

CPS3 Offer

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

August 2011

Convertible Preference Shares (“CPS3”) Offer



Disclaimer

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") is the proposed issuer of the ANZ convertible preference shares ("CPS3").

A public offer of CPS3 will be made by ANZ pursuant to a Prospectus under Part 6D.2 of the Corporations Act. A Prospectus has been lodged with the Australian Securities and Investments Commission on or about 23 August 2011. A Replacement Prospectus with the Margin determined after the Bookbuild will be lodged on or about 31 August 2011. The Prospectus is available (and the Replacement Prospectus will be available) on ANZ's website, www.CPS3Offer.anz.com. Applications for CPS3 can only be made on the application form accompanying the Prospectus. Before making an investment decision you should read the Prospectus in full and consult with your broker or other professional adviser as to whether CPS3 is a suitable investment having regard to your particular circumstances. This document is not a Prospectus under Australian law and does not constitute an invitation to subscribe for or buy any securities or an offer for subscription or purchase of any securities or a solicitation to engage in or refrain from engaging in any transaction. It is also not financial product advice, and does not take into account your investment objectives, financial situation or particular needs.

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CPS3 – Offer Summary

Offer	• Offer by Australia and New Zealand Banking Group Limited (“ANZ”) of convertible preference shares (“CPS3”)
Offer size	• \$750 million with the ability to raise more or less
Purpose	• CPS3 are being offered as part of ANZ’s ongoing capital management strategy, with the CPS3 proceeds being used for general corporate purposes • CPS3 will constitute Residual Tier 1 Capital under APRA’s current capital adequacy standards and will be eligible for transitional treatment as Additional Tier 1 Capital when those standards are updated as part of the Basel 3 reforms
Offer structure	• The Offer is being made to: • eligible ANZ Securityholders; • members of the general public who are Australian residents; • clients of syndicate brokers; and • institutional investors • ANZ Securityholders are holders of ANZ Ordinary Shares or holders of CPS1 or CPS2, shown on the register at 7:00pm AEST on 3 August 2011 with a registered address in Australia

CPS3 – Offer Summary (cont.)

Issue Price	• \$100 per CPS3
Listing	• ANZ will apply to have CPS3 quoted on ASX and CPS3 are expected to trade under ASX code 'ANZPC'
Conversion & Exchange	• CPS3 are perpetual and do not have a fixed maturity date • CPS3 <u>will</u> Mandatorily Convert on 1 September 2019 (subject to the Mandatory Conversion Conditions being satisfied) unless Exchanged earlier • ANZ <u>may</u> elect to Exchange CPS3 on 1 September 2017 or any Dividend Payment Date thereafter (subject to certain conditions) • ANZ <u>may</u> elect to Exchange CPS3 following a Tax, Regulatory or Acquisition Event and <u>will</u> Exchange CPS3 following a Change of Control Event (but may not Redeem within 5 years of issue for an Acquisition or Change of Control Event) (subject to certain conditions) • CPS3 <u>will</u> convert following a Common Equity Capital Trigger Event
Ranking	• On a winding-up of ANZ, CPS3 rank for payment: • ahead of ANZ Ordinary Shares, • equally with CPS1, CPS2 and the preference shares comprised in the 2003 Trust Securities, 2004 Trust Securities and 2007 Stapled Securities and any other equal ranking instruments; and • behind senior ranking securities, depositors and other creditors of ANZ

