, Australia or Auckland, New Zealand.

“Capital Trustee” means The Bank of New York (Delaware) and its successors and assigns.

“Cash or Exchange Conversion Event” means any Conversion Event (A) whereby the Preference Shares Redemption Price or liquidation preference shall be payable in respect of some or all of the ANZ Preference Shares, or (B) resulting from a Holder’s election to exchange Securities for Ordinary Shares pursuant to the provisions of Article VI hereof.

“Conversion Event” has the meaning specified in the Terms of Issue relating to the ANZ Preference Shares.

“Conversion Ratio” has the meaning specified in Section 6.2.

“Corporate Trust Office” means the principal trust office of the Trustee in the Borough of Manhattan, The City of New York, which office at the date hereof is located at 101 Barclay Street, Floor 22 West, New York, New York 10286, United States, Attention: Global Finance Unit.

“Corporations Act” means the Corporations Act 2001 of Australia as amended from time to time, or any successor statute.

“Covered Person” means any Holder or beneficial owner of Trust Securities or Units withdrawn from the Trust.

“Cum Value” has the meaning specified in Section 6.2.

“Declaration” has the meaning specified in the recitals hereto.

“Dividend Payment Date” has the meaning specified in the Terms of Issue relating to the ANZ Preference Shares as if a Conversion Event had occurred.

“Early Exchange Date” means the 30th Business Day immediately following an Acceleration Event.

“Event of Default” means a default by the Bank in the performance of any of its obligations pursuant to Article VI hereof.

“Exchange Notice” has the meaning specified in Section 6.1.

“Final Notes Interest Payment” means the amount (if any) payable under, and subject to the terms of, the Notes component of the Units if the Conversion Event with respect to such Units occurs on an Interest Payment Date.

“Holder” shall mean any holder of Securities, as registered on the books and records of (A) in the case of Trust Securities, the Trust and (B) in the case of any Units withdrawn from the Trust or ANZ Preference Shares following the occurrence of a Non-Cash or Exchange Conversion Event, the Bank or ANZ NZ Sub, as the case may be; *provided, however*, that, in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, *“Holder”* shall not apply to Securities beneficially owned by the Bank or any Affiliate of the Bank.

“Indemnified Person” means the Trustee, any Affiliate of the Trustee, or any officers, directors, shareholders, members, partners, employees or nominees of the Trustee.

“Indenture” has the meaning specified in the recitals hereto.

“Initial Purchasers” has the meaning specified in the recitals hereto.

“Interest Payment Date” has the meaning specified in the Notes and the Indenture.

“Investment Company Act” means the Investment Company Act of 1940, as amended from time to time, or any successor statute.

“Judgment Currency” has the meaning set forth in Section 10.4.

“Make-Whole Redemption Price” has the meaning specified in the ANZ Preference Shares.

“Non-Cash or Exchange Conversion Event” means any Conversion Event other than a Cash or Exchange Conversion Event.

“Non-Payment Exchange Date” has the meaning specified in Section 6.7.

“Noon Buying Rate” means, for any date, the noon buying rate in New York City on such date for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per Australian dollars.

“Notes” has the meaning specified in the recitals hereto.

“Officers’ Certificate” means, with respect to the Bank, a certificate signed by any two Authorized Officers. Any Officers’ Certificate delivered with respect to compliance with a condition or covenant provided for in this Conversion and Exchange Agreement shall include:

(a) a statement that each individual signing the Officers’ Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate are based;

(c) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as, in such individual's opinion, is necessary to enable him or her, as the case may be, to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of legal counsel, who may be (i) a nationally recognized independent legal counsel in the United States employed by the Bank, (ii) Sullivan & Cromwell or (iii) such other nationally recognized independent legal counsel in the United States designated by the Bank who shall be reasonably acceptable to the Trustee.

"Ordinary Shares" means the ordinary shares of the Bank.

"Par Redemption Price" has the meaning specified in the ANZ Preference Shares.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preference Shares Redemption Price" means the amount payable by the Bank upon redemption of some or all of the ANZ Preference Shares in accordance with their terms.

"Purchase Agreement" has the meaning specified in the recitals hereto.

"Reference Period" has the meaning specified in Section 6.2.

"Relevant Corporation" has the meaning set forth in Section 10.3.

"Reserve Bank Act" means the Reserve Bank Act of 1959 of Australia, as amended from time to time, or any successor statute.

"Responsible Officer", when used with respect to the Trustee, means any officer within the corporate trust department (or any successor department) of the Trustee, including any Vice President, Assistant Vice President, Associate or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Conversion and Exchange Agreement.

“Restrictions on Certain Payments” shall mean the restrictions on certain payments set forth in Section 3.9 of the Terms of Issue following the Bank’s failure to pay a regular dividend on the ANZ Preference Shares on any Dividend Payment Date.

“Securities” means, (A) prior to a Non-Cash or Exchange Conversion Event, the Trust Securities and any Units withdrawn from the Trust, for all purposes under this Agreement acting as a single class of securities, and (B) following the occurrence of a Non-Cash or Exchange Conversion Event, the ANZ Preference Shares.

“Securities Act” means the Securities Act of 1933, as amended.

“Specified Currency” has the meaning specified in Section 10.4.

“Successor Trustee” means a successor Trustee possessing the qualifications to act as Trustee under Section 4.1.

“Tax Act” means (a) the Income Tax Assessment Act of 1936 of the Commonwealth of Australia or the Income Tax Assessment Act of 1997 of the Commonwealth of Australia, as the case may be, as amended and a reference to any section of the Income Tax Assessment Act of 1936 of the Commonwealth of Australia includes a reference to that section as rewritten in the Income Tax Assessment Act of 1997 of the Commonwealth of Australia; (b) any other tax act setting the rate of income tax payable; and (c) any regulation promulgated thereunder.

“Terms of Issue” means the terms of issue of the ANZ Preference Shares.

“Trading Day” means any day on which the Ordinary Shares (1) are not suspended from trading on the ASX or such other principal exchange on which the Ordinary Shares are then listed, and (2) have traded at least once on such exchange.

“Trust” has the meaning specified in the recitals hereto.

“Trustee” means The Bank of New York, a New York banking corporation, unless and until a Successor Trustee has been appointed and has accepted such appointment pursuant to the terms of this Conversion and Exchange Agreement and thereafter means each such Successor Trustee.

“Trust Indenture Act” means the Trust Indenture Act of 1939, as amended, as in force at the date hereof.

“Trust Securities” has the meaning specified in the Declaration.

“Trust Unit Notes” has the meaning specified in Section 5.2.

“Trust Unit Preference Shares” has the meaning specified in Section 5.2.

“Units” has the meaning specified in the recitals hereto.

“*Winding-Up*” has the meaning specified in the Notes and the Indenture.

“*Withdrawn Unit Notes*” has the meaning specified in Section 5.3.

“*Withdrawn Unit Preference Shares*” has the meaning specified in Section 5.3.

ARTICLE II EVENTS OF DEFAULT

Section 2.1 Events of Default; Waiver.

The Holders of a majority of the then outstanding Securities may, by vote, on behalf of all Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Conversion and Exchange Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 2.2 Event of Default; Notice.

(a) The Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default actually known to a Responsible Officer of the Trustee, unless such defaults have been cured before the giving of such notice, provided that, except in the case of an Event of Default, the Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Trustee shall not be deemed to have knowledge of any Event of Default unless the Trustee shall have received written notice, or a Responsible Officer of the Trustee charged with the administration of this Agreement shall have obtained actual knowledge, of such Event of Default.

ARTICLE III POWERS, DUTIES AND RIGHTS OF THE TRUSTEE

Section 3.1 Powers and Duties of the Trustee.

(a) If an Event of Default actually known to a Responsible Officer of the Trustee has occurred and is continuing, the Trustee shall enforce this Conversion and Exchange Agreement for the benefit of the Holders.

(b) The Trustee, before the occurrence of any Event of Default, shall undertake to perform only such duties as are specifically set forth in this Conversion and Exchange Agreement, and no implied covenants shall be read into this Conversion and Exchange Agreement against the Trustee. If an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.1) and if the Trustee has knowledge thereof as provided in Section

2.2(b), the Trustee shall exercise such of the rights and powers vested in it by this Conversion and Exchange Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent individual would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Conversion and Exchange Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Conversion and Exchange Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Conversion and Exchange Agreement, and no implied covenants or obligations shall be read into this Conversion and Exchange Agreement against the Trustee; and

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Conversion and Exchange Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether they conform to the requirements of this Conversion and Exchange Agreement;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by any Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority of the then outstanding Trust Securities and any Units withdrawn from the Trust acting as a single class relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Conversion and Exchange Agreement; and

(iv) no provision of this Conversion and Exchange Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not assured to it under the terms of this Conversion and Exchange Agreement or indemnity, reasonably satisfactory to the Trustee, against such risk or liability is not reasonably assured to it.

Section 3.2 Certain Rights of the Trustee.

(a) Subject to the provisions of Section 3.1:

(i) The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any request or direction or act of the Bank contemplated by this Conversion and Exchange Agreement shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Conversion and Exchange Agreement, the Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Bank.

(iv) The Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any re-recording, re-filing or registration thereof).

(v) The Trustee may consult with counsel of its selection, and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Bank or any of its Affiliates and may include any of its employees. The Trustee shall have the right at any time to seek instructions concerning the administration of this Conversion and Exchange Agreement from any court of competent jurisdiction.

(vi) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Conversion and Exchange Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Trustee such security and indemnity, satisfactory to the Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Trustee.

(vii) The Trustee shall be under no obligation to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys. The Trustee shall be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it hereunder.

(ix) Any action taken by the Trustee or its agents hereunder shall bind the Holders, and the signature of the Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Trustee to so act or as to its compliance with any of the terms and provisions of this Conversion and Exchange Agreement, both of which shall be conclusively evidenced by the Trustee or its agent taking such action.

(x) Whenever in the administration of this Conversion and Exchange Agreement the Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Trustee (i) may request instructions from the Holders of a majority of the then outstanding Trust Securities and any Units withdrawn from the Trust as a single class, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (iii) shall be fully protected in conclusively relying on or acting in accordance with such instructions provided such actions are not otherwise expressly prohibited by the terms of this Conversion and Exchange Agreement.

(b) No provision of this Conversion and Exchange Agreement shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Trustee shall be construed to be a duty.

Section 3.3 Not Responsible for Recitals or Validity of the Conversion and Exchange Agreement.

The recitals contained in this Conversion and Exchange Agreement shall be taken as the statements of the Bank, and the Trustee does not assume any responsibility for their correctness. The Trustee makes no representation as to the validity or sufficiency of this Conversion and Exchange Agreement.

ARTICLE IV EXCHANGE TRUSTEE

Section 4.1 Trustee; Eligibility.

- (a) There shall at all times be a Trustee which shall:
 - (i) not be an Affiliate of the Bank; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Trustee shall cease to be eligible to so act under Section 4.1(a), the Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Trustee has or shall acquire any “conflicting interest” within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and the Bank shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act as if it were applicable to this Conversion and Exchange Agreement. The Declaration and the Indenture shall be deemed to be specifically described in this Conversion and Exchange Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

Section 4.2 Appointment, Removal and Resignation of the Trustee.

(a) Subject to Section 4.2(b), the Trustee may be appointed or removed without cause at any time by the Bank except during an Event of Default.

(b) The Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Trustee and delivered to the Bank.

(c) The Trustee shall hold office until a Successor Trustee shall have been appointed or until its removal or resignation. The Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Trustee and delivered to the Bank, which resignation shall not take effect until a Successor Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Trustee and delivered to the Bank and the resigning Trustee.

(d) If no Successor Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery of an instrument of removal or resignation, the Trustee resigning or being removed may at the Bank’s expense petition any court of competent jurisdiction for appointment of a Successor Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Trustee.

(e) No Trustee shall be liable for the acts or omissions to act of any Successor Trustee.

(f) Upon termination of this Conversion and Exchange Agreement or removal or resignation of the Trustee pursuant to this Section 4.2, the Bank shall pay to the Trustee all amounts due to the Trustee accumulated to the date of such termination, removal or resignation, including any costs and expenses incurred by the Trustee in connection with such termination, removal or resignation.

ARTICLE V CONVERSION EVENT

Section 5.1 Conversion Event.

Upon the occurrence of a Conversion Event, the Note and ANZ Preference Share components of the Units with respect to which such Conversion Event occurs will immediately, in accordance with their respective terms and the terms of the Indenture, detach from one another and become separately transferable. In connection therewith, all rights and interests in the Notes comprising a component of such Units with respect to future payments shall vest in ANZ US Sub pursuant to the Assignment and thereafter such Notes will be null and void with respect to, and constitute no obligation of ANZ NZ Sub to, any party other than ANZ US Sub or any of its successors or assigns. In connection therewith, the Final Notes Interest Payment, if any, will be paid by ANZ NZ Sub or the Bank, as the case may be, in accordance with the terms of the Indenture and the Notes or the Bank's guarantee thereof.

Section 5.2 Trust Securities.

(a) With respect to any Units held in the Trust, immediately following the occurrence of a Conversion Event in respect of such Units, the Capital Trustee shall:

(1) transfer all Notes comprising a component of such Units (the "Trust Unit Notes") to ANZ US Sub pursuant to the Assignment;

(2) subject to Section 5.2(b), distribute the ANZ Preference Shares comprising a component of such Units (the "Trust Unit Preference Shares") to Holders of corresponding Trust Securities in redemption of such Trust Securities in accordance with the provisions of the Declaration; and

(3) distribute the Final Notes Interest Payment, if any, payable in respect of such Units in accordance with the provisions of the Declaration.

(b) Notwithstanding the provisions of Section 5.2(a)(2), if a Conversion Event is a Cash or Exchange Conversion Event, then the Capital Trustee shall distribute cash or Ordinary Shares, as the case may be, to holders of the Trust Securities entitled thereto in lieu of Trust Unit Preference Shares in accordance with the provisions of the Declaration.

Section 5.3 Units Withdrawn From the Trust.

(a) Immediately following the occurrence of a Conversion Event in respect of any Units withdrawn from the Trust, Holders of such Units shall:

(1) be deemed to have transferred all Notes comprising a component of such Units (the “Withdrawn Unit Notes”) to ANZ US Sub;

(2) subject to Section 5.3(b), retain the ANZ Preference Shares comprising a component of such Units (the “Withdrawn Unit Preference Shares”) in accordance with the provisions of the ANZ Preference Shares; and

(3) receive the Final Notes Interest Payment, if any, payable in accordance with the provisions of the Notes comprising a component of such Units.

(b) Notwithstanding the provisions of Section 5.3(a)(2), if a Conversion Event is a Cash or Exchange Conversion Event, then Holders of the Units to which such Conversion Event relates shall not be entitled to retain their Withdrawn Unit Preference Shares and shall only be entitled to receive the cash or Ordinary Shares, as the case may be, payable or deliverable in respect of such Withdrawn Unit Preference Shares.

ARTICLE VI EXCHANGE FOR ORDINARY SHARES

Section 6.1 Exchange Obligation.

(a) Subject to Section 6.1(b), if the Bank does not provide a redemption notice in respect of all of the ANZ Preference Shares on or prior to the 40th Business Day prior to January 15, 2010 or any subsequent Dividend Payment Date for redemption of the ANZ Preference Shares on such date, Holders whose Trust Securities or Units have not been called for redemption may, no earlier than 40 Business Days and no later than 30 Business Days prior to January 15, 2010 or each such subsequent Dividend Payment Date, as the case may be, deliver a notice (an “Exchange Notice”) to the Bank requiring it to exchange their Trust Securities or Units, as the case may be, for Ordinary Shares. The Bank shall provide notice (the “Bank Notice”) to Holders entitled thereto of their exchange rights no later than the 40th Business Day prior to January 15, 2010 and each such subsequent Dividend Payment Date, as the case may be, if and to the extent that the Bank does not provide a notice in respect of the redemption in whole of the ANZ Preference Shares on January 15, 2010 or such subsequent Dividend Payment Date. The Bank shall, pursuant to the provisions of this Article VI, exchange Trust Securities or Units in respect of which Exchange Notices are provided in accordance with the provisions of this Section 6.1.

(b) Notwithstanding the foregoing, if after January 15, 2010 the Bank shall provide a redemption notice in respect of all of the ANZ Preference Shares and the related redemption date shall be prior to a Dividend Payment Date, the Bank shall have no obligation to provide a Bank Notice in respect of such Dividend Payment Date, or to exchange Trust Securities or Units withdrawn from the Trust on such Dividend Payment Date, whether or not the Bank shall have previously provided a Bank Notice in respect of such Dividend Payment Date.

(c) If a Holder withdraws Units prior to any date on which a Holder is otherwise entitled to exchange Trust Securities for Ordinary Shares but after an Exchange Notice has been tendered to the Bank in respect of any such Trust Securities, the Exchange Notice

applicable to such Trust Securities shall automatically apply in respect of the Units so withdrawn from the Trust.

Section 6.2 Calculation of Number of Ordinary Shares Issuable Upon Exchange.

(a) Each ANZ Preference Share comprising a component of a Trust Security or Unit in respect of which an Exchange Notice has been given by a Holder shall, on January 15, 2010 or on a relevant Dividend Payment Date thereafter, in accordance with the Terms of Issue, convert into one Ordinary Share, and each such Holder shall be allotted, on such date, an additional number of Ordinary Shares for each such Trust Security or Unit, as the case may be, equal to one less than the Conversion Ratio, where the Conversion Ratio is calculated in accordance with the following formula:

$$\text{Conversion Ratio} = \text{US\$1,000} / [\text{USD-VWAP} - (\text{CD} \times \text{USD-VWAP})]$$

where:

(1) **USD-VWAP** means the simple average of the US dollar equivalents of VWAP for the 20 Trading Days immediately preceding January 15, 2010 or the relevant Dividend Payment Date thereafter, as the case may be;

(2) **CD** means a conversion discount of five percent;

(3) **VWAP** means, in respect of a Trading Day, the volume weighted average sale price of the Ordinary Shares sold on the ASX, or the principal securities exchange on which the Ordinary Shares are then listed, on such Trading Day, subject to Section 6.2(b); and

(4) **US dollar equivalent** means for any date, the Noon Buying Rate in New York City for cable transfers of Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per A\$1.00,

provided that, where the total number of additional Ordinary Shares to be allotted to an exchanging Holder in respect of the total number of Trust Securities or Units being exchanged includes fractions, that fraction will be disregarded.