Comparison to other ASX listed ANZ Tier 1 hybrids

	CPS3	CPS2	CPS1
ASX code	• ANZPC	• ANZPA	• ANZPB
Margin	• Expected to be 3.10% to 3.30% p.a.	• 3.10% p.a.	• 2.50% p.a.
Nature of dividends	• Frankable & preferred • Semi-annual floating rate • Non-cumulative	• Frankable & preferred • Quarterly floating rate • Non-cumulative	• Same as for CPS2
Dividend restriction if dividend not paid	• Dividend restriction reflects APRA's new requirements and now only applies: • to ANZ Ordinary Shares; and • until the next Dividend Payment Date (i.e. for 6 months). • No optional dividends	• Restriction on equal or junior ranking instruments, unless consecutive dividends paid for 12 months • Optional dividends	• Same as for CPS2
Mandatory conversion date	• 1 September 2019	• 15 December 2016	• 16 June 2014
Conversion discount	• 1.00%	• 1.00%	• 2.50%
Issuer Exchange on an Optional Exchange Date	• ANZ rights for early Exchange (Redemption or Conversion) from 1 September 2017 or any Dividend Payment Date thereafter	• N/A	• N/A
Common Equity Capital Trigger Event	• New feature required by APRA • Occurs if ANZ's Common Equity Capital Ratio declines to, or less than, 5.125% • Mandatory conversion into a variable number of ANZ Ordinary Shares subject to the Maximum Conversion Number¹ based on an ANZ Ordinary Share price equal to 50% of Issue Date VWAP	• N/A	• N/A
ANZ Ordinary Share price threshold for first mandatory condition	• 56% of Issue Date VWAP (~\$10.9200)² • Issue Date VWAP adjustments are limited to certain capital reconstructions, and pro rata bonus issues, of ANZ Ordinary Shares (but not for rights issues)	• \$12.2081 • More Issue Date VWAP adjustments, including most pro rata issues	• \$9.7160 • Same as CPS2

Notes: 1. The Maximum Conversion Number would be 10.2564 ANZ Ordinary Shares per CPS3 based on an assumed Issue Date VWAP of \$19.50 (being the ANZ Ordinary Share price on 19 August 2011) and may be adjusted.
2. The ANZ Ordinary Share price threshold is based on an assumed Issue Date VWAP of \$19.50 and may be adjusted.



CPS3 Key Features: Dividends

Dividends	• Preferred non-cumulative dividends based on a floating rate (180 Day BBSW) • Expected to be fully or substantially franked • If a Dividend is not franked or only partially franked, the cash Dividend will be increased to compensate holders for the unfranked portion of the Dividend, subject to payment tests. • Dividends are payable six-monthly in arrears on 1 March and 1 September, subject to directors' discretion and other payment tests
Dividend Rate	• Dividend Rate = (180 day BBSW + margin) x (1 – corporate tax rate) • Margin expected to be in the range of 3.10% to 3.30% per annum
Dividend Restriction	• If a Dividend has not been paid in full on a Dividend Payment Date, ANZ must not, without approval of a special resolution of CPS3 Holders, until and including the next Dividend Payment Date (i.e. for the next 6 months): • declare or pay a dividend or make any distribution on ANZ Ordinary Shares; or • buy back or reduce capital on ANZ Ordinary Shares • Limited exceptions apply

CPS3 Key Features: Mandatory Conversion

Mandatory Conversion	On 1 September 2019, CPS3 will Mandatorily Convert into a variable number of ANZ Ordinary Shares at a 1.00% discount to the 20 day VWAP, subject to the Mandatory Conversion Conditions being satisfied, unless Exchanged earlier or Converted following a Common Equity Capital Trigger Event
Mandatory Conversion Conditions	- The VWAP on the 25th business day before (but not including) a possible Mandatory Conversion Date is greater than 56.00% of the Issue Date VWAP - The VWAP during the 20 business days before (but not including) a possible Mandatory Conversion Date is greater than 50.51% of the Issue Date VWAP - ANZ Ordinary Shares remain listed and admitted to trading and trading has not been suspended for 5 consecutive Business Days before, and is continuing on, the Mandatory Conversion Date.
Intention of Mandatory Conversion Conditions	- The first and second Mandatory Conversion Conditions are intended to prevent CPS3 holders from receiving less than \$101.01 worth of ANZ Ordinary Shares per CPS3 on the Mandatory Conversion Date¹ - Do not apply where there is a Common Equity Capital Trigger Event
Deferral of Conversion	If any of the Mandatory Conversion Conditions are not satisfied with respect to 1 September 2019, the Mandatory Conversion Date will be deferred until the next Dividend Payment Date on which all of the Mandatory Conversion Conditions are satisfied

Notes: 1. Based on the VWAP during the 20 business days before the Mandatory Conversion Date. This VWAP may differ from the ANZ Ordinary Share price on or after the Mandatory Conversion Date

CPS3 Key Features: Common Equity Capital Trigger Event

Common Equity Capital Ratio	• ANZ's Common Equity Capital Ratio is the ratio of Tier 1 Capital, excluding all Residual Tier 1 Capital, to the risk weighted assets of the ANZ Level 2 Group, as prescribed by APRA • The calculation of the Common Equity Capital Ratio will change when APRA adopts Basel 3, potentially from 1 January 2013, however the revised calculation has not been finalised
Common Equity Capital Trigger Event	• A Common Equity Capital Trigger Event will occur if: • ANZ's Common Equity Capital Ratio (as reported in its most recent disclosure) declines to or below 5.125%; or • ANZ determines, or APRA has notified ANZ in writing, that it believes that ANZ's Common Equity Capital Ratio is equal to or less than 5.125% • This is a new APRA requirement for CPS3 to be treated as Residual Tier 1 Capital
Conversion	• Following a Common Equity Capital Trigger Event, CPS3 will convert into a variable number of ANZ Ordinary Shares at a 1% discount to VWAP in the 5 day period prior to the date for conversion, but cannot be more than the Maximum Conversion Number • Conversion will occur at the earliest date allowable under the ASX Listing Rules • The Mandatory Conversion Conditions do not apply following a Common Equity Capital Trigger Event • The application of the Maximum Conversion Number may mean that CPS3 holders receive significantly less than \$101.01 worth of ANZ Ordinary Shares per CPS3 upon Conversion following a Common Equity Capital Trigger Event
Maximum Conversion Number	• The number of ANZ Ordinary Shares per CPS3 that CPS3 Holders are issued on Conversion may not be greater than the Maximum Conversion Number. The Maximum Conversion Number is the CPS3 Issue Price (\$100) divided by 50% of the Issue Date VWAP (as adjusted in limited circumstances)