(b) For the purposes of calculating VWAP in accordance with the provisions of Section 6.2(a):

(1) where, on some or all of the Trading Days in the period in which VWAP is being determined (the "Reference Period"), Ordinary Shares have been quoted on the ASX (or such other principal exchange on which the Ordinary Shares are then listed) as cum dividend or cum any other distribution or entitlement and Trust Securities or Units will be exchanged for Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement, then the VWAP on the Trading Days on which those Ordinary Shares have been quoted cum dividend or cum entitlement shall be reduced by an amount (the "Cum Value") equal to:

- (i) (in the case of a dividend or other cash distribution), the amount of that dividend or cash distribution including, if the dividend is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;
- (ii) (in the case of an entitlement which is traded on ASX or the other principal exchange on which the Ordinary Shares shall then be listed on any of those Trading Days), the volume weighted average price of all such entitlements sold on ASX or such other exchange during the Reference Period on the Trading Days on which those entitlements were traded; or
- (iii) (in the case of an entitlement not traded on ASX or such other principal exchange on which the Ordinary Shares shall then be listed during the Reference Period or a non-cash distribution), the value of the entitlement or non-cash distribution as reasonably determined in good faith by the Board of Directors of the Bank; and

(2) where, on some or all of the Trading Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and Trust Securities will be exchanged for Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Trading Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.

(3) the following sales shall be excluded from calculation: any transaction defined in the ASX Business Rules as “special”, crossings prior to the commencement of normal trading, crossings during the after hours adjust phase, crossings during the closing phase, overnight crossings and any overseas trades or the exercise of options over Ordinary Shares.

(4) where the Ordinary Shares are reconstructed, consolidated or reclassified (other than as specifically dealt with elsewhere) into a greater or lesser number of securities during the Reference Period (or prior to allotment of Ordinary Shares under this Agreement), VWAP shall, in good faith, be adjusted by the Board of Directors of the Bank as they consider appropriate.

(c) The Bank shall be responsible for all calculations made pursuant to this Section 6.2.

Section 6.3 Listing of Ordinary Shares

The Bank shall use its commercially reasonable best efforts to list the Ordinary Shares issuable upon exchange of Trust Securities or Units on the ASX or such other principal securities exchange on which the Ordinary Shares are then listed.

Section 6.4 Arranged Sales of Ordinary Shares.

The Bank shall reasonably endeavor to arrange for the sale of the Ordinary Shares for which Trust Securities or Units are exchanged on behalf of Holders. Holders who are qualified institutional buyers (within the meaning of Rule 144A under the Securities Act) or who are not US persons (within the meaning of Regulation S under the Securities Act) who wish to take delivery of the Ordinary Shares will be required to elect in their Exchange Notices not to participate in such sales and must specify an account to which such Ordinary Shares will be delivered. If it is necessary to do so at the time of the exchange in order to comply with any applicable securities laws, the Bank, in its sole discretion, may decide not to allow any Holder to make the foregoing election.

Section 6.5 Sale of Trust Securities or Units in Lieu of Exchange for Ordinary Shares.

Notwithstanding the foregoing, the Bank, in lieu of exchanging Trust Securities or Units, as the case may be, for Ordinary Shares, may fulfill its exchange obligations pursuant to this Article VI by arranging for the sale of the Trust Securities or Units in respect of which Exchange Notices have been received to purchasers (which may include the Bank or an entity controlled by the Bank, subject to any applicable legal restrictions or necessary regulatory approvals) for US\$1,000 per Trust Security or Unit, as the case may be, and by delivering the proceeds of such sales to Holders providing Exchange Notices. The Bank shall notify Holders of its election to fulfill its exchange obligations pursuant to this Section 6.5 in the Bank Notice provided pursuant to Section 6.1 hereof. If the Bank elects to fulfill its exchange obligation pursuant to this Section 6.5 but has not arranged for the sale of all of the Trust Securities and Units subject to Exchange Notices by the 25th Trading Day prior to January 15, 2010 or a relevant Dividend Payment Date thereafter, then the Bank shall nevertheless satisfy its exchange obligation with respect to those Trust Securities and Units on January 15, 2010 or the relevant Dividend Payment Date thereafter through the delivery of the number of Ordinary Shares set forth in Section 6.2 and shall provide notice of such to Holders of Trust Securities or Units no later than the 25th Business Day prior to January 15, 2010 or such Dividend Payment Date, as the case may be.

Section 6.6 Special Provisions Relating to Acceleration Events.

(a) In connection with the occurrence of an Acceleration Event and subject to the approval of APRA, if:

(1) the Bank does not provide a redemption notice in respect of all of the ANZ Preference Shares on or prior to the 25th Business Day prior to the Early Exchange Date for redemption of the ANZ Preference Shares in accordance with their terms; and

(2) the Bank does not amend the terms of this Conversion and Exchange Agreement in accordance with the provisions of Section 6.6(b) hereof,

then Holders may exchange their Trust Securities or Units, as the case may be, for Ordinary Shares as if the Bank did not arrange for the sale of the Trust Securities or Units in accordance with the provisions of Section 6.5 and otherwise as and to the extent set forth in this Article VI, except that:

- (i) all references to January 15, 2010 in this Article VI shall instead refer to the Early Exchange Date;
- (ii) the reference to US\$1,000 in the definition of the term "Conversion Ratio" set forth in Section 6.2 will instead refer to the Make-Whole Redemption Price as if the Early Exchange Date were a redemption date in respect of the ANZ Preference Shares;
- (iii) the Conversion Ratio will be determined by reference to the lesser of 20 Trading Days and the number of Trading Days that the Ordinary Shares are quoted for trading on the ASX or the principal securities exchange on which the Ordinary Shares are then listed after the occurrence of the Acceleration Event; and
- (iv) the Bank will be required to provide the Bank Notice to all Holders pursuant to Section 6.1 hereof no later than the 25th Business Day prior to the Early Exchange Date; and
- (v) the Holders of the Trust Securities or Units, as the case may be, may, no later than the 21st Business Day prior to the Early Exchange Date, deliver an Exchange Notice to the Bank.

(b) Notwithstanding the provisions of Section 6.6(a), upon the occurrence of an Acceleration Event, Holders will not be entitled to require the Bank to exchange their Trust Securities or Units upon the occurrence of an Acceleration Event in accordance with the provisions of Section 6.6(a) if the successor holding company, subject to compliance with applicable legal requirements and the obtaining of any necessary regulatory approvals (including from APRA), assumes all of the Bank's obligations pursuant to this Conversion and Exchange Agreement and amends the terms of this Conversion and Exchange Agreement to provide that Holders will be entitled to exchange their Trust Securities or Units for ordinary shares of the successor holding company on January 15, 2010 or on any subsequent Dividend Payment Date (or earlier upon the occurrence of an Acceleration Event with respect to such successor holding company).

Any such amendment may be effected without the consent of the Holders of the Trust Securities and Units withdrawn from the Trust only if:

- (1) the ordinary shares of the successor holding company of the ANZ Group are listed on an internationally recognized stock exchange;
- (2) such amendment would not cause the Trust to be deemed an investment company that is required to be registered under the Investment Company Act; and
- (3) such amendment would not otherwise adversely affect the interests of the Holders of the Trust Securities and Units withdrawn from the Trust.

(c) Notwithstanding the foregoing, this Conversion and Exchange Agreement may not be amended upon the occurrence of an Acceleration Event in accordance with the

provisions of this Section 6.6(b) unless the Bank has obtained an opinion of independent United States tax counsel to the effect that the Trust will not, as a result of that action, fail to be classified as a grantor trust for United States federal income tax purposes and that neither the Holders of any Trust Securities nor the Holders of any Units withdrawn from the Trust will, as a result of that action, recognize income or gain in respect of such securities for United States federal income tax purposes.

Section 6.7 Applicability of Exchange Provisions to ANZ Preference Shares Following Non-Cash or Exchange Conversion Event; Supplemental Exchange Rights.

(a) Following a Non-Cash or Exchange Conversion Event, the provisions of this Article VI shall apply in their entirety to all of the ANZ Preference Shares and the Holders of the ANZ Preference Shares and the Bank shall have all of the rights and obligations hereunder in respect of the ANZ Preference Shares as if the ANZ Preference Shares were the Trust Securities.

(b) Following a Non-Cash or Exchange Conversion Event, Holders of ANZ Preference Shares shall be entitled to require the Bank to exchange their ANZ Preference Shares for Ordinary Shares at any time during any period that ANZ shall remain subject to the Restrictions on Certain Payments because the Bank shall have failed to pay a regular dividend on the ANZ Preference Shares on a Dividend Payment Date. In connection with any such exchange, Holders of the ANZ Preference Shares may exchange their ANZ Preference Shares for Ordinary Shares as if the Bank did not arrange for the sale of the Trust Securities or Units in accordance with the provisions of Section 6.5 and otherwise as and to the extent set forth in this Article VI, except that:

- (i) all references to January 15, 2010 shall instead refer to the 35th Business Day following the date on which the Holder provides an Exchange Notice (the "Non-Payment Exchange Date");
- (ii) the Bank will be required to provide the Bank Notice no later than the eighth Business Day on which the Bank shall have become subject to the Restrictions on Certain Payments; and
- (iii) Holders will be required to provide their Exchange Notices no later than the twelfth Business Day following the date on which the Bank shall have become subject to the Restrictions on Certain Payments.

(c) Notwithstanding the provisions of Section 6.7(b), if after January 15, 2010 the Bank shall provide a redemption notice in respect of all of the ANZ Preference Shares and the related redemption date is prior to the Non-Payment Exchange Date, the Bank shall have no obligation to provide a Bank Notice in respect of the period in which it is subject to the Restrictions on Certain Payments or to exchange ANZ Preference Shares on such Non-Payment Exchange Date, whether or not the Bank shall have previously provided a Bank Notice.

(d) If a Non-Cash or Exchange Conversion Event occurs prior to any date on which a Holder of Trust Securities or Units is otherwise entitled to exchange such Trust Securities or Units for Ordinary Shares but after an Exchange Notice has been tendered to the

Bank in respect of such Trust Securities or Units, as the case may be, the Exchange Notice applicable to the Trust Securities or Units will automatically apply in respect of the ANZ Preference Shares held by such Holder following such Conversion Event.

Section 6.8 Automatic Exchange of ANZ Preference Shares for Ordinary Shares of the Bank on December 15, 2053

On December 15, 2053, all ANZ Preference Shares (whether outstanding and separately transferable from the Notes as a result of the Conversion Event on the Business Day prior to December 15, 2053 or an earlier Conversion Event) shall automatically be exchanged for Ordinary Shares in accordance with the provisions of Section 6.5 and otherwise as and to the extent set forth in this Article VI, except that:

- (i) the Bank shall satisfy its exchange obligations through the delivery of Ordinary Shares and will not arrange for the sale of ANZ Preference Shares to third parties;
- (ii) the Exchange Notice need not be provided;
- (iii) all references to January 15, 2010 will instead refer to December 15, 2053; and
- (iv) the Conversion Ratio will be determined by reference to the 20 Trading Days prior to December 15, 2053.

**ARTICLE VII
LIMITATION OF TRANSACTIONS**

Section 7.1 Limitation of Transactions.

So long as any Securities remain outstanding, if an Event of Default has occurred and is continuing, unless the Holders of at least a majority of the then outstanding Securities otherwise consent, the Bank shall not:

- (a) declare or pay any dividends or distribution on any other of its shares or other instruments or securities that by their terms rank equally with or junior to the ANZ Preference Shares, other than proportionate payments on the ANZ Preference Shares and other instruments and securities that rank equally with the ANZ Preference Shares for dividends;
- (b) repurchase, redeem or otherwise acquire for value legal or beneficial ownership of any other of its shares or other instruments or securities that by their terms rank equally with or junior to the ANZ Preference Shares for a return of capital in a Winding-Up; or
- (c) set aside any sum or establish a sinking fund for the payment of any of the foregoing.

However, the foregoing restrictions shall not apply to:

(1) repurchases, redemptions or other acquisitions of shares of the Bank in connection with (A) any employment contract, employee share scheme, benefit plan or other similar plan or arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Bank or any Affiliate of the Bank, (B) a dividend reinvestment plan or shareholder share purchase plan or (C) the issuance of shares of the Bank, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to such occurrence;

(2) an exchange, redemption or conversion of any class or series of the Bank's shares, or any shares of a subsidiary of the Bank, for any class or series of the Bank's shares, or of any class or series of the Bank's indebtedness for any class or series of the Bank's shares;

(3) the purchase of fractional interests in shares of the Bank under the conversion or exchange provisions of the shares or the security being converted or exchanged;

(4) any payment or declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to such plan; or

(5) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank *pari passu* with or junior to those shares.

ARTICLE VIII GENERAL PROVISIONS

Section 8.1 Rights of Holders.

(a) The Holders of a majority of the outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or to direct the exercise of any trust or power conferred upon the Trustee under this Conversion and Exchange Agreement.

(b) If the Trustee fails to enforce its rights under this Conversion and Exchange Agreement after a Holder has made a written request and the Bank has not performed any of its duties under this Conversion and Exchange Agreement, the Holder may institute a legal proceeding directly against the Bank to enforce the Trustee's rights under this Conversion and Exchange Agreement, without first initiating a legal proceeding against the Trustee or any other person or entity.

Section 8.2 Termination

This Conversion and Exchange Agreement shall terminate upon, and be of no further force and effect from, the earliest of (i) full payment of the Preference Shares Redemption Price for all ANZ Preference Shares, (ii) full payment of the amounts payable in respect of the ANZ Preference Shares upon liquidation of the Bank, and (iii) the fulfillment by

the Bank of all of its obligations pursuant to the terms of Article VI hereof following an exchange pursuant to which no ANZ Preference Shares shall remain outstanding.

ARTICLE IX INDEMNIFICATION

Section 9.1 Exculpation

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Bank or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Conversion and Exchange Agreement and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Conversion and Exchange Agreement or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Bank and upon such information, opinions, reports or statements presented to the Bank by any Person.

Section 9.2 Indemnification

To the fullest extent permitted by applicable law, the Bank agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence, bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 9.2 shall survive the termination of this Conversion and Exchange Agreement or the earlier resignation or removal of the Trustee.

ARTICLE X MISCELLANEOUS

Section 10.1 Successors and Assigns

All agreements contained in this Conversion and Exchange Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of the current Holders. Except in connection with a transaction permitted in accordance with the provisions of Section 10.3 hereof, the Bank may not assign its rights or delegate its obligations under this Conversion and Exchange Agreement without the prior approval of the Holders of at least a majority of the Securities then outstanding.

Section 10.2 Amendments.

Except with respect to any changes that do not materially adversely affect the rights of Holders or as otherwise set forth herein, in which case no action shall be required, this Conversion and Exchange Agreement may be amended only with the prior approval of the Holders of at least a majority of the Securities then outstanding; provided that no amendment shall be made if such amendment would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) require the Trust to register as an investment company under the Investment Company Act or (iii) affect the treatment by APRA of the Securities as Tier 1 regulatory capital the Bank, unless APRA consents to the amendment. The provisions of the Declaration with respect to meetings of the Holders of the Trust Securities, the provisions of the Indenture with respect to meetings of holders of Notes and the provisions of the Terms of Issue of the ANZ Preference Shares relating to meetings of holders of ANZ Preference Shares apply to the giving of such approval and the giving of the consent referred to in Section 7.1.

The Bank may not amend this Conversion and Exchange Agreement to remove the rights of Holders of the Securities in Article VIII to institute a direct action, to remove the rights of holders of Trust Securities in Article V to receive ANZ Preference Shares following a Non-Cash or Exchange Conversion Event or to remove the rights of Holders in Article VI to receive Ordinary Shares or the proceeds from the sale of such Ordinary Shares in accordance with such Article without the prior written consent of all the Holders of the Securities.

Section 10.3 Consolidations, Mergers and Sale of Assets.

The Bank may not merge or consolidate with or into any other Person or sell, convey or transfer all or substantially all of its assets to any Person, unless and to the extent permitted by applicable law: (a) (i) in the case of such merger or consolidation, the Bank is the surviving Person or (ii) the Person formed by such consolidation, into which the Bank is merged, or the Person which acquires by sale, conveyance or transfer, the assets of the Bank is entitled to carry on its business and expressly agrees to assume all the obligations of the Bank under this Conversion and Exchange Agreement, including, but not limited to, the obligation to issue ordinary shares on the terms set forth in Article VI hereof, (b) if the Person formed by the consolidation or into which the Bank is merged or the Person that acquires by sale, conveyance or transfer, the assets of the Bank (the "Relevant Corporation") is not organized under the laws of the Commonwealth of Australia or any political subdivision of Australia, (i) the successor corporation expressly agrees to indemnify each holder of Trust Securities, Units and ANZ Preference Shares against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such holder as a consequence of such merger, consolidation, sale, conveyance or transfer and (ii) if the Relevant Corporation is not organized under the laws of the Commonwealth of Australia or any State in the United States of America, the merger, consolidation, sale, conveyance or transfer does not (A) result in a downgrade of the rating assigned by any "nationally recognized statistical rating agency" (as that term is defined for purposes of the Securities Act) to the Trust Securities, the Units, the ANZ Preference Shares or any other securities of the Bank then rated by any such agency or (B) cause any such agency to publicly announce that it has the Trust Securities, Units or ANZ Preference Shares or any other securities of the Bank under surveillance or review for possible downgrade, (c) immediately

thereafter, giving effect to such merger or consolidation, or such sale, conveyance or transfer, no Event of Default shall have occurred and be continuing and (d) the Bank shall have delivered to the Trustee an Opinion of Counsel stating that (i) such merger, consolidation, sale, conveyance or transfer complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with and (ii) such merger, consolidation, sale, conveyance or transfer will not require the Trust to register as an investment company under the Investment Company Act. In the event of the assumption by a successor Person of the obligations of the Bank as provided in clause (a)(ii) of the immediately preceding sentence, such successor Person shall succeed to and be substituted for the Bank hereunder and all such obligations of the prior Bank shall terminate.

Section 10.4 Judgment Currency Indemnity.

The Bank shall indemnify the Trustee and any Holder of Securities against any loss incurred by the Trustee or such Holder, as the case may be, as a result of any judgment or order being given or made for any amount due under this Conversion and Exchange Agreement or the Trust Securities and such judgment or order being expressed and paid in a currency (the "Judgment Currency") other than the currency in which such Securities are denominated or payable, as the case may be (the "Specified Currency"), and as a result of any variation as between (a) the rate of exchange at which the Specified Currency amount is converted into the Judgment Currency for the purpose of such judgment or order and (b) the spot rate of exchange in The City of New York at which the Trustee or such Holder, as the case may be, on the date of payment of such judgment or order is able to purchase the Specified Currency with the amount of the Judgment Currency actually received by the Trustee or such Holder. The foregoing indemnity shall constitute a separate and independent obligation of the Bank and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "spot rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the Specified Currency.

Section 10.5 Notices.

All notices provided for in this Conversion and Exchange Agreement shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) If given to the Trustee, at the Trustee's Corporate Trust Office, with a copy to: The Bank of New York, #02-01 Millenia Tower, One Temasek Avenue, Singapore 039192, Attention: Global Trust Services, Telecopy: +65-6432-0286.

(b) If given to the Bank, at the Bank's mailing address set forth below (or such other address as the Bank may give notice of to the Holders of the Trust Securities):

Australia & New Zealand Banking Group Limited
100 Queen Street
Melbourne, Victoria, 3000
Australia

Attention: Group General Counsel & Company Secretary
Telecopy: +61-3-9605-3488

(c) If given to any Holder, at the address set forth on the books and records of the Trust or, with respect to any Units withdrawn from the Trust or any ANZ Preference Shares following the Non-Cash or Exchange Conversion Event, at the address set forth on the books and records of the Bank in respect of the ANZ Preference Shares.

(d) If given to the Trust, at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

ANZ Capital Trust I
c/o The Bank of New York
(Delaware)
700 White Clay Center
Newark, Delaware 19711
United States
Attention: Corporate Administration and Compliance
Telecopy: (302) 283-8279

(e) If given to ANZ US Sub, at ANZ US Sub's mailing address set forth below (or such other address as ANZ US Sub may give notice of to the Bank or the Trust):

ANZ Capital LLC I
c/o Australia & New Zealand Banking Group Limited
100 Queen Street
Melbourne, Victoria, 3000
Australia
Attention: Group General Counsel & Company Secretary
Telecopy: +61-3-9605-3488

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given in accordance with this Section 10.5, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 10.6 Benefit.

This Conversion and Exchange Agreement is solely for the benefit of the Holders and the parties hereto in connection with the issuance of the Securities and, subject to Section 3.1(a), is not separately transferable from the Trust Securities.

Section 10.7 Governing Law.

THIS CONVERSION AND EXCHANGE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH,

THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THEREOF.

Section 10.8 Submission to Jurisdiction; Appointment of Agent for Service of Process.

The Bank hereby appoints the Chief Operating Officer, Australia and New Zealand Banking Group Limited, New York branch, at 1177 Avenue of the Americas, Level 6 New York, New York 10036 as its authorized agent (the "Authorized Agent") upon which process may be served in any legal action or proceeding against it with respect to its obligations under this Conversion and Exchange Agreement (including, without limitation, any action based on or arising out of the United States federal securities law), instituted in any federal or state court in the Borough of Manhattan, The City of New York, by the Trustee or any Holder, and the Bank hereby expressly accepts the jurisdiction of any such court in respect of any such action. The Bank hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and any objection to such suit, action or proceeding whether on the grounds of venue, residence or domicile. A final judgment (that is a judgment obtained after exhaustion of all appeals and expiration of all time to appeal) in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Chief Operating Officer, Australia and New Zealand Banking Group Limited, New York branch, hereby accepts such appointment, which shall be irrevocable unless and until the appointment of a successor authorized agent for service of process, and such successor's acceptance of such appointment, shall have occurred, and the Bank and such Authorized Agent shall take any and all actions, including the filing of any and all documents and instruments, that may be necessary to continue such appointment or appointments in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Bank. Notwithstanding the foregoing, any action against the Bank arising out of or based on this Conversion and Exchange Agreement may also be instituted by any Holder in any court in the Commonwealth of Australia, and the Bank hereby expressly accepts the jurisdiction of any such court in respect of any such action.

Section 10.9 Waiver of Sovereign Immunity.

To the extent that the Bank or any properties, assets or revenues of the Bank may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Conversion and Exchange Agreement, the Bank, to the extent permitted by applicable law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consent to such relief and enforcement, *provided, however*, that nothing herein shall affect the applicability of:

(i) Section 13A of the Banking Act, which provides that in the event of a bank such as the Bank becoming unable to meet its obligations or suspending payment thereof, the assets of such bank in the Commonwealth of Australia shall be available to meet its deposit liabilities in the Commonwealth of Australia in priority to all other liabilities of such bank;

(ii) Section 86 of the Reserve Bank Act, which provides, in a winding-up of a bank, that debts due to the Reserve Bank of Australia by a bank such as the Bank shall, subject to Section 13A of the Banking Act, have priority over all other debts of such bank other than debts to the Commonwealth of Australia; and

(iii) Section 16 of the Banking Act, which provides, in a winding-up of a bank such as the Bank, that, subject to Section 13A of the Banking Act, debts due to APRA have priority over all other unsecured debts of the bank.

Section 10.10 Payment of Stamp Taxes.

The Bank shall pay or discharge or cause to be paid or discharged all stamp and similar taxes, if any, that may be imposed by the Commonwealth of Australia or any political subdivision or taxing authority thereof or therein with respect to the execution or delivery of this Conversion and Exchange Agreement.

Section 10.11 Counterparts.

This Conversion and Exchange Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

Section 10.12 Legal Holidays.

If any specified date (including a date for giving notice) on which action is to be taken under this Conversion and Exchange Agreement is not a Business Day, the action shall be taken on the next succeeding day that is a Business Day.

[SIGNATURE PAGE FOLLOWS]

THIS CONVERSION AND EXCHANGE AGREEMENT is executed as of the day and year first above written.

AUSTRALIA & NEW ZEALAND BANKING
GROUP LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

ANZ CAPITAL LLC I

By: _____
Name:
Title:

By: _____
Name:
Title:

ANZ CAPITAL TRUST I
By: ANZ Capital LLC I, as Sponsor

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NEW YORK,
as Trustee

By: _____
Name:
Title:

Preference Share Terms

1 Issue price and Face Value

The issue price and face value of each Preference Share is US\$1,000.00 (“Face Value”). The Preference Shares shall be designated the “November 2003 Series II Preference Shares.”

2 Stapling and transfer

2.1 STAPLING

Each Preference Share will be stapled to a Note. Each stapled Preference Share and Note together will constitute an ANZ Unit. Until a Conversion Event occurs with respect to all Preference Shares, ANZ and ANZ NZ Sub will maintain a joint register for ANZ Units and joint holding statements or certificates will be issued to holders. Subject to the Indenture and these Preference Share Terms, ANZ will not and will cause ANZ NZ Sub not to take any corporate action which prejudices the stapling of each Note to the corresponding Preference Share.

2.2 TRANSFER RESTRICTIONS

- (a) Until a Conversion Event occurs with respect to a Preference Share, no transfer of that Preference Share may be registered by the Registrar unless a transfer of the corresponding Note, which forms part of the same ANZ Unit, is registered at the same time, from the same transferor to the same transferee.
- (b) The Preference Share comprising part of each ANZ Unit (and following a Conversion Event with respect to such Preference Share, such Preference Share) will be subject to the same restrictions on transfer that apply to the Notes as set forth in the Indenture and the Notes and any Preference Shares withdrawn from the ANZ Capital Trust and any Preference Shares distributed to Holders following a Conversion Event will contain the same applicable legends that are set forth on the face of the Notes, unless compliance with such transfer restrictions shall be waived by ANZ in accordance with the terms of the Indenture.

2.3 NO SEPARATE DEALINGS

Until a Conversion Event with respect to a Preference Share, such Preference Share and any interest in such Preference Share, shall not be capable of being transferred, assigned or made the subject of an Encumbrance or trust in whole or in part, separately from the corresponding Note which forms part of the same ANZ Unit. Any transferee, assignee or holder of an Encumbrance or trust takes ANZ Units subject to, and agrees to be bound by, the Preference Share Terms.

2.4 UNSTAPLING

Upon assignment of a Note to ANZ US Sub in accordance with the Indenture, the corresponding Preference Share shall cease to be stapled to the Note. For the avoidance of doubt, no Preference Share will cease to be stapled to the corresponding Note which forms part of the same ANZ Unit in any other circumstance.

3 Dividends

3.1 DIVIDENDS

- (a) Until the occurrence of a Conversion Event in relation to a Preference Share, the Holder of such Preference Share is not entitled to receive any Dividend on such Preference Share and such Preference Share will not be a dividend paying instrument.
- (b) Subject to these Preference Share Terms, upon the occurrence of a Conversion Event in relation to a Preference Share, such Preference Share will become a dividend paying Preference Share and will automatically begin to accrue non-cumulative Dividends and such Dividends shall be payable in accordance with these Preference Share Terms, if, as and when declared by the Directors, from and including the last Distribution Payment Date on the ANZ Unit of which such Preference Share formed a part before the date on which such Conversion Event occurred or, if such Conversion Event occurs on a Distribution Payment Date, from and including that date.
- (c) If determined by the Directors to be payable, the Dividend payable on each Dividend Payment Date shall be calculated for the immediately preceding Dividend Period at the fixed rate per annum of 5.36% of US\$1,000 for each Preference Share from and including the last Dividend Payment Date (or if the Dividend Payment Date is the first Dividend Payment Date for a Preference Share, from and including the last Distribution Payment Date on the ANZ Unit of which such Preference Share formed a part) to but excluding such first-mentioned Dividend Payment Date, computed on the basis of a 360 day year of twelve 30-day months. The amount of interest payable for any full Dividend Period will be computed by dividing the rate specified in this clause 3.1(c) by two.

3.2 DIVIDEND PAYMENT TESTS

The payment of a Dividend is subject to:

- (a) the Directors in their sole discretion resolving to pay that Dividend on the Preference Shares on the relevant Dividend Payment Date,

- (b) unless APRA otherwise agrees:
 - (i) the Dividend (or its payment) not resulting in the Total Capital Adequacy Ratio or the Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or of the relevant entities within the ANZ Group (on a Level 2 or, if applicable, Level 3 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to ANZ or those entities within the ANZ Group (as the case may be) at the time, and
 - (ii) the Dividend not exceeding Distributable Profits as at the Record Date for the Dividend, and
- (c) APRA not otherwise objecting to the payment of the Dividend.

Notwithstanding the above, the Directors, in their sole discretion and with the consent of APRA, may pay Optional Dividends in accordance with clause 3.9.

3.3 *NON-CUMULATIVE DIVIDENDS*

The Dividend rights attached to the Preference Shares are non-cumulative. Therefore, if and to the extent that all or any part of a Dividend is not paid because of any provision of clause 3.2 or because of any applicable law, ANZ has no obligation to pay that Dividend and, notwithstanding that ANZ may pay an Optional Dividend, no Holder shall have any claim or entitlement to be paid any amount in respect of the non-payment of that Dividend, even if Dividends or other payments are made in the future on the Preference Shares. No interest will accrue on any unpaid Dividends or Optional Dividends, and no Holder shall have any claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

3.4 *CALCULATION OF DIVIDENDS*

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any payment of a Dividend in respect of a Holder's aggregate holding of Preference Shares, any fraction of a cent will be disregarded.

3.5 *DIVIDEND PAYMENT DATES*

The Dividend Payment Dates for each Preference Share will be each June 15 and December 15 following a Conversion Event for such Preference Share, as adjusted in accordance with clause 11.1(k) until such Preference Share is Exchanged or Redeemed. The payment date for an Optional Dividend will be the date as determined by the Directors.

3.6 *RECORD DATES*

A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend. An Optional Dividend is only payable to those persons registered as Holders on the Record Date in respect of such Optional Dividend. The Record Date will be a date not less than 20 days and not more than 60 days before the applicable Dividend Payment Date or the date of payment for an Optional Dividend, in each case, as determined by the Directors.

3.7 *PAYMENT*

- (a) All Dividends and Optional Dividends will be paid in United States dollars.
- (b) Unless otherwise agreed with a Holder, payment of a Dividend or an Optional Dividend will be made by mailing a cheque to the registered address of the Holder of the Preference Shares or, at ANZ's election, by wire transfer. If a cheque in connection with a Dividend or an Optional Dividend on the Preference Shares is mailed on or prior to the Dividend Payment Date therefor or date of payment of such Optional Dividend, as the case may be, such Dividend or Optional Dividend, as the case may be, will be regarded as having been paid on the Dividend Payment Date therefor or date of payment of such Optional Dividend, as the case may be.

3.8 *DEDUCTIONS AND GROSS-UP*

- (a) All payments in respect of the Preference Shares will be made without withholding or deduction for, or on account of, any and all present and future taxes, assessments or other governmental charges of whatever nature ("Relevant Tax") imposed or levied by or on behalf of Australia or any political subdivision or authority in or of Australia, unless the withholding or deduction is required by law. In that event, ANZ will pay, as further dividends, such additional amounts as may be necessary so that the net amount received by the Holder, after such withholding or deduction, will equal the amount that the Holder would have received in respect of the Preference Shares without such withholding or deduction ("Additional Amounts"). However, ANZ will not pay any Additional Amounts with respect to any Preference Shares as provided in each of the following (or any combination thereof):
 - (i) to the extent the Additional Amount (if it were a Dividend) would not be lawfully able to be paid or would not be payable (in addition to the amount from which the withholding or deduction was made) under clause 3.2;

- (ii) to the extent that the Relevant Tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Preference Shares having some connection with (whether present, past or future), or being or having been engaged in any activity, trade or business in, Australia, or any political subdivision or authority in or of Australia, other than being a Holder, or the beneficial owner, of the Preference Shares;
 - (iii) to the extent that the Relevant Tax is imposed or levied by virtue of the Holder, or the beneficial owner, of the Preference Shares not complying with any statutory requirements or not having made a declaration of non-residence in, or other lack of connection with, Australia, or any political subdivision or authority in or of Australia, or any similar claim for exemption, if ANZ or its agent has provided the Holder, or the beneficial owner, of the Preference Shares with at least 60 days' prior written notice of an opportunity to comply with such statutory requirements or make a declaration or claim; or
 - (iv) to the extent that the payee is an Australian resident, if it has not provided its "tax file number" or evidence that a relevant exemption applies.
- (b) Subject to clause 3.8(a), ANZ may deduct from any Dividend or Optional Dividend or other amounts payable to a Holder, the amount of any withholding or other tax, duty or levy required by any law, treaty, regulation or official administrative pronouncement to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by ANZ to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then subject to clause 3.8(a), the full amount payable to such Holder is deemed to have been duly paid and satisfied by ANZ.
 - (c) ANZ must pay the full amount deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law or otherwise and must, if required by any Holder, deliver to that Holder a copy of the relevant receipt issued by the revenue authority without unreasonable delay after the original receipt is received by ANZ.

3.9 *DIVIDEND STOPPER*

If, for any reason:

- (a) a Dividend has not been paid in full on the relevant Dividend Payment Date; or

- (b) a Conversion Event occurs because a Distribution on the ANZ Units is not paid in full on or within seven Business Days of a Distribution Payment Date in respect of the Distribution Period ended immediately prior to that Distribution Payment Date,

then, unless the Holders of a majority in Face Value of the Preference Shares otherwise consent, ANZ may not:

- (i) declare or pay any dividends or distribution on any other ANZ Shares or other instruments or securities that by their terms rank equally with or junior to the Preference Shares, other than proportionate payments on the Preference Shares and shares and other instruments and securities that rank equally with the Preference Shares for dividends, or set aside any sum for the payment thereof; or
- (ii) repurchase, redeem or otherwise acquire for value legal or beneficial ownership of any other ANZ Shares or other instruments or securities that by their terms rank equally with or junior to the Preference Shares for a return of capital in a winding up or set aside any sum or establish a sinking fund for such purpose,

unless and until,

- (A) where clause 3.9(a) applies,
 - (i) ANZ has paid in full the relevant Dividend within seven Business Days after the relevant Dividend Payment Date to the holders registered as Holders on the Record Date for the relevant Dividend,
 - (ii) ANZ has paid in full Dividends on two consecutive Dividend Payment Dates, or
 - (iii) with APRA's prior approval (if required), an Optional Dividend has been paid equal to the unpaid amount of scheduled Dividends or scheduled Distributions on the ANZ Units, as the case may be, for the 12 consecutive calendar months prior to the payment of such Optional Dividend; or
- (B) where clause 3.9(b) applies,
 - (i) ANZ has paid in full Dividends on two consecutive Dividend Payment Dates, or

- (ii) with APRA's prior approval (if required), an Optional Dividend has been paid equal to:
 - (x) if paid within 21 Business Days of the Conversion Event referred to in clause 3.9(b), the Distribution on the ANZ Units which was scheduled to be paid on the Distribution Payment Date immediately prior to the date the Conversion Event occurred; or
 - (y) otherwise, the unpaid amount of the scheduled Dividends or scheduled Distributions on the ANZ Units, as the case may be, for the 12 consecutive calendar months prior to the date of payment of such Optional Dividend.

3.10 EXCLUSIONS FROM DIVIDEND STOPPER

The restrictions in clause 3.9 do not apply to:

- (a) repurchases (including buy-backs), redemptions or other acquisitions of ANZ Shares in connection with
 - (i) any employment contract, employee share scheme, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants of ANZ or any entity ANZ controls,
 - (ii) a dividend reinvestment plan or shareholder share purchase plan, or
 - (iii) the issuance of ANZ Shares, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to the event in clause 3.9(a) or (b) (as the case may be);
- (b) an exchange, redemption or conversion of any class or series of ANZ Shares, or any shares of an ANZ subsidiary, for any class or series of ANZ Shares, or of any class or series of ANZ's indebtedness for any class or series of ANZ Shares;
- (c) the purchase of fractional interests in ANZ Shares under the conversion or exchange provisions of the shares or the security being converted or exchanged;

- (d) any payment or declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to the plan; or
- (e) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank equal or junior to those shares.

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

- taking security over ANZ Shares in the ordinary course of business; and
- 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).

For the purposes of this section 3, "control" has the meaning given in the Corporations Act.