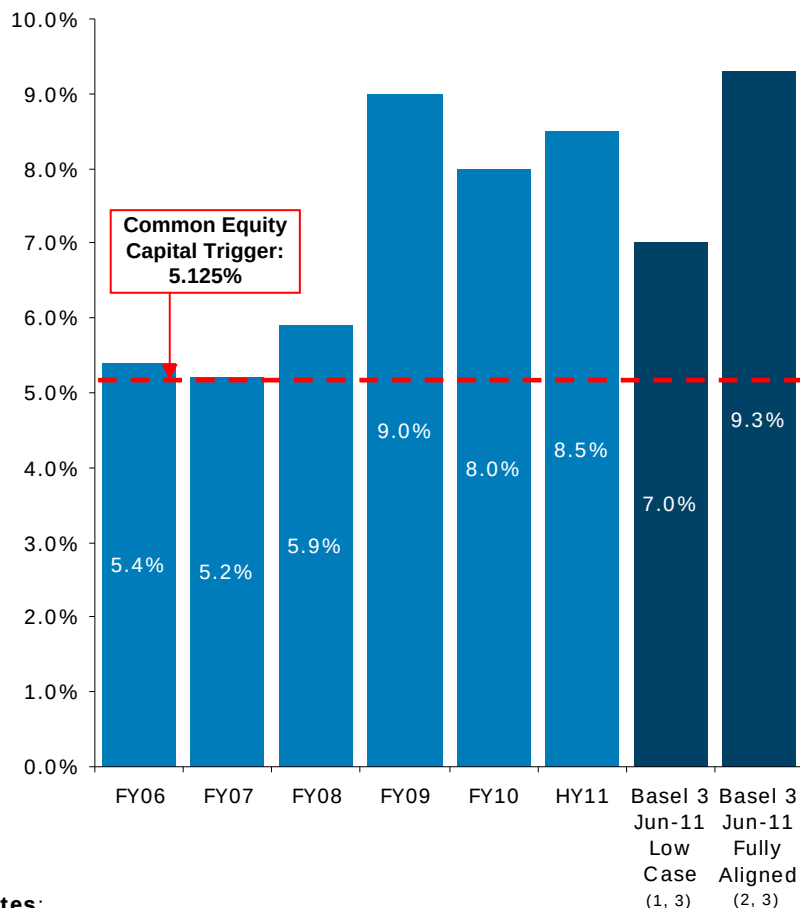
CPS3 Key Features: Exchange

Optional Exchange Date	ANZ <u>may</u> choose to Exchange all or some CPS3 on issue on 1 September 2017 and each Dividend Payment Date thereafter
Regulatory, Tax or Acquisition Event	ANZ <u>may</u> choose to Exchange all or some CPS3 if a Regulatory Event or a Tax Event occurs and all (but not some) CPS3 if an Acquisition Event occurs
Change of Control Event	CPS3 <u>must</u> be Exchanged if a Change of Control Event occurs
Exchange	- Subject to APRA's prior written approval and provided certain conditions are satisfied, ANZ may or must (as appropriate) Exchange CPS3 via: - Conversion into ANZ Ordinary Shares worth ~ \$101.01¹ per CPS3; - Redemption for \$100 per CPS3; or - A combination of the above, - In the case of an Acquisition or Change of Control Event, ANZ cannot elect Redemption as a method of Exchange unless the event occurs on or after 28 September 2016 - Key conditions to Redemption are: - CPS3 being replaced concurrently or beforehand with Tier 1 Capital of the same or better quality; or - APRA is satisfied that ANZ's capital position is well above its minimum capital requirements after ANZ elects to Redeem the CPS3
Holder Exchange	Holders do not have the right to request Exchange

Notes: 1. Based on the VWAP during the 20 business days before the Mandatory Conversion Date. This VWAP may differ from the ANZ Ordinary Share price on or after the Mandatory Conversion Date



Common Equity Capital Ratio



Notes:

1. Includes 100% Common Equity deduction for Insurance Subs, Banking Associates, ELvEP, and higher market and credit risk weighted assets (RWA)
2. Fully aligned to Basel 3 for capital deductions and RWA calculation (IRRBB and Mortgage LGDs)
3. Basel 3 ratios are estimates based on ANZ's interpretation of Basel 3 principles and are subject to APRA clarification. Excludes RWA impact of Basel 3 liquidity reforms.

- Key focus of Basel 3 reforms is to strengthen the Common Equity (Core Tier 1) capital base for banks
- These reforms call for financial regulators to phase in an increase in the Common Equity Capital Ratio (CECR) requirements from 2013 to 2019 from 3% to >7%, comprising:
 - 4.5% minimum; plus
 - 2.5% capital conservation buffer; plus
 - potential for other prudential capital buffers in addition to any management buffer
- While APRA is yet to release the Basel 3 capital rules, including any detail regarding the implementation timetable:
 - In response to the GFC, ANZ has increased CECR to 8% - 9% range since Sept-08
 - ANZ expects that it would target to operate with a CECR in excess of 7%*
 - A CECR of 7% is equivalent to ~\$5bn in excess capital to the 5.125% Common Equity Capital Trigger (based on June-11 risk weighted assets of \$268bn)

* ANZ gives no assurance as to what its CECR will be at any time as it may be significantly impacted by unexpected events affecting its business, operations and financial condition.