4 Conversion Event

A Preference Share will automatically become a dividend paying instrument and detach from the corresponding Note to which it had been stapled upon the occurrence of a Conversion Event with respect to such Preference Share. The Conversion Event with respect to a Preference Share will be the earliest occurrence of any of the following dates or events:

- (i) any date ANZ selects in its absolute discretion, which election must be in respect of all Preference Shares then outstanding;
- (ii) the Business Day prior to December 15, 2053;
- (iii) the Redemption Date for such Preference Share;
- (iv) where a Holder provides ANZ with an Exchange Notice in respect of the Trust Securities, or ANZ Units withdrawn from the ANZ Capital Trust, it holds and such Preference Share corresponds to such ANZ Units or ANZ Units that correspond to such Trust

Securities, December 15, 2013, the relevant Dividend Payment Date or Distribution Payment Date or the Early Exchange Date, as the case may be, unless ANZ arranges for the sale of the Trust Securities or the ANZ Units in accordance with the provisions of the Conversion and Exchange Agreement before such date;

- (v) the ANZ Units or Trust Securities fail for any reason to pay in full a Distribution on or within seven Business Days after it is due (in which case the Conversion Event shall be the eighth Business Day after the relevant Distribution Payment Date), including because
 - (A) ANZ NZ Sub defers an Interest Payment on the Notes as set forth in the Notes, or
 - (B) ANZ NZ Sub fails to make an Interest Payment on the Notes when it is required to do so and ANZ fails to make a payment in respect of the Guarantee;
- (vi) the following events as required by APRA
 - (A) APRA determines in writing that ANZ has a Tier 1 Capital Ratio of less than 5% (or such other percentage as required from time to time by APRA) or a Total Capital Adequacy Ratio of less than 8% (or such other percentage as required from time to time by APRA),
 - (B) APRA issues a written directive to ANZ under applicable banking regulations, legislation or guidelines for ANZ to increase its capital,
 - (C) APRA appoints a statutory manager to ANZ or assumes control of ANZ under Australian banking law or proceedings are commenced for the winding up of ANZ, or
 - (D) the retained earnings of ANZ fall below zero, unless APRA otherwise approves; or
- (vii) an event of default occurs under the Notes

ANZ shall deliver to Holders written notice of any Conversion Event (other than a Conversion Event set forth in (iv) above) as soon as practicable but in any event no later than five Business Days of an Authorized Officer becoming aware of the occurrence thereof. Such notice shall state that a Conversion Event has occurred, briefly describe the nature of the Conversion Event and state that, with respect to Units held in ANZ Capital Trust, such notice also constitutes a notice of the redemption of the related Trust Securities.

5 Redemption

5.1 PREFERENCE SHARES ARE REDEEMABLE AT ANZ'S OPTION ONLY

The Preference Shares are Redeemable at the option of ANZ alone. ANZ may Redeem Preference Shares only in accordance with clause 5.2. A Holder has no right to require Redemption of the Preference Shares.

5.2 REDEMPTION

ANZ may, after receipt of the prior written approval by APRA, if approval is then required, Redeem the Preference Shares for cash:

- (a) before December 15, 2013, in whole only,
 - (i) upon the occurrence and continuance of a Tax Event or a Regulatory Event (each, an "ANZ Special Event"), or
 - (ii) on the Early Exchange Date relating to an Acceleration Event, or
- (b) on or after December 15, 2013, in whole or in part on one or more occasions at any time.

5.3 REDEMPTION PRICE

If ANZ elects to Redeem the Preference Shares, the Redemption Price of each Preference Share Redeemed will be equal to:

- (a) in the case of any Redemption prior to December 15, 2013 other than a Redemption as a result of the circumstances described in clauses (1) and (3) of the definition of Tax Event, the Make-whole Redemption Price, or
- (b) in the case of all other Redemptions, the Par Redemption Price,

plus, in either case, any accrued and unpaid Dividends for the then current Dividend Payment Period on such Preference Share to the Redemption Date or, if the date of Redemption is a Dividend Payment Date, the immediately preceding Dividend Period; provided that, with respect to Preference Shares being Redeemed following or in connection with the occurrence of a Conversion Event, but prior to the first Dividend Payment Date with respect to such Preference Shares, the current Dividend Period will be deemed to have commenced on the Distribution Payment Date immediately preceding the date fixed for Redemption of the Preference Shares being Redeemed

5.4 NOTICE OF REDEMPTION

- (a) ANZ must give notice of any Redemption, except in the case of buy-backs on the open market, not less than 30 nor more than 60 days prior to the date fixed for the Redemption, provided that:
 - (i) in respect of a Redemption for cash on December 15, 2013 or on any Dividend Payment Date thereafter, ANZ must give such notice no less than 40 Business Days and no more than 50 Business Days prior to December 15, 2013 or such Dividend Payment Date; and
 - (ii) in respect of a Redemption following an Acceleration Event, ANZ must give such notice no less than 25 Business Days prior to the Early Exchange Date.
- (b) ANZ must mail the notice of Redemption by first-class mail to the registered address of the Holder.
- (c) Each notice of Redemption of Preference Shares must state
 - (i) the Redemption Date,
 - (ii) if less than all outstanding Preference Shares are subject to Redemption, the identification of the Preference Shares subject to Redemption,
 - (iii) that, as from the Redemption Date, Dividends will cease to accrue and the only rights Holders will have will be to obtain the Redemption Price payable in accordance with these Preference Share Terms,
 - (iv) the place or places where the certificates, if any, for the Preference Shares may be submitted and the Redemption Price collected by Holders,
 - (v) whether the Redemption is to be effected by means of a redemption of the Preference Shares or buy back of the Preference Shares, or by other means; and
 - (vi) any other information required by the stock exchange or quotation system where the Preference Shares may be listed or quoted.

5.5 EFFECT OF REDEMPTION

Subject to APRA's consent, on the Redemption Date:

- (a) the Preference Shares to which the notice of Redemption relates will be Redeemed by ANZ for the consideration specified in clause 5.3 paid to the Holder, and
- (b) upon payment of the Redemption Price, all other rights conferred or restrictions imposed by those Preference Shares under these Preference Share Terms will no longer have effect.

5.6 *BUY BACK AGREEMENT*

- (a) For purposes of clause 5.3(a), subject to paragraph (b) below, if the Redemption under clause 5.2 involves a buy back of Preference Shares, each Holder agrees to accept the buy back offer for the Preference Shares held by the Holder to which the notice of Redemption relates and will be deemed to have sold those Preference Shares free of all Encumbrances to ANZ on receipt of the notice of Redemption given under clause 5.4.
- (b) Such agreement of the Holder shall have no force or effect with respect to any Preference Shares unless and until both of the following conditions are satisfied:
 - (i) ANZ shall have sent a notice of Redemption which complies with clause 5.4 to the Holder which states that the Preference Shares are to be bought back; and
 - (ii) ANZ has obtained all consents and approvals (if any) to the buy back from ANZ's shareholders or any regulatory authority or government agency or other person as may be required pursuant to (and in the manner required by) any applicable law, or by the listing rules of any stock exchange on which the Preference Shares or the Trust Securities, or other ANZ Shares, may then be listed.

5.7 *PARTIAL REDEMPTIONS*

- (a) In the case of any partial Redemption, ANZ or its Registrar will select the Preference Shares for Redemption
 - (i) in compliance with the requirements of the principal securities exchange or quotation system, if any, on which the Preference Shares are then listed or quoted, or
 - (ii) if the Preference Shares are not listed on a securities exchange, proportionately, by lot or such other method as ANZ, in its sole discretion, deems fair and appropriate.

- (b) In the case of a partial Redemption, the number of Preference Shares remaining after the Redemption must be not less than the minimum number of shares required to maintain any listing or quotation of the Preference Shares on any stock exchange on which they are listed or any quotation system on which they are quoted immediately prior to the partial Redemption.

5.8 OBLIGATION TO MITIGATE

- (a) The right of ANZ to Redeem the Preference Shares due to an ANZ Special Event is subject to the condition that, if there is available to ANZ the opportunity to eliminate such event by substituting another obligor for ANZ NZ Sub under the Notes or taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that in each case in the absolute discretion of ANZ has or will cause no adverse effect on ANZ, any of ANZ's subsidiaries or controlled entities, the ANZ Capital Trust or the holders of the Trust Securities or the ANZ Units and will involve no material cost to any of these parties, ANZ will pursue that measure in lieu of Redemption.
- (b) ANZ may not Redeem any of the Preference Shares prior to, and any obligations of ANZ under clause 5.7(a) terminate upon, the expiry of the earlier of
 - (i) ninety days from the date of the ANZ Special Event and
 - (ii) the date that ANZ determines in its absolute discretion that not Redeeming the Preference Shares
 - (A) has or will cause an adverse effect on ANZ, any of ANZ's subsidiaries or controlled entities, the ANZ Capital Trust or the holders of the Trust Securities or the ANZ Units, or
 - (B) will involve material cost to any of these persons.

5.9 ON-MARKET BUY BACKS

Subject to the Corporations Act, ANZ may with the consent of APRA buy back the Preference Shares at any time and at any price by an on-market buy back (within the meaning of the Corporations Act).

5.10 DEFAULT INTEREST

If ANZ improperly withholds or refuses payment of the Redemption Price in respect of the Preference Shares when due, interest at the annual rate of 5.36%

will accrue on the Redemption Price from the date on which the cash redemption was due to the date of payment.

5.11 POWER OF ATTORNEY

Each Holder irrevocably appoints ANZ, each of its Authorised Officers and any liquidator, administrator or statutory manager of ANZ (each, an “**Appointed Person**”) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to record or perfect the transfer of the Preference Shares held by the Holder when required in accordance with this section 5 (including, for the avoidance of doubt, in connection with any buy-back, on behalf of the Holder, accept any buy-back offer and sign or otherwise execute a transfer of the Preference Shares under this clause 5).

6 Exchange for Ordinary Shares

6.1 GENERAL

- (a) Holders will be entitled to Exchange their Preference Shares for Ordinary Shares in accordance with these Preference Share Terms and the Conversion and Exchange Agreement, dated November 26, 2003, attached as Annex A hereto on an Exchange Date, Early Exchange Date or Non-payment Exchange Date.
- (b) The Preference Shares will be subject to a Mandatory Exchange for Ordinary Shares on December 15, 2053 in accordance with these Preference Share Terms and the Conversion and Exchange Agreement.
- (c) If the Conversion Event occurs prior to any date on which a holder of Trust Securities or ANZ Units is otherwise entitled to exchange Trust Securities or ANZ Units for Ordinary Shares, but after an Exchange Notice has been tendered to ANZ in respect of such Trust Securities or ANZ Units, as the case may be, the Exchange Notice applicable to the Trust Securities or the ANZ Units will automatically apply in respect of the Preference Shares held by the Holder following the Conversion Event.
- (d) Prior to a Conversion Event in respect of an ANZ Unit, the holder of such ANZ Unit or Trust Security corresponding to such ANZ Unit shall be deemed to be the Holder of the Preference Share comprising a component of such ANZ Unit and shall be entitled to the Exchange rights with respect to such Preference Share as set out in this Section 6.

6.2 EXCHANGE ON AN EXCHANGE DATE

- (a) If, after or in conjunction with a Conversion Event, ANZ does not provide a notice of Redemption in respect of all of the outstanding Preference Shares on or prior to the 40th Business Day prior to an Exchange Date for Redemption on such date in accordance with clause 5.4(a)(i), each Holder of Preference Shares not so called for Redemption may no earlier than 40 Business Days and no later than 30 Business Days prior to such Exchange Date deliver an Exchange Notice to ANZ requiring it to Exchange all Preference Shares held by such Holder for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.
- (b) ANZ will be required to provide notice to each Holder of the Exchange right set forth in clause 6.2(a) no later than the 40th Business Day prior to each such Exchange Date if it does not provide a notice of Redemption to such Holder for the Redemption of all of such Holder's Preference Shares on or before that date.
- (c) If after December 15, 2013 ANZ provides a notice of Redemption in respect of all the Preference Shares and the related Redemption Date is prior to a Dividend Payment Date, ANZ will have no obligation to provide a notice to Holders pursuant to clause 6.2(b) in respect of that Dividend Payment Date or to exchange Preference Shares on such Dividend Payment Date, whether or not ANZ shall have previously provided such a notice.
- (d) On the relevant Exchange Date, each Preference Share to be Exchanged in accordance with clause 6.2(a) will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for an Exchange Date.
- (e) In lieu of Exchanging Preference Shares for Ordinary Shares, ANZ may fulfill its Exchange obligations under clause 6.2(a) by selling on behalf of the applicable Holder or otherwise arranging for the sale of the Preference Shares in respect of which Exchange Notices have been received to purchasers (which may include ANZ or an entity controlled by ANZ, subject to any applicable legal restrictions or necessary regulatory approvals) for US\$1,000 per Preference Share and by delivering the proceeds of such sales to such Holder. In connection therewith:
 - (i) Subject to the terms of the Conversion and Exchange Agreement, ANZ will use its commercially reasonable efforts to fulfill its Exchange obligation under clause 6.2(a) in this manner and will

make a statement to this effect in the notice ANZ is required to provide under clause 6.2(b).

- (ii) If ANZ has not arranged for the sale of all the Preference Shares subject to Exchange Notices by the 25th Trading Day prior to the applicable Exchange Date, then ANZ will be required to notify the Holders that have provided Exchange Notices no later than the 25th Trading Day prior to such Exchange Date that ANZ will nevertheless satisfy its Exchange obligation under clause 6.2(a) through the delivery of Ordinary Shares.
- (iii) Each Holder irrevocably appoints ANZ, each of its Authorised Officers and any liquidator, administrator or statutory manager of ANZ (each, an “**Appointed Person**”) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to arrange such a sale and record or perfect the sale and transfer of the Preference Shares in accordance with this clause. Without limiting the foregoing, each Appointed Person may represent and warrant, in the name and on behalf of the Holder, that the Preference Shares are sold and transferred free and clear of all Encumbrances.

6.3 EXCHANGE ON AN EARLY EXCHANGE DATE

- (a) If, after or in conjunction with a Conversion Event, in connection with the occurrence of an Acceleration Event and subject to the approval of APRA:
 - (i) ANZ does not provide a notice of Redemption under clause 5.4(a)(ii) in respect of all of the Preference Shares on or prior to the 25th Business Day prior to the Early Exchange Date for Redemption of the Preference Shares on such date; and
 - (ii) ANZ does not amend the terms of the Conversion and Exchange Agreement as set forth in clause 6.3(e) of these Preference Share Terms,

then the Holders may Exchange their Preference Shares for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.

- (b) ANZ will be required to provide notice to Holders of the Exchange right set forth in clause 6.3(a) no later than the 25th Business Day prior to each

such Early Exchange Date if it does not provide a notice of Redemption for Redemption of all of the Preference Shares on or before that date.

- (c) Holders may no later than the 21st Business Day prior to the Early Exchange Date deliver an Exchange Notice to ANZ requiring it to Exchange their Preference Shares for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.
- (d) On the Early Exchange Date, each Preference Share to be Exchanged in accordance with clause 6.3(a) will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for an Early Exchange Date.
- (e) Notwithstanding the other provisions of this clause 6.3, Holders will not be entitled to require ANZ to Exchange their Preference Shares upon the occurrence of an Acceleration Event where ANZ is no longer the ultimate holding company of the ANZ Group if the successor holding company, subject to compliance with applicable legal requirements and the obtaining of any necessary regulatory approvals (including from APRA), assumes all of ANZ's obligations under the Conversion and Exchange Agreement and amends the Conversion and Exchange Agreement to provide that the Holders will be entitled to Exchange their Preference Shares for ordinary shares of the successor holding company on an Exchange Date (or earlier upon the occurrence of an Acceleration Event in respect of any successor holding company). Any such amendment may be effected without the consent of the Holders only if:
 - (i) the ordinary shares of the successor holding company of the ANZ Group are listed on an internationally recognized stock exchange, and
 - (ii) such amendment would not otherwise adversely affect the interests of the Holders.

6.4 EXCHANGE DURING DIVIDEND STOPPER

- (a) Holders will be entitled to require ANZ to Exchange their Preference Shares for Ordinary Shares at any time that ANZ is subject to the restrictions described under clause 3.9 solely as a result of ANZ having failed to pay a regular Dividend on the Preference Shares on a Dividend Payment Date in accordance with the terms of the Conversion and Exchange Agreement.

- (b) ANZ will be required to provide notice to Holders of the Exchange right set forth in clause 6.4(a) no later than the 8th Business Day following the Dividend Payment Date on which ANZ failed to pay a regular Dividend.
- (c) Holders may no later than the 12th Business Day following the Dividend Payment Date on which ANZ failed to pay the regular Dividend deliver an Exchange Notice to ANZ requiring it to Exchange their Preference Shares for Ordinary Shares in accordance with the terms of the Conversion and Exchange Agreement.
- (d) On the Non-payment Exchange Date, each Preference Share to be Exchanged in accordance with clause 6.4(a) will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for a Non-payment Exchange Date.
- (e) Notwithstanding the foregoing, if after December 15, 2013, ANZ provides a notice of Redemption in respect of all the Preference Shares and the related Redemption Date is prior to a Non-payment Exchange Date, ANZ will have no obligation to provide a notice pursuant to clause 6.4(b) in respect of period in which it is subject to the restrictions described under clause 3.9 or to Exchange Preference Shares on such Non-payment Exchange Date, whether or not ANZ shall have previously provided such a notice.

6.5 *MANDATORY EXCHANGE ON DECEMBER 15 , 2013*

- (a) On the Mandatory Exchange Date, each outstanding Preference Share will Convert into one Ordinary Share and ANZ will allot to the Holder on that date an additional number of Ordinary Shares for each Preference Share equal to one less than the Conversion Ratio as determined in accordance with the terms of the Conversion and Exchange Agreement for the Mandatory Exchange.

6.6 *CONVERSION MECHANICS*

A Preference Share confers all of the rights attaching to one Ordinary Share but these rights do not take effect until 5:00pm (Melbourne time) on the date of Conversion. At that time:

- (a) all other rights or restrictions conferred on that Preference Share under these Preference Share Terms will no longer have effect (except for rights relating to a Dividend which has been declared but has not been paid on or before the date of Conversion, which will continue); and

- (b) the Ordinary Share resulting from Conversion will rank equally with all other Ordinary Shares then on issue and ANZ will issue a statement that the holder of those shares holds a share so ranking.

Conversion does not constitute a buy-back, cancellation, redemption or termination of a Preference Share or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clauses 6.2, 6.3, 6.4 and 6.5).

7 Preference Share Ranking

7.1 RANKING WITH RESPECT TO DIVIDENDS

Preference Shares rank with respect to Dividends:

- (a) in priority to Ordinary Shares and other preference shares, instruments and securities that by their terms rank junior to the Preference Shares, and
- (b) equally among themselves and with the preference shares issued in connection with TrUEPrS and ANZ StEPS and any other preference shares, securities and instruments ANZ has issued or may issue that by their terms rank equally with the Preference Shares with respect to priority of payments of dividends.
- (c) junior to any securities or instruments that rank senior to the Preference Shares and to all ANZ's debts and liabilities to its depositors and all other creditors.

7.2 RANKING IN A WINDING UP

- (a) In a winding up of ANZ, a Preference Share confers upon its Holder the right to payment in cash of the Liquidation Sum out of the surplus (if any) available for distribution to shareholders, but no further or other right to participate in the assets of ANZ on a return of capital in the winding up.
- (b) Holders of Preference Shares will rank for payment of the Liquidation Sum in a winding up of ANZ:
 - (i) in priority to Ordinary Shares and other preference shares, securities and instruments that by their terms rank junior to the Preference Shares,
 - (ii) equally among themselves and with the preference shares issued in connection with TrUEPrS and ANZ StEPS and any other preference shares, securities and instruments ANZ has issued or

may issue that by their terms rank equally with the Preference Shares in a winding up, and

- (iii) junior to any securities or instruments that rank senior to the Preference Shares and to all ANZ's debts and liabilities to its depositors and all other creditors.
- (c) The Liquidation Sum is the sum of:
- (i) US\$1,000, or if it is not possible in accordance with applicable law to pay in US dollars, the Australian Dollar Equivalent of US\$1,000, and
 - (ii) if the amount described in clause 7.2(c)(i) is paid in Australian dollars, an amount in Australian dollars equal to the additional amount (if any) estimated by the liquidator of ANZ in its absolute discretion to be required to convert the Australian dollars into US dollars, including but not limited to amounts required to pay any estimated charges and expenses regarded by the liquidator of ANZ as likely to be incurred in effecting such conversion.
- (d) For purposes of this clause 7.2, the Australian Dollar Equivalent of an amount expressed in US dollars will be calculated by applying the Noon Buying Rate on the date of payment of the amount in Australian dollars or, if that day is not a Business Day, on the Business Day immediately preceding the date of payment.

7.3 NO SET OFF

Any amount due to a Holder in respect of the Preference Shares may not be set off against any claims by ANZ against the Holder.

7.4 SHORTFALL ON WINDING-UP OF ANZ

If, upon a return of share capital on a winding up of ANZ, there are insufficient funds to pay in full the amounts referred to in clause 7.2 and the amounts payable in respect of any other shares, securities or instruments in ANZ ranking as to such distribution equally with the Preference Shares on a winding up of ANZ, Holders and the holders of any such other shares, securities or instruments will share in any distribution of assets of ANZ in proportion to the amounts to which they respectively are entitled.

7.5 NO PARTICIPATION IN SURPLUS ASSETS

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

7.6 RESTRICTIONS ON OTHER ISSUES

ANZ may authorize additional issues of preference shares provided that it may only issue preference shares that rank senior to the Preference Shares with approval by a Special Resolution passed at a meeting of Holders of the Preference Shares then on issue or the consent of Holders holding at least 75% of the Preference Shares then on issue.

7.7 TAKEOVER BIDS AND SCHEMES OF ARRANGEMENT

If a takeover bid is made for Ordinary Shares, acceptance of which is recommended by the Directors, or the Directors recommend a member's scheme of arrangement, ANZ will use reasonable endeavours to procure that equivalent takeover bids are made to Holders or that they participate in the scheme of arrangement.

7.8 PARTICIPATION IN NEW ISSUES

Other than as set forth in these Preference Share Terms, the Preference Shares confer no rights to subscribe for new securities of ANZ or to participate in any bonus issues of securities of ANZ.

7.9 NO OTHER RIGHTS

Preference Shares do not confer on the Holders any right to participate in profits or property except as set out in these Preference Share Terms.

8 Meetings and Voting Rights

8.1 MEETINGS

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

8.2 VOTING RIGHTS

- (a) A Holder of Preference Shares will not be entitled to speak or vote at any general meeting of ANZ, except in the following circumstances:
 - (i) on any proposal:

- (A) to reduce ANZ's share capital,
 - (B) that affects the rights attached to the Preference Shares, and
 - (C) to wind up ANZ or during ANZ's winding up
 - (D) for the disposal of the whole of ANZ's property, business and undertaking,
- (ii) on any resolution to approve the terms of a share buy-back agreement,
 - (iii) during a Special Voting Period, with respect to all matters on which the Holders of Ordinary Shares are entitled to vote.
- (b) A "Special Voting Period" is the period from and including:
- (i) any Dividend Payment Date on which ANZ fails to pay in full the Dividends accrued in respect of the immediately preceding semi-annual Dividend Period, or
 - (ii) the 24th Business Day after the date of the occurrence of the Conversion Event if the Conversion Event is the failure of ANZ NZ Sub to make an Interest Payment in full on the Notes and ANZ does not make the payment pursuant to the Guarantee or pay the Optional Dividend on the Preference Shares on or within 21 Business Days after the occurrence of the Conversion Event,
- in each case, to but excluding the first Dividend Payment Date after that date on which ANZ has paid in full an Optional Dividend or two consecutive semi-annual Dividends.
- (c) If a poll is conducted on a resolution or proposal on which a Holder is entitled to vote under this clause, the Holder has one vote for each Preference Share held.

9 Amendments to the Preference Share Terms

- (a) Subject to complying with all applicable laws and with the prior approval of APRA, ANZ may, without the authority, assent or approval of Holders, amend or add to the Preference Share Terms where the amendment or addition is, in the opinion of ANZ:
- (i) made to correct a manifest error;
 - (ii) of a formal, minor or technical nature;

- (iii) made to remove any inconsistency between these Preference Share Terms and the provisions of the Conversion and Exchange Agreement;
 - (iv) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any securities exchange on which ANZ proposes from time to time to seek quotation of the Preference Shares or ANZ Units;
 - (v) convenient for the purpose of obtaining or, if obtained, maintaining the listing or quotation of the Preference Shares or ANZ Units on any stock exchange; or
 - (vi) is not, and is not likely to become, materially prejudicial to Holders generally.
- (b) The rights attached to the Preference Shares may not be varied or reduced except with any required approvals of APRA or any other governmental agency and with the consent in writing of Holders of at least 75% of the Preference Shares or with the approval by Special Resolution of Holders.
 - (c) The written consent of the Holders of at least 75% of the Preference Shares or the approval by Special Resolution passed at a separate meeting of the Holders will be required if the Directors propose to allot or issue preference shares, or convert existing shares into preference shares, which rank senior in priority to the Preference Shares then on issue as to payment of dividends or for a return of capital in a winding up.
 - (d) The allotment or issue of preference shares, or the conversion of existing shares into preference shares, ranking equally with the Preference Shares then on issue for participation in profits or assets of ANZ, and whether entitled to cumulative or non-cumulative dividends, or a redemption, buy-back or return or distribution of capital in respect of any share capital other than a Preference Share, whether ranking equally with or junior to the Preference Shares, is expressly permitted and authorized and does not constitute a modification or variation of the rights or privileges to the Preference Shares then on issue.

10 Governing law

These Preference Share Terms are governed by the law in force in the State of Victoria, Australia.

11 Interpretation and definitions

11.1 INTERPRETATION

- (a) The provisions of these Preference Share Terms are subject to the provisions of the Conversion and Exchange Agreement. The provisions of the Conversion and Exchange Agreement are incorporated by reference in these Preference Share Terms. If there is any inconsistency between these Preference Share Terms and the provisions of the Conversion and Exchange Agreement, the latter provisions prevail to the extent of the inconsistency.
- (b) Unless otherwise specified in the Preference Share Terms, notices may be given by ANZ to a Holder in the manner prescribed by the Constitution for the giving of notices and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (c) Definitions and interpretation under the Constitution will also apply to the Preference Share Terms unless the contrary intention is expressed.
- (d) The right of a Holder or ANZ to Exchange or Redemption is subject to all applicable laws.
- (e) Unless otherwise specified, a reference to a clause or a paragraph is a reference to a clause or a paragraph of the Preference Share Terms.
- (f) Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of the Preference Share Terms.
- (g) The singular includes the plural and vice versa.
- (h) If a calculation is required under the Preference Share Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (i) Any provisions which refer to the requirements of APRA will apply to ANZ only if ANZ is an entity or the holding company or subsidiary of an entity subject to regulation and supervision by APRA at the relevant time.
- (j) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

- (k) If an event under the Preference Share Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (l) Calculations, elections and determinations made by ANZ under the Preference Share Terms are binding on Holders in the absence of manifest error.
- (m) A Holder may not exercise or seek to exercise to take any proceedings for the exercising of any right of set-off or counter claim against ANZ in respect of any claim by ANZ against that Holder.
- (n) Notice shall be deemed received on the Business Day following posting of the notice.

11.2 DEFINITIONS

The following expressions shall have the following meanings:

Acceleration Event means:

- (a) a takeover bid as defined in the Corporations Act, or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers, is at any time made to acquire all or more than 50% of the Ordinary Shares and the offer is, or becomes, unconditional and:
 - (i) the voting power of the offeror in ANZ is, or becomes, greater than 50%; or
 - (ii) the Directors issue a statement recommending acceptance of the offer; or
- (b) a court orders the convening of a meeting to consider approving a scheme of arrangement under Part 5.1 of the Corporations Act (or any successor sections of the Corporations Act relating to schemes of arrangement) which scheme would result in a person having a relevant interest in more than 50% of the Ordinary Shares that will be on issue after the scheme is implemented.

Additional Amounts has the meaning given in clause 3.8.

Allotment Date means the date on which the Preference Shares are issued.

ANZ Capital Trust Declaration means the amended and restated declaration of trust of ANZ Capital Trust, dated as of November 26, 2003.

ANZ Capital Trust means ANZ Capital Trust II, a Delaware statutory trust.

ANZ Group means at any time ANZ and its controlled entities as defined in Australian Generally Accepted Accounting Principles; provided, however, that for purposes of the definition of “Distributable Profits” and Section 3.2, “ANZ Group” means ANZ and its subsidiaries that can issue qualifying Tier 1 Capital.

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

ANZ NZ Sub means Samson Funding Limited, a New Zealand limited liability company.

ANZ Shares means shares in the capital of ANZ.

ANZ Special Event has the meaning given in clause 5.2.

ANZ StEPS means the securities comprising a preference share in ANZ and a note issued by ANZ Holdings (New Zealand) Limited (ARBN 105 689 9321 under a prospectus dated 14 August 2003.

ANZ Unit means a stapled security comprised of a Preference Share and Note.

ANZ US Sub means ANZ Capital LLC II, a Delaware limited liability company.

Appointed Person has the meaning given in clause 5.10.

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

ASX Listing Rules means the listing rules of ASX and any other rules of ASX which are applicable while ANZ is admitted to the official list of ASX, each as amended or replaced, as they apply to ANZ from time to time.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691) or the stock exchange conducted by it, or such other stock exchange as from time to time may become the principal stock exchange on which Ordinary Shares are quoted.

Australian Dollar Equivalent has the meaning given in clause 7.2.

Australian dollars, AUD, AS, \$ and cents mean Australian currency.

Australian Generally Accepted Accounting Principles means the accounting standards under the Corporations Act or, if not inconsistent with those standards, accounting principles and practices generally accepted in Australia.

Authorised Officer means each director and secretary of ANZ and any person delegated on the authority of the Directors to exercise the power of attorney conferred by clause 5.11 or 6.2(a)(iii).

Business Day means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in New York City, Melbourne, Australia or Auckland, New Zealand.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities that mature on December 15, 2013.

Comparable Treasury Price means (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if the paying agent for the Preference Shares obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Constitution means the constitution of ANZ as amended from time to time.

Conversion Event has the meaning given in section 4.

Conversion and Exchange Agreement means the agreement so titled dated as of November 26, 2003 between ANZ, ANZ US Sub, The Bank of New York and ANZ Capital Trust, attached as Annex A hereto and incorporated herein by reference.

Conversion means the taking effect of the rights of a Preference Share under section 6 (including, without limitation the allotment of additional Ordinary Shares under clauses 6.2, 6.3, 6.4 and 6.5) and **Convert** and **Converted** have the corresponding meaning.

Conversion Ratio has the meaning given in the Conversion and Exchange Agreement.

Corporations Act means the Corporations Act 2001 of Australia

Directors mean some or all of the directors of ANZ acting as a board under the Constitution, or if the relevant powers or discretions have been delegated by the board, the committee or individuals acting as delegate of the board.

Distributable Profits means an amount calculated in accordance with the following formula:

Distributable Profits = A – B

where:

A is the consolidated net profit after income tax of ANZ under Australian Generally Accepted Accounting Principles for the immediately preceding two six-monthly financial periods for which results have been publicly announced by ANZ (or such other amount as determined by APRA in its discretion to be appropriate in ANZ's circumstances for the purposes of paying dividends or distributions on the ANZ Group's Tier 1 Capital); and

B is the aggregate amount of any dividends or distributions paid or payable by a member of the ANZ Group before the relevant Dividend Payment Date on its Tier 1 Capital in relation to the current financial year to date, but not including any dividend or distribution paid or payable to a member of the ANZ Group by another member of the ANZ Group.

Distribution means a distribution payable on the ANZ Units on each Distribution Payment Date.

Distribution Payment Date means each June 15 and December 15, beginning June 15, 2004 while any ANZ Units are outstanding.

Distribution Period means each period beginning on the date of original issuance of the ANZ Units or on each Distribution Payment Date thereafter to but excluding December 15, 2053 and ending on the day that precedes the next succeeding Distribution Payment Date.

Dividend means dividends payable on each Dividend Payment Date.

Dividend Payment Date means each date specified as such in Section 3.5.

Dividend Period means, in respect of a Preference Share:

- (a) the period from and including the Interest Payment Date immediately prior to the occurrence of the Conversion Event (or the Allotment Date, if no Interest Payment Date has yet occurred) until but not including the first Dividend Payment Date following the Conversion Event; and
- (b) thereafter, the period from and including each Dividend Payment Date until but not including the day of the first to occur of:
 - (i) the next Dividend Payment Date; or
 - (ii) the Exchange Date, Early Exchange Date, Non-payment Exchange Date or Mandatory Exchange Date; or

(iii) the Redemption Date.

Early Exchange Date means the date falling 30 Business Days after the occurrence of an Acceleration Event.

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

Exchange means the exchange of the Preference Shares for Ordinary Shares on the Exchange Date, Early Exchange Date, Non-payment Exchange Date or Mandatory Exchange Date in accordance with (and subject to) section 6 and **Exchanged** has the corresponding meaning.

Exchange Date means December 15, 2013 and each Dividend Payment Date thereafter.

Exchange Notice means the notice given by a Holder to ANZ requesting the Exchange of its Preference Shares in accordance with section 6.

Face Value has the meaning given in section 1.

Guarantee means ANZ's guarantee of the Notes as set forth in the Indenture.

Holder means a person whose name is for the time being registered in the Register as the holder of a Preference Share.

Indenture means the indenture, dated as of November 26, among ANZ NZ Sub, as issuer, ANZ, as guarantor, and The Bank of New York, as indenture trustee.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by ANZ.

Interest Payment means the payment of interest of the Notes.

Interest Payment Date has the meaning given in the Indenture.

Level 1, Level 2 and Level 3 means, in respect of the Total Capital Adequacy Ratio, the Tier 1 Capital Ratio or Tier 1 Capital, those terms so described by APRA.

Liquidation Sum has the meaning given in clause 7.2.

Make-whole Redemption Amount, with respect to each Preference Share, will be equal to the sum of:

- (1) the present value of the Face Value of such Preference Share as if the Face Value were payable on December 15, 2013, together with
- (2) the present values of the scheduled semi-annual Dividends thereon after the Redemption Date to and including December 15, 2013,

in each case discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the US Treasury Rate plus 0.375%; and

- (3) any Additional Amounts.

Make-whole Redemption Price means the greater of the Make-whole Redemption Amount and the Par Redemption Price; provided, however, that the Make-whole Redemption Price per Preference Share will be no greater than US\$1,225 plus any Additional Amounts.

Mandatory Exchange means an Exchange in accordance with clause 6.5 on the Mandatory Exchange Date.

Mandatory Exchange Date means December 15, 2053.

Non-payment Exchange Date means the 35th Business Day following the date on which a Holder has provided an Exchange Notice pursuant to clause 6.4 following a scheduled Dividend Payment Date on which ANZ failed to pay a regular Dividend on the Preference Shares

Noon Buying Rate means the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per Australian dollars.

Note means US\$1,000 principal amount of notes due 2053 issued by ANZ NZ Sub pursuant to the Indenture, and fully and unconditionally guaranteed by ANZ pursuant to the Guarantee.

Optional Dividend has the meaning given in clause 3.9.

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

Par Redemption Price, with respect to each Preference Share, will be equal to the sum of US\$1,000 and any Additional Amounts.

Preference Share means a fully paid preference share in the share capital of ANZ issued on the Preference Share Terms.

Preference Share Terms means these terms of issue of Preference Shares.

Primary Treasury Dealer means Deutsche Bank Securities Inc. and Morgan Stanley & Co. Incorporated and their respective successors and three other nationally recognized investment banking firms that are US Government securities dealers.

Record Date has the meaning given in clause 3.6.

Redemption means redeem, buy back, transfer to an ANZ Group entity or cancel Preference Shares, at ANZ's discretion and **Redeem, Redeemed and Redeemable** have corresponding meanings.

Redemption Date means the date the Preference Shares are Redeemed.

Redemption Price has the meaning given in clause 5.3.

Reference Treasury Dealer means each Primary Treasury Dealer or, if any such firm shall cease to be a Primary Treasury Dealer, another nationally recognized investment banking firm that is a Primary Treasury Dealer selected by ANZ.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer, the average, as determined by ANZ, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to ANZ by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third Business Day preceding the Redemption Date.

Register means the register of Preference Shares maintained by or on behalf of ANZ.

Registrar means ANZ or any other registrar that maintains the Register.

Regulatory Event means

- (1) the introduction of, or an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation of the Commonwealth of Australia or any state or territory thereof or any directive, order, requirement, guideline or statement of APRA which has the effect that the Preference Shares do not constitute Tier 1 Capital of ANZ on a Level 1, Level 2 or Level 3 (if applicable) basis or its then equivalent;
- (2) ANZ has received any written statement, notification or advice from APRA that the Preference Shares are not included in the Tier 1 Capital on a Level 1, Level 2 or Level 3 (if applicable) basis, or its then equivalent, of ANZ; or

- (3) ANZ has received an opinion of nationally recognized independent legal counsel in Australia experienced in these matters to the effect that as a result of the occurrence on or after the Allotment Date of a change in law, regulation or prudential statement or a change in interpretation or application of law, regulation or prudential statement by any legislative body, court, governmental agency or regulatory authority, the ANZ preference shares are not, or will not within 90 days of such opinion be, included in the Tier 1 Capital, or its then equivalent, of ANZ on a Level 1, Level 2 or Level 3 (if applicable) basis.