Key dates for the Offer

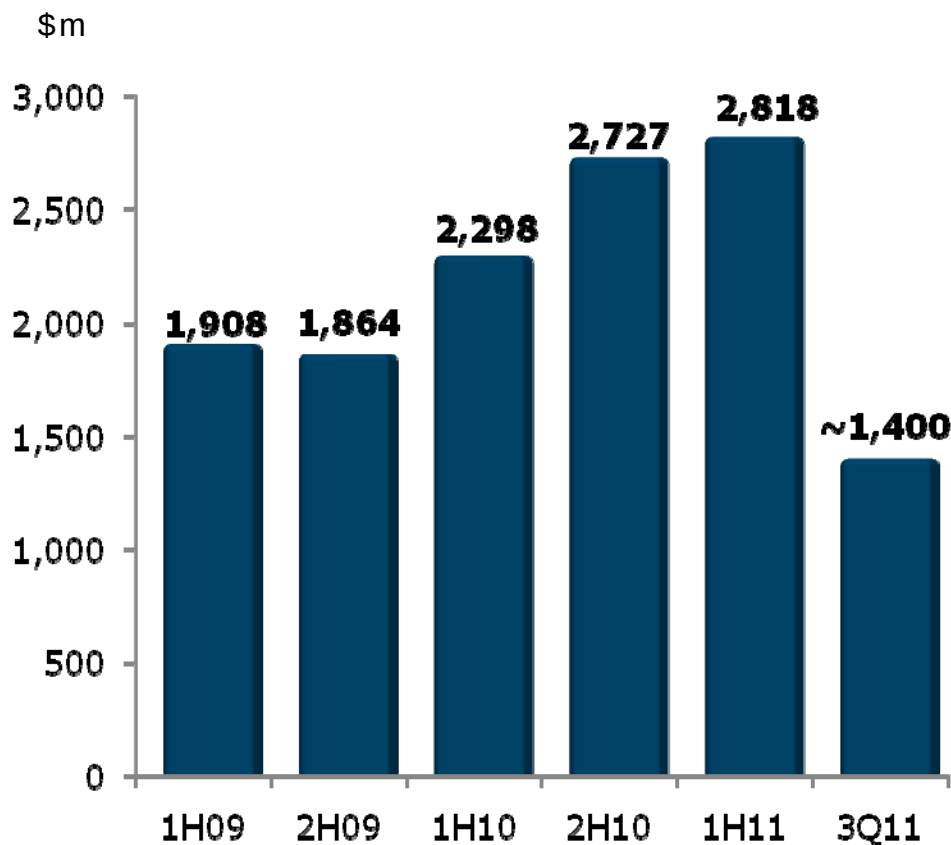
	Date ¹
Lodgement of Initial Prospectus with ASIC	23 August 2011
Bookbuild to determine the Margin	30 August 2011
Announcement of Margin and lodgement of Replacement Prospectus with ASIC	31 August 2011
Opening Date	31 August 2011
Closing Date for ANZ Securityholder Offer and General Offer (by 5.00pm AEST)	21 September 2011
Closing Date for Broker Firm Offer (by 10.00am AEST)	27 September 2011
Issue Date	28 September 2011
CPS3 commence trading on ASX (deferred settlement basis)	29 September 2011
Holding Statements despatched by	3 October 2011
CPS3 commence trading on ASX (normal settlement basis)	5 October 2011
First semi-annual Dividend Payment Date	1 March 2012
First Optional Exchange Date	1 September 2017
Mandatory Conversion Date	1 September 2019

Notes: 1. The key dates for the Offer are indicative only and may change without notice

**Trading update
for 9 months to 30th June**

ANZ released Q3 trading update on 19th August

Underlying Profit



Highlights:

- YTD (9 months to end June) Underlying profit after tax¹ up 16.1% pc
- YTD Deposit growth exceeded loan growth by \$14b
- Group margin (ex Markets) up 2bps from 1H11
- Provision coverage² at June 11 strong at 2.06%

Key movements in Q3 v Q2:

- Impaired assets down \$260m
- Provision charge down 10.3%
- Underlying profit after tax up 1.3%
- Group customer deposits up 6.6%
- Group lending increased by 2.2% on Q2

Note:

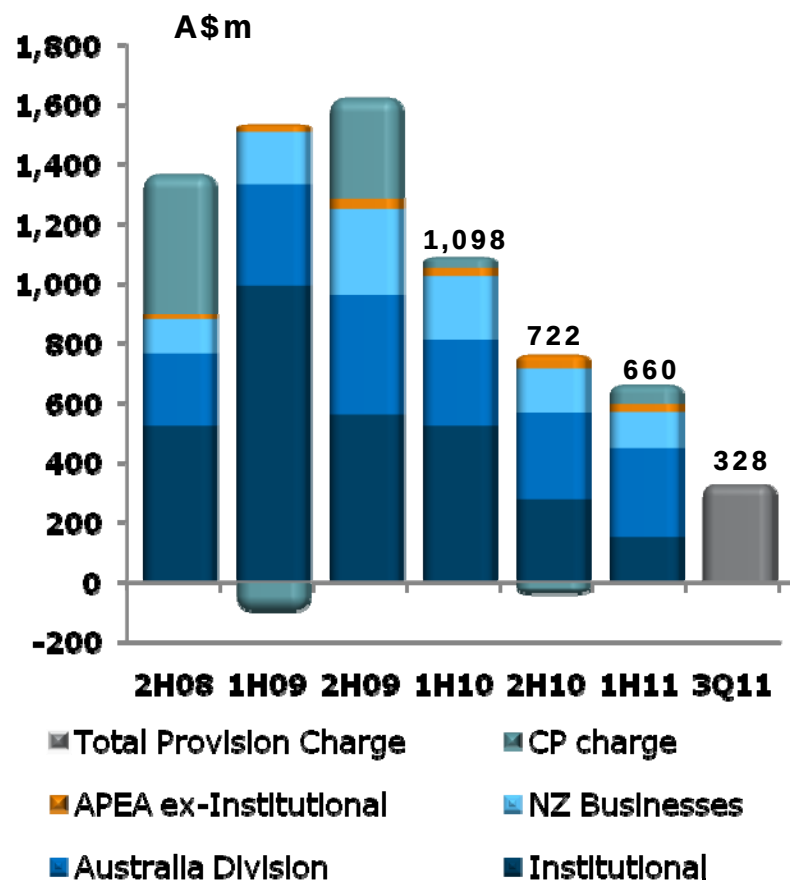
1. Underlying profit after tax is adjusted to reflect result for the ongoing business activities of the group