Relevant Tax has the meaning given in clause 3.8.

Special Resolution is a resolution of which notice has been given in accordance with the requirements of the Corporations Act and the Constitution and that is passed by at least 75% of the votes cast by Holders entitled to vote on the resolution.

Special Voting Period has the meaning given in clause 8.2.

Tax Action means

- (1) an amendment to, change in or announced proposed change in any laws, or any regulations under those laws;
- (2) a judicial decision interpreting, applying, or clarifying those laws or regulations;
- (3) an administrative pronouncement or action that represents an official position, including a clarification of an official position, of the governmental authority or regulatory body making the administrative pronouncement or taking any action; or
- (4) a threatened challenge asserted in connection with an audit of ANZ, ANZ NZ Sub, any of ANZ's subsidiaries or ANZ Capital Trust, or a threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the Notes, the Preference Shares, the ANZ Units or the Trust Securities,

which amendment or change is adopted or which proposed change, decision or pronouncement is announced or which action, clarification or challenge occurs on or after the Allotment Date.

Tax Event means that ANZ has received an opinion of competent tax counsel to the effect that there has been a Tax Action relating to any of the items described in (1) through (3) below, and that following the occurrence of such Tax Action there is more than an insubstantial risk that:

- (1) prior to the occurrence of a Conversion Event, payments of principal, interest or any other amounts on the Notes, the Guarantee, the Trust Securities or the ANZ Units are or will be subject to an amount of withholding or deduction in respect of any taxes, duties or other governmental charges for which ANZ, ANZ NZ Sub or the Capital Trust must pay Additional Amounts under clause 3.8;
- (2) prior to the occurrence of a Conversion Event, (i) ANZ, ANZ US Sub or ANZ NZ Sub is, or will be, subject to more than a de minimis amount of other taxes, assessments or other governmental charges in relation to the Notes, the Guarantee, the Indenture, the Preference Shares, the Units, the Trust Securities or the Conversion and Exchange Agreement, (ii) ANZ or ANZ NZ Sub is not able to deduct for tax purposes in Australia, New Zealand or any other jurisdiction (other than the United States) from which payment is made, payments in relation to the Notes, the Guarantee, the Trust Securities or the ANZ Units, or (iii) Interest Payments on the Notes or Distributions on the ANZ Units or the Trust Securities are treated as frankable distributions; or
- (3) after the occurrence of a Conversion Event, the Australian withholding tax payable on the Dividends on the Preference Shares is or will be increased to greater than 30% of the Dividends paid.

Tier 1 Capital means at any time any equity, debt or other capital so described by APRA.

Tier 1 Capital Ratio means at any time the ratio so described by APRA.

Total Capital Adequacy Ratio means at any time the ratio so described by APRA.

Trading Day means any day on which Ordinary Shares (i) are not suspended from trading on the ASX or such other principal exchange on which the Ordinary Shares are then listed and (ii) have traded at least once on such exchange.

TrUEPrS means the existing trust units (in the ANZ Exchangeable Preferred Trust) exchangeable for preference shares in ANZ issued in the United States under registration statements dated 8 July 1998 and 16 October 1998.

Trust Securities means the Trust Securities, as defined in the ANZ Capital Trust Declaration.

US dollars, US\$ and USD means the currency of the United States of America.

US Treasury Rate means the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable

Treasury Issue, calculated on the third Business Day preceding such Redemption Date assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

CONVERSION AND EXCHANGE AGREEMENT

Relating to Trust Securities of ANZ Capital Trust II

and the Units Corresponding Thereto

Dated as of November 26, 2003

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CONVERSION AND EXCHANGE AGREEMENT

This CONVERSION AND EXCHANGE AGREEMENT (the "Conversion and Exchange Agreement"), dated as of November 26, 2003, is executed and delivered by and among Australia & New Zealand Banking Group Limited (ABN 11 005 357 522), a bank incorporated in the Commonwealth of Australia and registered in Australia under the Corporations Act 2001 of Australia (the "Bank"), ANZ Capital LLC II, a Delaware limited liability company wholly owned by the Bank ("ANZ US Sub"), ANZ Capital Trust II (the "Trust"), a Delaware Statutory Trust, and The Bank of New York, a New York banking corporation, as trustee hereunder (the "Trustee").

WHEREAS, pursuant to a Purchase Agreement (the "Purchase Agreement"), dated November 19, 2003, among the Bank, Samson Funding Limited, a New Zealand limited liability company wholly owned by the Bank ("ANZ NZ Sub"), the Trust and the initial purchasers (the "Initial Purchasers") named therein, the Initial Purchasers have agreed to severally purchase from the Bank, subject to the terms and conditions stated therein, US\$750,000,000 aggregate principal amount of 5.36% Notes due 2053 to be issued by ANZ NZ Sub, pursuant to an indenture, dated as of November 26, 2003 (the "Indenture"), among ANZ NZ Sub, as issuer, the Bank, as guarantor, ANZ US Sub, as assignee pursuant to the Assignment (as defined below), and The Bank of New York, as indenture trustee, and fully and unconditionally guaranteed on a subordinated basis by the Bank (the "Notes");

WHEREAS, upon payment by ANZ US Sub of the assignment fee of US\$750,000,000 to the Initial Purchasers, all rights and interests in Notes will, pursuant to the assignment (the "Assignment") set forth in the Notes and the Indenture, be assigned to ANZ US Sub following the occurrence of a Conversion Event (as such term is defined in the Terms of Issue of the ANZ Preference Shares (as defined below)) with respect to the Units of which such Notes are a component;

WHEREAS, pursuant to the Purchase Agreement, the Initial Purchasers have agreed to severally purchase from the Bank, subject to the terms and conditions stated therein, 750,000 non-cumulative preference shares, liquidation preference US\$1,000 per share (the "ANZ Preference Shares");

WHEREAS, pursuant to the Purchase Agreement, the Initial Purchasers will deposit with the Trust 750,000 Units (the "Units"), each comprised of US\$1,000 aggregate principal amount of Notes and an ANZ Preference Share;

WHEREAS, pursuant to the Amended and Restated Declaration of Trust (the "Declaration"), dated as of November 26, 2003, among ANZ US Sub, the Bank, The Bank of New York (Delaware), as trustee of the Trust (the "Capital Trustee"), The Bank of New York, as paying agent and registrar and transfer agent, and the holders from time to time of the Trust Securities (as defined herein), the Trust is authorized to issue 750,000 Trust Securities, each corresponding to a Unit;

WHEREAS ANZ US Sub, as sponsor of the Trust, has agreed to enter into this Conversion and Exchange Agreement for the benefit of the holders of the Trust Securities and

any Units withdrawn from the Trust in accordance with the provisions of the Declaration and to thereby subject the Trust Securities and any such Units to the terms of this Conversion and Exchange Agreement; and

WHEREAS, for good and valid consideration, the sufficiency of which is acknowledged by the parties hereto, the parties hereto are entering into this Conversion and Exchange Agreement;

NOW, THEREFORE, for the mutual benefit of the parties hereto, each of the parties hereto undertakes to perform the obligations set forth herein upon the terms more fully set forth herein.

ARTICLE I INTERPRETATION AND DEFINITIONS

Section 1.1 Definitions.

Unless the context otherwise requires:

- (a) capitalized terms used in this Conversion and Exchange Agreement but not defined in the recitals hereto have the respective meanings assigned to them in this Section 1.1;
- (b) capitalized terms used in this Conversion and Exchange Agreement but not otherwise defined herein shall have the meanings assigned to them in the Declaration;
- (c) a term defined anywhere in this Conversion and Exchange Agreement, including the recitals, has the same meaning throughout;
- (d) all references to “the Conversion and Exchange Agreement” or “this Conversion and Exchange Agreement” are to this Conversion and Exchange Agreement as modified, supplemented or amended from time to time;
- (e) all references in this Conversion and Exchange Agreement to Articles and Sections are to Articles and Sections of this Conversion and Exchange Agreement, unless otherwise specified; and
- (g) a reference to the singular includes the plural and vice versa.

“*Acceleration Event*” means any of the following events:

- (a) a takeover bid (as defined in the Corporations Act), or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers, is at any time made to acquire more than 50% of the Bank’s outstanding Ordinary Shares and the offer is, or becomes, unconditional and:

- (i) the voting power of the offeror in the Bank is, or becomes, greater than 50%; or
 - (ii) the directors of the Bank issue a statement recommending acceptance of the offer; and
- (b) a court orders the convening of a meeting to consider approving a scheme of arrangement under Part 5.1 of the Corporations Act (or any successor sections of the Corporations Act relating to schemes of arrangement) which, when implemented, will result in a Person's voting power in the Bank being more than 50%.

"*Affiliate*" has the same meaning as given to that term in Rule 405 under the Securities Act or any successor rule thereunder.

"*ANZ Group*" means the Bank and its consolidated subsidiaries.

"*ANZ Preference Shares*" means the Non-cumulative Preference Shares, liquidation preference US\$1,000 per share, issued by the Bank in an aggregate liquidation preference of US\$750,000,000.

"*ANZ NZ Sub*" means Samson Funding Limited, a New Zealand limited liability company wholly owned by the Bank, and its successors and assigns.

"*ANZ US Sub*" means ANZ Capital LLC II, a Delaware limited liability company wholly owned by the Bank, and its successors and assigns.

"*APRA*" means the Australian Prudential Regulation Authority or such other governmental authority having primary regulatory authority with respect to the Bank's prudential regulation from time to time.

"*Assignment*" has the meaning specified in the Indenture, as amended or supplemented from time to time.

"*ASX*" means the Australian Stock Exchange or such other securities exchange as from time to time may become the principal exchange on which the Ordinary Shares are quoted.

"*ASX Business Rules*" means the business rules of the ASX from time to time.

"*Authorized Agent*" has the meaning specified in Section 10.8.

"*Authorized Officer*" means, with respect to the Bank, its Head of Finance, Group General Counsel, Group Treasurer and Group Company Secretary or such officers of equivalent status as may be designated from time to time by the Bank.

"*Bank*" means Australia & New Zealand Banking Group Limited (ABN 11 005 357 522), a bank incorporated in the Commonwealth of Australia and registered in Australia under the Corporations Act 2001 of Australia, and its successors and assigns.

“Bank Notice” has the meaning specified in Section 6.1.

“Banking Act” means the Banking Act of 1959 of Australia as amended from time to time, or any successor statute.

“Business Day” means any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in New York City, Melbourne, Australia or Auckland, New Zealand.

“Capital Trustee” means The Bank of New York (Delaware) and its successors and assigns.

“Cash or Exchange Conversion Event” means any Conversion Event (A) whereby the Preference Shares Redemption Price or liquidation preference shall be payable in respect of some or all of the ANZ Preference Shares, or (B) resulting from a Holder’s election to exchange Securities for Ordinary Shares pursuant to the provisions of Article VI hereof.

“Conversion Event” has the meaning specified in the Terms of Issue relating to the ANZ Preference Shares.

“Conversion Ratio” has the meaning specified in Section 6.2.

“Corporate Trust Office” means the principal trust office of the Trustee in the Borough of Manhattan, The City of New York, which office at the date hereof is located at 101 Barclay Street, Floor 22 West, New York, New York 10286, United States, Attention: Global Finance Unit.

“Corporations Act” means the Corporations Act 2001 of Australia as amended from time to time, or any successor statute.

“Covered Person” means any Holder or beneficial owner of Trust Securities or Units withdrawn from the Trust.

“Cum Value” has the meaning specified in Section 6.2.

“Declaration” has the meaning specified in the recitals hereto.

“Dividend Payment Date” has the meaning specified in the Terms of Issue relating to the ANZ Preference Shares as if a Conversion Event had occurred.

“Early Exchange Date” means the 30th Business Day immediately following an Acceleration Event.

“Event of Default” means a default by the Bank in the performance of any of its obligations pursuant to Article VI hereof.

“Exchange Notice” has the meaning specified in Section 6.1.

“*Final Notes Interest Payment*” means the amount (if any) payable under, and subject to the terms of, the Notes component of the Units if the Conversion Event with respect to such Units occurs on an Interest Payment Date.

“*Holder*” shall mean any holder of Securities, as registered on the books and records of (A) in the case of Trust Securities, the Trust and (B) in the case of any Units withdrawn from the Trust or ANZ Preference Shares following the occurrence of a Non-Cash or Exchange Conversion Event, the Bank or ANZ NZ Sub, as the case may be; *provided, however*, that, in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, “Holder” shall not apply to Securities beneficially owned by the Bank or any Affiliate of the Bank.

“*Indemnified Person*” means the Trustee, any Affiliate of the Trustee, or any officers, directors, shareholders, members, partners, employees or nominees of the Trustee.

“*Indenture*” has the meaning specified in the recitals hereto.

“*Initial Purchasers*” has the meaning specified in the recitals hereto.

“*Interest Payment Date*” has the meaning specified in the Notes and the Indenture.

“*Investment Company Act*” means the Investment Company Act of 1940, as amended from time to time, or any successor statute.

“*Judgment Currency*” has the meaning set forth in Section 10.4.

“*Make-Whole Redemption Price*” has the meaning specified in the ANZ Preference Shares.

“*Non-Cash or Exchange Conversion Event*” means any Conversion Event other than a Cash or Exchange Conversion Event.

“*Non-Payment Exchange Date*” has the meaning specified in Section 6.7.

“*Noon Buying Rate*” means, for any date, the noon buying rate in New York City on such date for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per Australian dollars.

“*Notes*” has the meaning specified in the recitals hereto.

“*Officers’ Certificate*” means, with respect to the Bank, a certificate signed by any two Authorized Officers. Any Officers’ Certificate delivered with respect to compliance with a condition or covenant provided for in this Conversion and Exchange Agreement shall include:

(a) a statement that each individual signing the Officers’ Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate are based;

(c) a statement that, in the opinion of each such individual, he or she has made such examination or investigation as, in such individual's opinion, is necessary to enable him or her, as the case may be, to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of legal counsel, who may be (i) a nationally recognized independent legal counsel in the United States employed by the Bank, (ii) Sullivan & Cromwell or (iii) such other nationally recognized independent legal counsel in the United States designated by the Bank who shall be reasonably acceptable to the Trustee.

"Ordinary Shares" means the ordinary shares of the Bank.

"Par Redemption Price" has the meaning specified in the ANZ Preference Shares.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preference Shares Redemption Price" means the amount payable by the Bank upon redemption of some or all of the ANZ Preference Shares in accordance with their terms.

"Purchase Agreement" has the meaning specified in the recitals hereto.

"Reference Period" has the meaning specified in Section 6.2.

"Relevant Corporation" has the meaning set forth in Section 10.3.

"Reserve Bank Act" means the Reserve Bank Act of 1959 of Australia, as amended from time to time, or any successor statute.

"Responsible Officer", when used with respect to the Trustee, means any officer within the corporate trust department (or any successor department) of the Trustee, including any Vice President, Assistant Vice President, Associate or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers, and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Conversion and Exchange Agreement.

“*Restrictions on Certain Payments*” shall mean the restrictions on certain payments set forth in Section 3.9 of the Terms of Issue following the Bank’s failure to pay a regular dividend on the ANZ Preference Shares on any Dividend Payment Date.

“*Securities*” means, (A) prior to a Non-Cash or Exchange Conversion Event, the Trust Securities and any Units withdrawn from the Trust, for all purposes under this Agreement acting as a single class of securities, and (B) following the occurrence of a Non-Cash or Exchange Conversion Event, the ANZ Preference Shares.

“*Securities Act*” means the Securities Act of 1933, as amended.

“*Specified Currency*” has the meaning specified in Section 10.4.

“*Successor Trustee*” means a successor Trustee possessing the qualifications to act as Trustee under Section 4.1.

“*Tax Act*” means (a) the Income Tax Assessment Act of 1936 of the Commonwealth of Australia or the Income Tax Assessment Act of 1997 of the Commonwealth of Australia, as the case may be, as amended and a reference to any section of the Income Tax Assessment Act of 1936 of the Commonwealth of Australia includes a reference to that section as rewritten in the Income Tax Assessment Act of 1997 of the Commonwealth of Australia; (b) any other tax act setting the rate of income tax payable; and (c) any regulation promulgated thereunder.

“*Terms of Issue*” means the terms of issue of the ANZ Preference Shares.

“*Trading Day*” means any day on which the Ordinary Shares (1) are not suspended from trading on the ASX or such other principal exchange on which the Ordinary Shares are then listed, and (2) have traded at least once on such exchange.

“*Trust*” has the meaning specified in the recitals hereto.

“*Trustee*” means The Bank of New York, a New York banking corporation, unless and until a Successor Trustee has been appointed and has accepted such appointment pursuant to the terms of this Conversion and Exchange Agreement and thereafter means each such Successor Trustee.

“*Trust Indenture Act*” means the Trust Indenture Act of 1939, as amended, as in force at the date hereof.

“*Trust Securities*” has the meaning specified in the Declaration.

“*Trust Unit Notes*” has the meaning specified in Section 5.2.

“*Trust Unit Preference Shares*” has the meaning specified in Section 5.2.

“*Units*” has the meaning specified in the recitals hereto.

“*Winding-Up*” has the meaning specified in the Notes and the Indenture.

“*Withdrawn Unit Notes*” has the meaning specified in Section 5.3.

“*Withdrawn Unit Preference Shares*” has the meaning specified in Section 5.3.

ARTICLE II EVENTS OF DEFAULT

Section 2.1 Events of Default; Waiver.

The Holders of a majority of the then outstanding Securities may, by vote, on behalf of all Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Conversion and Exchange Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

Section 2.2 Event of Default; Notice.

(a) The Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default actually known to a Responsible Officer of the Trustee, unless such defaults have been cured before the giving of such notice, provided that, except in the case of an Event of Default, the Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Trustee shall not be deemed to have knowledge of any Event of Default unless the Trustee shall have received written notice, or a Responsible Officer of the Trustee charged with the administration of this Agreement shall have obtained actual knowledge, of such Event of Default.

ARTICLE III POWERS, DUTIES AND RIGHTS OF THE TRUSTEE

Section 3.1 Powers and Duties of the Trustee.

(a) If an Event of Default actually known to a Responsible Officer of the Trustee has occurred and is continuing, the Trustee shall enforce this Conversion and Exchange Agreement for the benefit of the Holders.

(b) The Trustee, before the occurrence of any Event of Default, shall undertake to perform only such duties as are specifically set forth in this Conversion and Exchange Agreement, and no implied covenants shall be read into this Conversion and Exchange Agreement against the Trustee. If an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.1) and if the Trustee has knowledge thereof as provided in Section

2.2(b), the Trustee shall exercise such of the rights and powers vested in it by this Conversion and Exchange Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent individual would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Conversion and Exchange Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Conversion and Exchange Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Conversion and Exchange Agreement, and no implied covenants or obligations shall be read into this Conversion and Exchange Agreement against the Trustee; and

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Conversion and Exchange Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether they conform to the requirements of this Conversion and Exchange Agreement;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by any Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority of the then outstanding Trust Securities and any Units withdrawn from the Trust acting as a single class relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Conversion and Exchange Agreement; and

(iv) no provision of this Conversion and Exchange Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not assured to it under the terms of this Conversion and Exchange Agreement or indemnity, reasonably satisfactory to the Trustee, against such risk or liability is not reasonably assured to it.

Section 3.2 Certain Rights of the Trustee.

(a) Subject to the provisions of Section 3.1:

(i) The Trustee may conclusively rely and shall be fully protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties.

(ii) Any request or direction or act of the Bank contemplated by this Conversion and Exchange Agreement shall be sufficiently evidenced by an Officers' Certificate.

(iii) Whenever, in the administration of this Conversion and Exchange Agreement, the Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Bank.

(iv) The Trustee shall have no duty to see to any recording, filing or registration of any instrument (or any re-recording, re-filing or registration thereof).

(v) The Trustee may consult with counsel of its selection, and the advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion. Such counsel may be counsel to the Bank or any of its Affiliates and may include any of its employees. The Trustee shall have the right at any time to seek instructions concerning the administration of this Conversion and Exchange Agreement from any court of competent jurisdiction.

(vi) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Conversion and Exchange Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Trustee such security and indemnity, satisfactory to the Trustee, against the costs, expenses (including attorneys' fees and expenses and the expenses of the Trustee's agents, nominees or custodians) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Trustee.

(vii) The Trustee shall be under no obligation to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(viii) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, nominees, custodians or attorneys. The Trustee shall be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it hereunder.

(ix) Any action taken by the Trustee or its agents hereunder shall bind the Holders, and the signature of the Trustee or its agents alone shall be sufficient and effective to perform any such action. No third party shall be required to inquire as to the authority of the Trustee to so act or as to its compliance with any of the terms and provisions of this Conversion and Exchange Agreement, both of which shall be conclusively evidenced by the Trustee or its agent taking such action.

(x) Whenever in the administration of this Conversion and Exchange Agreement the Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Trustee (i) may request instructions from the Holders of a majority of the then outstanding Trust Securities and any Units withdrawn from the Trust as a single class, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (iii) shall be fully protected in conclusively relying on or acting in accordance with such instructions provided such actions are not otherwise expressly prohibited by the terms of this Conversion and Exchange Agreement.

(b) No provision of this Conversion and Exchange Agreement shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Trustee shall be construed to be a duty.

Section 3.3 Not Responsible for Recitals or Validity of the Conversion and Exchange Agreement.

The recitals contained in this Conversion and Exchange Agreement shall be taken as the statements of the Bank, and the Trustee does not assume any responsibility for their correctness. The Trustee makes no representation as to the validity or sufficiency of this Conversion and Exchange Agreement.

**ARTICLE IV
EXCHANGE TRUSTEE**

Section 4.1 Trustee; Eligibility.

- (a) There shall at all times be a Trustee which shall:
 - (i) not be an Affiliate of the Bank; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars (\$50,000,000), and subject to supervision or examination by federal, state, territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.1(a)(ii), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Trustee shall cease to be eligible to so act under Section 4.1(a), the Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Trustee has or shall acquire any “conflicting interest” within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and the Bank shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act as if it were applicable to this Conversion and Exchange Agreement. The Declaration and the Indenture shall be deemed to be specifically described in this Conversion and Exchange Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

Section 4.2 Appointment, Removal and Resignation of the Trustee.

(a) Subject to Section 4.2(b), the Trustee may be appointed or removed without cause at any time by the Bank except during an Event of Default.

(b) The Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Trustee and delivered to the Bank.

(c) The Trustee shall hold office until a Successor Trustee shall have been appointed or until its removal or resignation. The Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Trustee and delivered to the Bank, which resignation shall not take effect until a Successor Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Trustee and delivered to the Bank and the resigning Trustee.

(d) If no Successor Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery of an instrument of removal or resignation, the Trustee resigning or being removed may at the Bank’s expense petition any court of competent jurisdiction for appointment of a Successor Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Trustee.

(e) No Trustee shall be liable for the acts or omissions to act of any Successor Trustee.

(f) Upon termination of this Conversion and Exchange Agreement or removal or resignation of the Trustee pursuant to this Section 4.2, the Bank shall pay to the Trustee all amounts due to the Trustee accumulated to the date of such termination, removal or resignation, including any costs and expenses incurred by the Trustee in connection with such termination, removal or resignation.

ARTICLE V CONVERSION EVENT

Section 5.1 Conversion Event.

Upon the occurrence of a Conversion Event, the Note and ANZ Preference Share components of the Units with respect to which such Conversion Event occurs will immediately, in accordance with their respective terms and the terms of the Indenture, detach from one another and become separately transferable. In connection therewith, all rights and interests in the Notes comprising a component of such Units with respect to future payments shall vest in ANZ US Sub pursuant to the Assignment and thereafter such Notes will be null and void with respect to, and constitute no obligation of ANZ NZ Sub to, any party other than ANZ US Sub or any of its successors or assigns. In connection therewith, the Final Notes Interest Payment, if any, will be paid by ANZ NZ Sub or the Bank, as the case may be, in accordance with the terms of the Indenture and the Notes or the Bank's guarantee thereof.

Section 5.2 Trust Securities.

(a) With respect to any Units held in the Trust, immediately following the occurrence of a Conversion Event in respect of such Units, the Capital Trustee shall:

(1) transfer all Notes comprising a component of such Units (the "Trust Unit Notes") to ANZ US Sub pursuant to the Assignment;

(2) subject to Section 5.2(b), distribute the ANZ Preference Shares comprising a component of such Units (the "Trust Unit Preference Shares") to Holders of corresponding Trust Securities in redemption of such Trust Securities in accordance with the provisions of the Declaration; and

(3) distribute the Final Notes Interest Payment, if any, payable in respect of such Units in accordance with the provisions of the Declaration.

(b) Notwithstanding the provisions of Section 5.2(a)(2), if a Conversion Event is a Cash or Exchange Conversion Event, then the Capital Trustee shall distribute cash or Ordinary Shares, as the case may be, to holders of the Trust Securities entitled thereto in lieu of Trust Unit Preference Shares in accordance with the provisions of the Declaration.

Section 5.3 Units Withdrawn From the Trust.

(a) Immediately following the occurrence of a Conversion Event in respect of any Units withdrawn from the Trust, Holders of such Units shall:

(1) be deemed to have transferred all Notes comprising a component of such Units (the “Withdrawn Unit Notes”) to ANZ US Sub;

(2) subject to Section 5.3(b), retain the ANZ Preference Shares comprising a component of such Units (the “Withdrawn Unit Preference Shares”) in accordance with the provisions of the ANZ Preference Shares; and

(3) receive the Final Notes Interest Payment, if any, payable in accordance with the provisions of the Notes comprising a component of such Units.

(b) Notwithstanding the provisions of Section 5.3(a)(2), if a Conversion Event is a Cash or Exchange Conversion Event, then Holders of the Units to which such Conversion Event relates shall not be entitled to retain their Withdrawn Unit Preference Shares and shall only be entitled to receive the cash or Ordinary Shares, as the case may be, payable or deliverable in respect of such Withdrawn Unit Preference Shares.

ARTICLE VI EXCHANGE FOR ORDINARY SHARES

Section 6.1 Exchange Obligation.

(a) Subject to Section 6.1(b), if the Bank does not provide a redemption notice in respect of all of the ANZ Preference Shares on or prior to the 40th Business Day prior to December 15, 2013 or any subsequent Dividend Payment Date for redemption of the ANZ Preference Shares on such date, Holders whose Trust Securities or Units have not been called for redemption may, no earlier than 40 Business Days and no later than 30 Business Days prior to December 15, 2013 or each such subsequent Dividend Payment Date, as the case may be, deliver a notice (an “Exchange Notice”) to the Bank requiring it to exchange their Trust Securities or Units, as the case may be, for Ordinary Shares. The Bank shall provide notice (the “Bank Notice”) to Holders entitled thereto of their exchange rights no later than the 40th Business Day prior to December 15, 2013 and each such subsequent Dividend Payment Date, as the case may be, if and to the extent that the Bank does not provide a notice in respect of the redemption in whole of the ANZ Preference Shares on December 15, 2013 or such subsequent Dividend Payment Date. The Bank shall, pursuant to the provisions of this Article VI, exchange Trust Securities or Units in respect of which Exchange Notices are provided in accordance with the provisions of this Section 6.1.

(b) Notwithstanding the foregoing, if after December 15, 2013 the Bank shall provide a redemption notice in respect of all of the ANZ Preference Shares and the related redemption date shall be prior to a Dividend Payment Date, the Bank shall have no obligation to provide a Bank Notice in respect of such Dividend Payment Date, or to exchange Trust Securities or Units withdrawn from the Trust on such Dividend Payment Date, whether or not the Bank shall have previously provided a Bank Notice in respect of such Dividend Payment Date.

(c) If a Holder withdraws Units prior to any date on which a Holder is otherwise entitled to exchange Trust Securities for Ordinary Shares but after an Exchange Notice has been tendered to the Bank in respect of any such Trust Securities, the Exchange Notice

applicable to such Trust Securities shall automatically apply in respect of the Units so withdrawn from the Trust.

Section 6.2 Calculation of Number of Ordinary Shares Issuable Upon Exchange.

(a) Each ANZ Preference Share comprising a component of a Trust Security or Unit in respect of which an Exchange Notice has been given by a Holder shall, on December 15, 2013 or on a relevant Dividend Payment Date thereafter, in accordance with the Terms of Issue, convert into one Ordinary Share, and each such Holder shall be allotted, on such date, an additional number of Ordinary Shares for each such Trust Security or Unit, as the case may be, equal to one less than the Conversion Ratio, where the Conversion Ratio is calculated in accordance with the following formula:

$$\text{Conversion Ratio} = \text{US\$1,000} / [\text{USD-VWAP} - (\text{CD} \times \text{USD-VWAP})]$$

where:

(1) **USD-VWAP** means the simple average of the US dollar equivalents of VWAP for the 20 Trading Days immediately preceding December 15, 2013 or the relevant Dividend Payment Date thereafter, as the case may be;

(2) **CD** means a conversion discount of five percent;

(3) **VWAP** means, in respect of a Trading Day, the volume weighted average sale price of the Ordinary Shares sold on the ASX, or the principal securities exchange on which the Ordinary Shares are then listed, on such Trading Day, subject to Section 6.2(b); and

(4) **US dollar equivalent** means for any date, the Noon Buying Rate in New York City for cable transfers of Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York, expressed in US dollars per A\$1.00,

provided that, where the total number of additional Ordinary Shares to be allotted to an exchanging Holder in respect of the total number of Trust Securities or Units being exchanged includes fractions, that fraction will be disregarded.

(b) For the purposes of calculating VWAP in accordance with the provisions of Section 6.2(a):

(1) where, on some or all of the Trading Days in the period in which VWAP is being determined (the "Reference Period"), Ordinary Shares have been quoted on the ASX (or such other principal exchange on which the Ordinary Shares are then listed) as cum dividend or cum any other distribution or entitlement and Trust Securities or Units will be exchanged for Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement, then the VWAP on the Trading Days on which those Ordinary Shares have been quoted cum dividend or cum entitlement shall be reduced by an amount (the "Cum Value") equal to:

- (i) (in the case of a dividend or other cash distribution), the amount of that dividend or cash distribution including, if the dividend is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;
- (ii) (in the case of an entitlement which is traded on ASX or the other principal exchange on which the Ordinary Shares shall then be listed on any of those Trading Days), the volume weighted average price of all such entitlements sold on ASX or such other exchange during the Reference Period on the Trading Days on which those entitlements were traded; or
- (iii) (in the case of an entitlement not traded on ASX or such other principal exchange on which the Ordinary Shares shall then be listed during the Reference Period or a non-cash distribution), the value of the entitlement or non-cash distribution as reasonably determined in good faith by the Board of Directors of the Bank; and

(2) where, on some or all of the Trading Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and Trust Securities will be exchanged for Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Trading Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.

(3) the following sales shall be excluded from calculation: any transaction defined in the ASX Business Rules as “special”, crossings prior to the commencement of normal trading, crossings during the after hours adjust phase, crossings during the closing phase, overnight crossings and any overseas trades or the exercise of options over Ordinary Shares.

(4) where the Ordinary Shares are reconstructed, consolidated or reclassified (other than as specifically dealt with elsewhere) into a greater or lesser number of securities during the Reference Period (or prior to allotment of Ordinary Shares under this Agreement), VWAP shall, in good faith, be adjusted by the Board of Directors of the Bank as they consider appropriate.

(c) The Bank shall be responsible for all calculations made pursuant to this Section 6.2.

Section 6.3 Listing of Ordinary Shares

The Bank shall use its commercially reasonable best efforts to list the Ordinary Shares issuable upon exchange of Trust Securities or Units on the ASX or such other principal securities exchange on which the Ordinary Shares are then listed.

Section 6.4 Arranged Sales of Ordinary Shares.

The Bank shall reasonably endeavor to arrange for the sale of the Ordinary Shares for which Trust Securities or Units are exchanged on behalf of Holders. Holders who are qualified institutional buyers (within the meaning of Rule 144A under the Securities Act) or who are not US persons (within the meaning of Regulation S under the Securities Act) who wish to take delivery of the Ordinary Shares will be required to elect in their Exchange Notices not to participate in such sales and must specify an account to which such Ordinary Shares will be delivered. If it is necessary to do so at the time of the exchange in order to comply with any applicable securities laws, the Bank, in its sole discretion, may decide not to allow any Holder to make the foregoing election.

Section 6.5 Sale of Trust Securities or Units in Lieu of Exchange for Ordinary Shares.

Notwithstanding the foregoing, the Bank, in lieu of exchanging Trust Securities or Units, as the case may be, for Ordinary Shares, may fulfill its exchange obligations pursuant to this Article VI by arranging for the sale of the Trust Securities or Units in respect of which Exchange Notices have been received to purchasers (which may include the Bank or an entity controlled by the Bank, subject to any applicable legal restrictions or necessary regulatory approvals) for US\$1,000 per Trust Security or Unit, as the case may be, and by delivering the proceeds of such sales to Holders providing Exchange Notices. The Bank shall notify Holders of its election to fulfill its exchange obligations pursuant to this Section 6.5 in the Bank Notice provided pursuant to Section 6.1 hereof. If the Bank elects to fulfill its exchange obligation pursuant to this Section 6.5 but has not arranged for the sale of all of the Trust Securities and Units subject to Exchange Notices by the 25th Trading Day prior to December 15, 2013 or a relevant Dividend Payment Date thereafter, then the Bank shall nevertheless satisfy its exchange obligation with respect to those Trust Securities and Units on December 15, 2013 or the relevant Dividend Payment Date thereafter through the delivery of the number of Ordinary Shares set forth in Section 6.2 and shall provide notice of such to Holders of Trust Securities or Units no later than the 25th Business Day prior to December 15, 2013 or such Dividend Payment Date, as the case may be.

Section 6.6 Special Provisions Relating to Acceleration Events.

(a) In connection with the occurrence of an Acceleration Event and subject to the approval of APRA, if:

(1) the Bank does not provide a redemption notice in respect of all of the ANZ Preference Shares on or prior to the 25th Business Day prior to the Early Exchange Date for redemption of the ANZ Preference Shares in accordance with their terms; and

(2) the Bank does not amend the terms of this Conversion and Exchange Agreement in accordance with the provisions of Section 6.6(b) hereof,

then Holders may exchange their Trust Securities or Units, as the case may be, for Ordinary Shares as if the Bank did not arrange for the sale of the Trust Securities or Units in accordance with the provisions of Section 6.5 and otherwise as and to the extent set forth in this Article VI, except that:

- (i) all references to December 15, 2013 in this Article VI shall instead refer to the Early Exchange Date;
- (ii) the reference to US\$1,000 in the definition of the term "Conversion Ratio" set forth in Section 6.2 will instead refer to the Make-Whole Redemption Price as if the Early Exchange Date were a redemption date in respect of the ANZ Preference Shares;
- (iii) the Conversion Ratio will be determined by reference to the lesser of 20 Trading Days and the number of Trading Days that the Ordinary Shares are quoted for trading on the ASX or the principal securities exchange on which the Ordinary Shares are then listed after the occurrence of the Acceleration Event; and
- (iv) the Bank will be required to provide the Bank Notice to all Holders pursuant to Section 6.1 hereof no later than the 25th Business Day prior to the Early Exchange Date; and
- (v) the Holders of the Trust Securities or Units, as the case may be, may, no later than the 21st Business Day prior to the Early Exchange Date, deliver an Exchange Notice to the Bank.

(b) Notwithstanding the provisions of Section 6.6(a), upon the occurrence of an Acceleration Event, Holders will not be entitled to require the Bank to exchange their Trust Securities or Units upon the occurrence of an Acceleration Event in accordance with the provisions of Section 6.6(a) if the successor holding company, subject to compliance with applicable legal requirements and the obtaining of any necessary regulatory approvals (including from APRA), assumes all of the Bank's obligations pursuant to this Conversion and Exchange Agreement and amends the terms of this Conversion and Exchange Agreement to provide that Holders will be entitled to exchange their Trust Securities or Units for ordinary shares of the successor holding company on December 15, 2013 or on any subsequent Dividend Payment Date (or earlier upon the occurrence of an Acceleration Event with respect to such successor holding company).

Any such amendment may be effected without the consent of the Holders of the Trust Securities and Units withdrawn from the Trust only if:

- (1) the ordinary shares of the successor holding company of the ANZ Group are listed on an internationally recognized stock exchange;
- (2) such amendment would not cause the Trust to be deemed an investment company that is required to be registered under the Investment Company Act; and
- (3) such amendment would not otherwise adversely affect the interests of the Holders of the Trust Securities and Units withdrawn from the Trust.