2. Total Provision coverage – collective provision balance plus individual provision balance as a proportion of Credit Risk Weighted Assets

Provisions down significantly and trending back to expected longer term averages

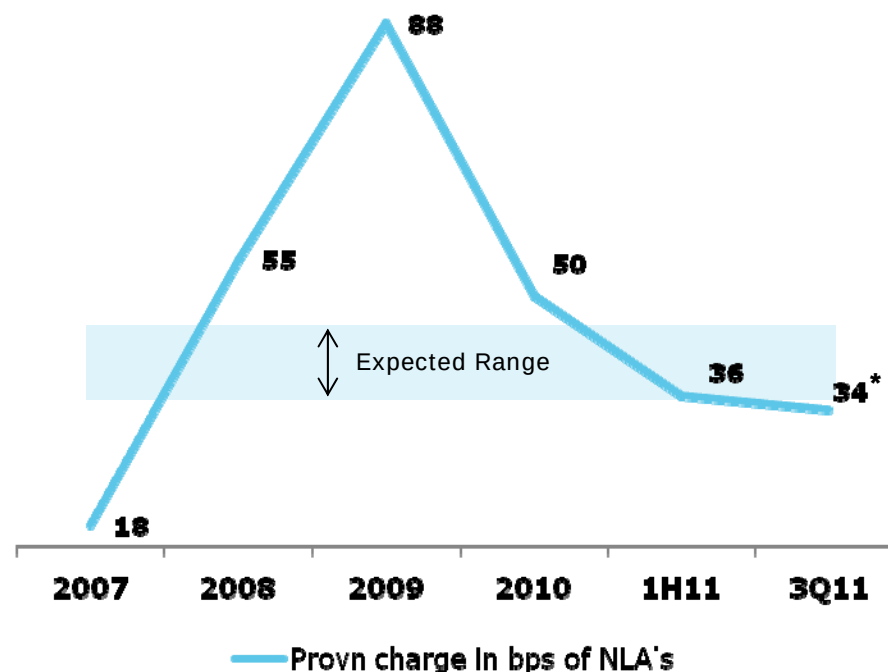
Total Provision Charge

(IP charge by Division and total CP charge)



Provision charge back to expected loss levels

Provn charge in bps of NLA's



* 3Q11 provision charge annualised

Key points from the ANZ Trading Update released 19th August for the 9 months to 30 June 2011 :

ANZ has continued to execute its Super Regional Strategy and remains well placed for future opportunities

In **Australia**, there was strong deposit growth, improving credit demand in the business and mortgage segments and improving delinquency trends in the mortgage portfolio

In **APEA**, lending and deposits grew by \$3.2b and \$3.9b (fx adjusted) respectively and there were improving contributions from the Retail and wealth businesses as the benefits of the RBS acquisition continue to emerge

In **NZ**, lending has started to pick up after the Christchurch earthquake and the ANZ business simplification program is well underway. Underlying profit for 9 months YTD was up 45% pcp

The **Balance sheet** remains very strong with the funding profile improving during the quarter :

- Deposit growth exceeded loan growth by \$14b in the 9 months to 30 June
- Customer deposits now represent 61% of ANZ's funding base
- The 2011 term wholesale funding task is complete

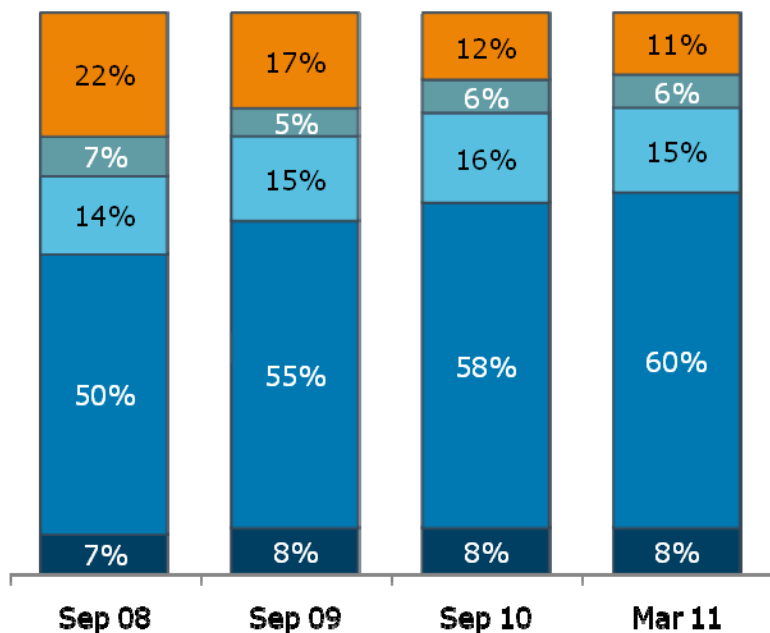
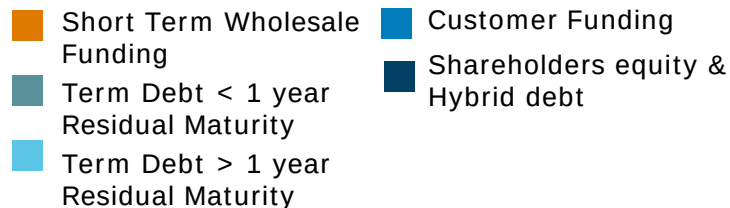
Asset quality has improved :

- Total impaired assets were down \$260m in Q3 from Q2, new impaired assets also down Q on Q
- Q3 provision charge was down 10% to \$328m. The YTD charge was \$989m in Q3, 31% down on pcp
- Australian mortgage delinquencies peaked in May and are being tightly managed
- Provision coverage remains strong (total provisions to Credit RWA's : 2.06%)

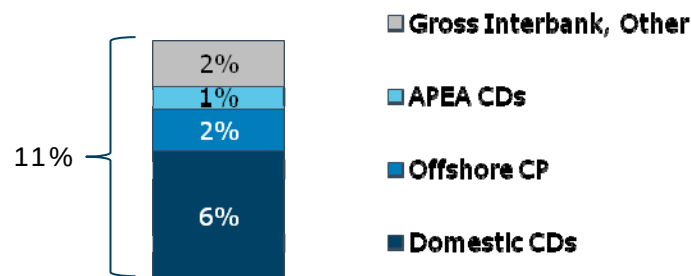
Balance Sheet

ANZ has a well diversified and improved funding profile that continues to strengthen despite volatile market conditions

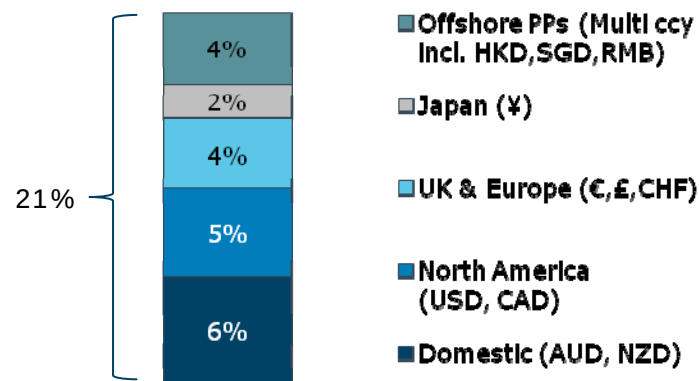
Strong Funding Composition



Minimal offshore short-term wholesale funding; Offshore CP accounts for < 2 % (~\$8.6b)



Well diversified term wholesale funding portfolio



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