(c) Notwithstanding the foregoing, this Conversion and Exchange Agreement may not be amended upon the occurrence of an Acceleration Event in accordance with the

provisions of this Section 6.6(b) unless the Bank has obtained an opinion of independent United States tax counsel to the effect that the Trust will not, as a result of that action, fail to be classified as a grantor trust for United States federal income tax purposes and that neither the Holders of any Trust Securities nor the Holders of any Units withdrawn from the Trust will, as a result of that action, recognize income or gain in respect of such securities for United States federal income tax purposes.

Section 6.7 Applicability of Exchange Provisions to ANZ Preference Shares Following Non-Cash or Exchange Conversion Event; Supplemental Exchange Rights.

(a) Following a Non-Cash or Exchange Conversion Event, the provisions of this Article VI shall apply in their entirety to all of the ANZ Preference Shares and the Holders of the ANZ Preference Shares and the Bank shall have all of the rights and obligations hereunder in respect of the ANZ Preference Shares as if the ANZ Preference Shares were the Trust Securities.

(b) Following a Non-Cash or Exchange Conversion Event, Holders of ANZ Preference Shares shall be entitled to require the Bank to exchange their ANZ Preference Shares for Ordinary Shares at any time during any period that ANZ shall remain subject to the Restrictions on Certain Payments because the Bank shall have failed to pay a regular dividend on the ANZ Preference Shares on a Dividend Payment Date. In connection with any such exchange, Holders of the ANZ Preference Shares may exchange their ANZ Preference Shares for Ordinary Shares as if the Bank did not arrange for the sale of the Trust Securities or Units in accordance with the provisions of Section 6.5 and otherwise as and to the extent set forth in this Article VI, except that:

- (i) all references to December 15, 2013 shall instead refer to the 35th Business Day following the date on which the Holder provides an Exchange Notice (the “Non-Payment Exchange Date”);
- (ii) the Bank will be required to provide the Bank Notice no later than the eighth Business Day on which the Bank shall have become subject to the Restrictions on Certain Payments; and
- (iii) Holders will be required to provide their Exchange Notices no later than the twelfth Business Day following the date on which the Bank shall have become subject to the Restrictions on Certain Payments.

(c) Notwithstanding the provisions of Section 6.7(b), if after December 15, 2013 the Bank shall provide a redemption notice in respect of all of the ANZ Preference Shares and the related redemption date is prior to the Non-Payment Exchange Date, the Bank shall have no obligation to provide a Bank Notice in respect of the period in which it is subject to the Restrictions on Certain Payments or to exchange ANZ Preference Shares on such Non-Payment Exchange Date, whether or not the Bank shall have previously provided a Bank Notice.

(d) If a Non-Cash or Exchange Conversion Event occurs prior to any date on which a Holder of Trust Securities or Units is otherwise entitled to exchange such Trust Securities or Units for Ordinary Shares but after an Exchange Notice has been tendered to the

Bank in respect of such Trust Securities or Units, as the case may be, the Exchange Notice applicable to the Trust Securities or Units will automatically apply in respect of the ANZ Preference Shares held by such Holder following such Conversion Event.

Section 6.8 Automatic Exchange of ANZ Preference Shares for Ordinary Shares of the Bank on December 15, 2053

On December 15, 2053, all ANZ Preference Shares (whether outstanding and separately transferable from the Notes as a result of the Conversion Event on the Business Day prior to December 15, 2053 or an earlier Conversion Event) shall automatically be exchanged for Ordinary Shares in accordance with the provisions of Section 6.5 and otherwise as and to the extent set forth in this Article VI, except that:

- (i) the Bank shall satisfy its exchange obligations through the delivery of Ordinary Shares and will not arrange for the sale of ANZ Preference Shares to third parties;
- (ii) the Exchange Notice need not be provided;
- (iii) all references to December 15, 2013 will instead refer to December 15, 2053; and
- (iv) the Conversion Ratio will be determined by reference to the 20 Trading Days prior to December 15, 2053.

**ARTICLE VII
LIMITATION OF TRANSACTIONS**

Section 7.1 Limitation of Transactions.

So long as any Securities remain outstanding, if an Event of Default has occurred and is continuing, unless the Holders of at least a majority of the then outstanding Securities otherwise consent, the Bank shall not:

- (a) declare or pay any dividends or distribution on any other of its shares or other instruments or securities that by their terms rank equally with or junior to the ANZ Preference Shares, other than proportionate payments on the ANZ Preference Shares and other instruments and securities that rank equally with the ANZ Preference Shares for dividends;
- (b) repurchase, redeem or otherwise acquire for value legal or beneficial ownership of any other of its shares or other instruments or securities that by their terms rank equally with or junior to the ANZ Preference Shares for a return of capital in a Winding-Up; or
- (c) set aside any sum or establish a sinking fund for the payment of any of the foregoing.

However, the foregoing restrictions shall not apply to:

(1) repurchases, redemptions or other acquisitions of shares of the Bank in connection with (A) any employment contract, employee share scheme, benefit plan or other similar plan or arrangement with or for the benefit of any one or more employees, officers, directors or consultants of the Bank or any Affiliate of the Bank, (B) a dividend reinvestment plan or shareholder share purchase plan or (C) the issuance of shares of the Bank, or securities convertible into or exercisable for such shares, as consideration in an acquisition transaction entered into prior to such occurrence;

(2) an exchange, redemption or conversion of any class or series of the Bank's shares, or any shares of a subsidiary of the Bank, for any class or series of the Bank's shares, or of any class or series of the Bank's indebtedness for any class or series of the Bank's shares;

(3) the purchase of fractional interests in shares of the Bank under the conversion or exchange provisions of the shares or the security being converted or exchanged;

(4) any payment or declaration of a dividend in connection with any shareholder's rights plan, or the issuance of rights, shares or other property under any shareholder's rights plan, or the redemption or repurchase of rights pursuant to such plan; or

(5) any dividend in the form of shares, warrants, options or other rights where the dividend shares or the shares issuable upon exercise of such warrants, options or other rights are the same class or series of shares as those on which the dividend is being paid or rank *pari passu* with or junior to those shares.

ARTICLE VIII GENERAL PROVISIONS

Section 8.1 Rights of Holders.

(a) The Holders of a majority of the outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or to direct the exercise of any trust or power conferred upon the Trustee under this Conversion and Exchange Agreement.

(b) If the Trustee fails to enforce its rights under this Conversion and Exchange Agreement after a Holder has made a written request and the Bank has not performed any of its duties under this Conversion and Exchange Agreement, the Holder may institute a legal proceeding directly against the Bank to enforce the Trustee's rights under this Conversion and Exchange Agreement, without first initiating a legal proceeding against the Trustee or any other person or entity.

Section 8.2 Termination

This Conversion and Exchange Agreement shall terminate upon, and be of no further force and effect from, the earliest of (i) full payment of the Preference Shares Redemption Price for all ANZ Preference Shares, (ii) full payment of the amounts payable in respect of the ANZ Preference Shares upon liquidation of the Bank, and (iii) the fulfillment by

the Bank of all of its obligations pursuant to the terms of Article VI hereof following an exchange pursuant to which no ANZ Preference Shares shall remain outstanding.

ARTICLE IX INDEMNIFICATION

Section 9.1 Exculpation.

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Bank or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Conversion and Exchange Agreement and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Conversion and Exchange Agreement or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Bank and upon such information, opinions, reports or statements presented to the Bank by any Person.

Section 9.2 Indemnification.

To the fullest extent permitted by applicable law, the Bank agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without gross negligence, bad faith or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 9.2 shall survive the termination of this Conversion and Exchange Agreement or the earlier resignation or removal of the Trustee.

ARTICLE X MISCELLANEOUS

Section 10.1 Successors and Assigns.

All agreements contained in this Conversion and Exchange Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Bank and shall inure to the benefit of the current Holders. Except in connection with a transaction permitted in accordance with the provisions of Section 10.3 hereof, the Bank may not assign its rights or delegate its obligations under this Conversion and Exchange Agreement without the prior approval of the Holders of at least a majority of the Securities then outstanding.

Section 10.2 Amendments.

Except with respect to any changes that do not materially adversely affect the rights of Holders or as otherwise set forth herein, in which case no action shall be required, this Conversion and Exchange Agreement may be amended only with the prior approval of the Holders of at least a majority of the Securities then outstanding; provided that no amendment shall be made if such amendment would (i) cause the Trust to fail to be classified as a grantor trust for United States federal income tax purposes, (ii) require the Trust to register as an investment company under the Investment Company Act or (iii) affect the treatment by APRA of the Securities as Tier 1 regulatory capital the Bank, unless APRA consents to the amendment. The provisions of the Declaration with respect to meetings of the Holders of the Trust Securities, the provisions of the Indenture with respect to meetings of holders of Notes and the provisions of the Terms of Issue of the ANZ Preference Shares relating to meetings of holders of ANZ Preference Shares apply to the giving of such approval and the giving of the consent referred to in Section 7.1.

The Bank may not amend this Conversion and Exchange Agreement to remove the rights of Holders of the Securities in Article VIII to institute a direct action, to remove the rights of holders of Trust Securities in Article V to receive ANZ Preference Shares following a Non-Cash or Exchange Conversion Event or to remove the rights of Holders in Article VI to receive Ordinary Shares or the proceeds from the sale of such Ordinary Shares in accordance with such Article without the prior written consent of all the Holders of the Securities.

Section 10.3 Consolidations, Mergers and Sale of Assets.

The Bank may not merge or consolidate with or into any other Person or sell, convey or transfer all or substantially all of its assets to any Person, unless and to the extent permitted by applicable law: (a) (i) in the case of such merger or consolidation, the Bank is the surviving Person or (ii) the Person formed by such consolidation, into which the Bank is merged, or the Person which acquires by sale, conveyance or transfer, the assets of the Bank is entitled to carry on its business and expressly agrees to assume all the obligations of the Bank under this Conversion and Exchange Agreement, including, but not limited to, the obligation to issue ordinary shares on the terms set forth in Article VI hereof, (b) if the Person formed by the consolidation or into which the Bank is merged or the Person that acquires by sale, conveyance or transfer, the assets of the Bank (the "Relevant Corporation") is not organized under the laws of the Commonwealth of Australia or any political subdivision of Australia, (i) the successor corporation expressly agrees to indemnify each holder of Trust Securities, Units and ANZ Preference Shares against any tax, assessment or governmental charge required to be withheld or deducted from any payment to such holder as a consequence of such merger, consolidation, sale, conveyance or transfer and (ii) if the Relevant Corporation is not organized under the laws of the Commonwealth of Australia or any State in the United States of America, the merger, consolidation, sale, conveyance or transfer does not (A) result in a downgrade of the rating assigned by any "nationally recognized statistical rating agency" (as that term is defined for purposes of the Securities Act) to the Trust Securities, the Units, the ANZ Preference Shares or any other securities of the Bank then rated by any such agency or (B) cause any such agency to publicly announce that it has the Trust Securities, Units or ANZ Preference Shares or any other securities of the Bank under surveillance or review for possible downgrade, (c) immediately

thereafter, giving effect to such merger or consolidation, or such sale, conveyance or transfer, no Event of Default shall have occurred and be continuing and (d) the Bank shall have delivered to the Trustee an Opinion of Counsel stating that (i) such merger, consolidation, sale, conveyance or transfer complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with and (ii) such merger, consolidation, sale, conveyance or transfer will not require the Trust to register as an investment company under the Investment Company Act. In the event of the assumption by a successor Person of the obligations of the Bank as provided in clause (a)(ii) of the immediately preceding sentence, such successor Person shall succeed to and be substituted for the Bank hereunder and all such obligations of the prior Bank shall terminate.

Section 10.4 Judgment Currency Indemnity.

The Bank shall indemnify the Trustee and any Holder of Securities against any loss incurred by the Trustee or such Holder, as the case may be, as a result of any judgment or order being given or made for any amount due under this Conversion and Exchange Agreement or the Trust Securities and such judgment or order being expressed and paid in a currency (the "Judgment Currency") other than the currency in which such Securities are denominated or payable, as the case may be (the "Specified Currency"), and as a result of any variation as between (a) the rate of exchange at which the Specified Currency amount is converted into the Judgment Currency for the purpose of such judgment or order and (b) the spot rate of exchange in The City of New York at which the Trustee or such Holder, as the case may be, on the date of payment of such judgment or order is able to purchase the Specified Currency with the amount of the Judgment Currency actually received by the Trustee or such Holder. The foregoing indemnity shall constitute a separate and independent obligation of the Bank and shall continue in full force and effect notwithstanding any such judgment or order as aforesaid. The term "spot rate of exchange" shall include any premiums and costs of exchange payable in connection with the purchase of, or conversion into, the Specified Currency.

Section 10.5 Notices.

All notices provided for in this Conversion and Exchange Agreement shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) If given to the Trustee, at the Trustee's Corporate Trust Office, with a copy to: The Bank of New York, #02-01 Millenia Tower, One Temasek Avenue, Singapore 039192, Attention: Global Trust Services, Telecopy: +65-6432-0286.

(b) If given to the Bank, at the Bank's mailing address set forth below (or such other address as the Bank may give notice of to the Holders of the Trust Securities):

Australia & New Zealand Banking Group Limited
100 Queen Street
Melbourne, Victoria, 3000
Australia

Attention: Group General Counsel & Company Secretary
Telecopy: +61-3-9605-3488

(c) If given to any Holder, at the address set forth on the books and records of the Trust or, with respect to any Units withdrawn from the Trust or any ANZ Preference Shares following the Non-Cash or Exchange Conversion Event, at the address set forth on the books and records of the Bank in respect of the ANZ Preference Shares.

(d) If given to the Trust, at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

ANZ Capital Trust II
c/o The Bank of New York
(Delaware)
700 White Clay Center
Newark, Delaware 19711
United States
Attention: Corporate Administration and Compliance
Telecopy: (302) 283-8279

(e) If given to ANZ US Sub, at ANZ US Sub's mailing address set forth below (or such other address as ANZ US Sub may give notice of to the Bank or the Trust):

ANZ Capital LLC II
c/o Australia & New Zealand Banking Group Limited
100 Queen Street
Melbourne, Victoria, 3000
Australia
Attention: Group General Counsel & Company Secretary
Telecopy: +61-3-9605-3488

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given in accordance with this Section 10.5, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 10.6 Benefit.

This Conversion and Exchange Agreement is solely for the benefit of the Holders and the parties hereto in connection with the issuance of the Securities and, subject to Section 3.1(a), is not separately transferable from the Trust Securities.

Section 10.7 Governing Law.

THIS CONVERSION AND EXCHANGE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH,

THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES THEREOF.

Section 10.8 Submission to Jurisdiction; Appointment of Agent for Service of Process.

The Bank hereby appoints the Chief Operating Officer, Australia and New Zealand Banking Group Limited, New York branch, at 1177 Avenue of the Americas, Level 6 New York, New York 10036 as its authorized agent (the "Authorized Agent") upon which process may be served in any legal action or proceeding against it with respect to its obligations under this Conversion and Exchange Agreement (including, without limitation, any action based on or arising out of the United States federal securities law), instituted in any federal or state court in the Borough of Manhattan, The City of New York, by the Trustee or any Holder, and the Bank hereby expressly accepts the jurisdiction of any such court in respect of any such action. The Bank hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding and any objection to such suit, action or proceeding whether on the grounds of venue, residence or domicile. A final judgment (that is a judgment obtained after exhaustion of all appeals and expiration of all time to appeal) in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Chief Operating Officer, Australia and New Zealand Banking Group Limited, New York branch, hereby accepts such appointment, which shall be irrevocable unless and until the appointment of a successor authorized agent for service of process, and such successor's acceptance of such appointment, shall have occurred, and the Bank and such Authorized Agent shall take any and all actions, including the filing of any and all documents and instruments, that may be necessary to continue such appointment or appointments in full force and effect as aforesaid. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Bank. Notwithstanding the foregoing, any action against the Bank arising out of or based on this Conversion and Exchange Agreement may also be instituted by any Holder in any court in the Commonwealth of Australia, and the Bank hereby expressly accepts the jurisdiction of any such court in respect of any such action.

Section 10.9 Waiver of Sovereign Immunity.

To the extent that the Bank or any properties, assets or revenues of the Bank may have or may hereafter become entitled to, or have attributed to it, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any thereof, from setoff or counterclaim, from the jurisdiction of any court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution or judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any jurisdiction in which proceedings may at any time be commenced, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with this Conversion and Exchange Agreement, the Bank, to the extent permitted by applicable law, hereby irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity and consent to such relief and enforcement, *provided, however*, that nothing herein shall affect the applicability of:

(i) Section 13A of the Banking Act, which provides that in the event of a bank such as the Bank becoming unable to meet its obligations or suspending payment thereof, the assets of such bank in the Commonwealth of Australia shall be available to meet its deposit liabilities in the Commonwealth of Australia in priority to all other liabilities of such bank;

(ii) Section 86 of the Reserve Bank Act, which provides, in a winding-up of a bank, that debts due to the Reserve Bank of Australia by a bank such as the Bank shall, subject to Section 13A of the Banking Act, have priority over all other debts of such bank other than debts to the Commonwealth of Australia; and

(iii) Section 16 of the Banking Act, which provides, in a winding-up of a bank such as the Bank, that, subject to Section 13A of the Banking Act, debts due to APRA have priority over all other unsecured debts of the bank.

Section 10.10 Payment of Stamp Taxes.

The Bank shall pay or discharge or cause to be paid or discharged all stamp and similar taxes, if any, that may be imposed by the Commonwealth of Australia or any political subdivision or taxing authority thereof or therein with respect to the execution or delivery of this Conversion and Exchange Agreement.

Section 10.11 Counterparts.

This Conversion and Exchange Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one instrument.

Section 10.12 Legal Holidays.

If any specified date (including a date for giving notice) on which action is to be taken under this Conversion and Exchange Agreement is not a Business Day, the action shall be taken on the next succeeding day that is a Business Day.

[SIGNATURE PAGE FOLLOWS]

THIS CONVERSION AND EXCHANGE AGREEMENT is executed as of the day and year first above written.

AUSTRALIA & NEW ZEALAND BANKING
GROUP LIMITED

By: _____
Name:
Title:

By: _____
Name:
Title:

ANZ CAPITAL LLC II

By: _____
Name:
Title:

By: _____
Name:
Title:

ANZ CAPITAL TRUST II
By: ANZ Capital LLC II, as Sponsor

By: _____
Name:
Title:

By: _____
Name:
Title:

THE BANK OF NEW YORK,
as Trustee

By: _____
Name:
Title: