



08 

ANZ Convertible Preference Shares (CPS)

Australia and New Zealand Banking Group Limited

August 2008



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A public offer of CPS 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 27 August 2008. A replacement with the margin determined after the Bookbuild will be lodged on or about 4 September 2008. 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.

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1. Transaction overview
2. ANZ investor update
3. Timetable and syndicate details

Offer summary



Issuer	<ul style="list-style-type: none">• Australia and New Zealand Banking Group Limited (ANZ)
Security	<ul style="list-style-type: none">• Convertible Preference Shares (CPS)
Issue Price	<ul style="list-style-type: none">• \$100 per CPS
Offer size	<ul style="list-style-type: none">• \$500 million with the ability to raise more or less
Offer structure	<ul style="list-style-type: none">• The Offer is being made to:<ul style="list-style-type: none">• ANZ Securityholders who are Australian or New Zealand residents• Members of the general public who are Australian or New Zealand residents• Clients of Syndicate Brokers• Institutional Investors
Purpose	<ul style="list-style-type: none">• Part of ANZ's ongoing capital management strategy with proceeds being used for ANZ's general corporate purposes
Listing	<ul style="list-style-type: none">• Expected to be listed on ASX under ASX Code ANZPB
Issue credit rating	<ul style="list-style-type: none">• Assigned Issue Credit Rating of A+ by Standard & Poor's; and• Provisional issue credit rating of Aa3 by Moody's

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Offer summary



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Dividends	<ul style="list-style-type: none">• Preferred, non-cumulative dividends based on a floating rate• Expected to be fully or substantially franked• Dividends scheduled quarterly subject to Payment Tests• Dividend Rate = (90 Day Bank Bill Rate + Margin) x (1 – Tax Rate)• Margin expected to be in the range of 2.50% - 2.90% per annum
Mandatory Conversion	<ul style="list-style-type: none">• Initial Mandatory Conversion Date is 16 June 2014• CPS Holders will receive a variable number of Ordinary Shares on Conversion at a 2.5% discount to 20 day VWAP• Subject to the Mandatory Conversion Conditions being satisfied or ANZ elects for a third party to purchase the CPS
Mandatory Conversion Conditions	<ul style="list-style-type: none">• The Mandatory Conversion Conditions are intended to provide protection to CPS Holders from receiving less than \$102.56 worth of Ordinary Shares per CPS on Conversion• ANZ may elect to Redeem CPS if any of the Mandatory Conversion Conditions are not satisfied (with APRA's prior written approval)
Optional Exchange	<ul style="list-style-type: none">• CPS may be Exchanged by ANZ prior to 16 June 2014 if an Acquisition Event, Tax Event or Regulatory Event occurs• CPS must be Exchanged if a Change of Control Event occurs (subject to APRA's prior written approval)
Resale	<ul style="list-style-type: none">• Before any Mandatory Conversion Date, ANZ may choose to arrange that all CPS on issue be acquired from CPS Holders by a third party for \$100 per CPS
Ranking	<ul style="list-style-type: none">• On a winding-up of ANZ, CPS rank ahead of Ordinary Shares, equal with 2003 Trust Securities, 2004 Trust Securities, 2007 Stapled Securities and any other equal ranking instruments, but behind all depositors and other creditors

Impact on ANZ's regulatory capital



- ANZ CPS qualifies as Non-innovative Residual Tier 1 capital under APRA's Prudential Standards
- ANZ CPS further bolster ANZ's regulatory capital position

Regulatory capital position as at 31 March 2008	Reported March 2008	Pro forma ¹ March 2008
Tier 1 capital ratio	6.9%	7.0%
Total capital ratio	10.1%	10.2%

- Other significant capital initiatives since 31 March 2008 include:
 - underwriting of the re-investment of ANZ's 2008 interim dividend, which raised \$703 million on 1 July 2008; and
 - conversion of \$1 billion of ANZ StEPS to Ordinary Shares expected to occur on 15 September 2008

1. Adjusted for issue of \$500 million of CPS



- 1. Transaction overview**
- 2. ANZ investor update**
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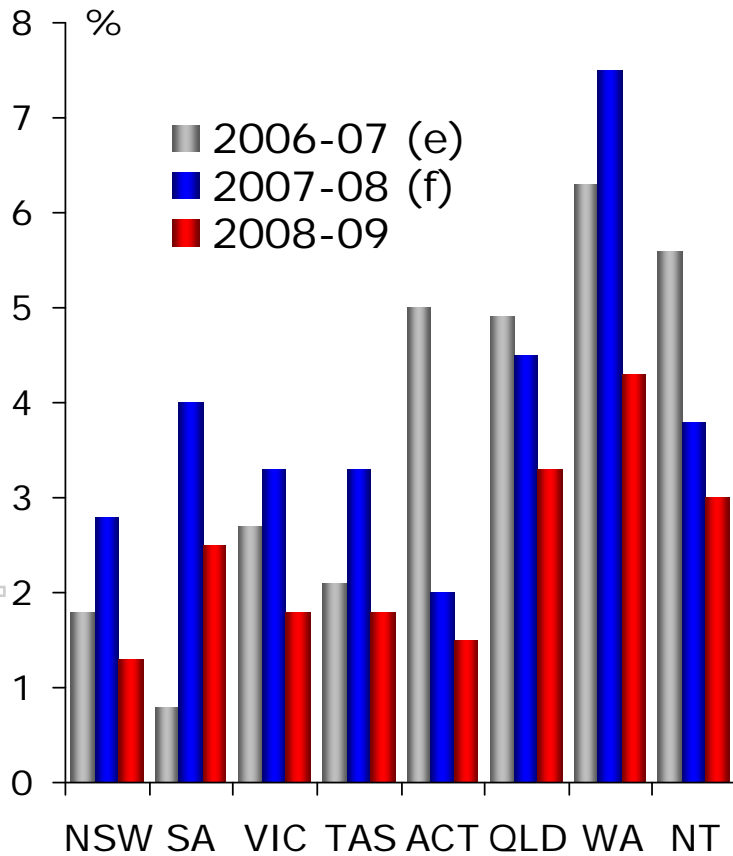
March 08 v March 07

Cash* Profit Before Provisions (PBP)	↑ 11%
Revenue	↑ 12% (13% FX adjusted)
Credit costs \$980m	↑ \$740m
Headline profit (after tax) \$1,963m	↓ 7%
Cash* profit (after tax) \$1,674m	↓ 14%
Cash* EPS	↓ 16%
Dividend	↔ Flat

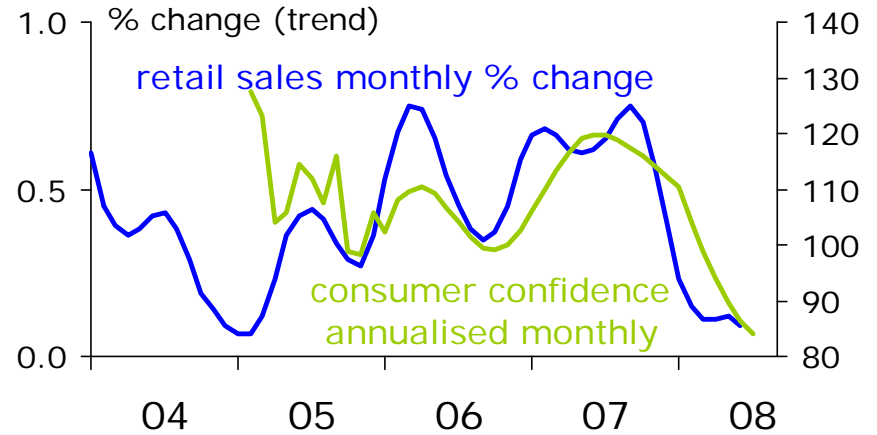
* Adjusts headline numbers for non-core items i.e. Significant items & non-core income arising from the use of derivatives in economic hedges and fair value through P&L



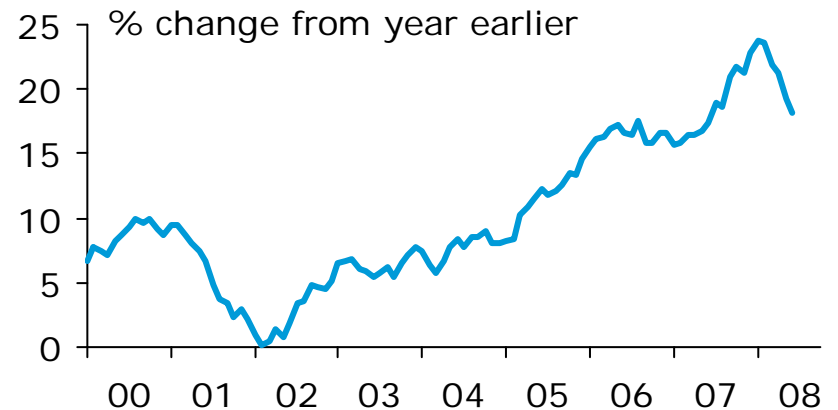
Real Gross State Product



Retail sales and consumer sentiment



Business credit



Sources: Australian Bureau of Statistics and Economics@ANZ & WBC

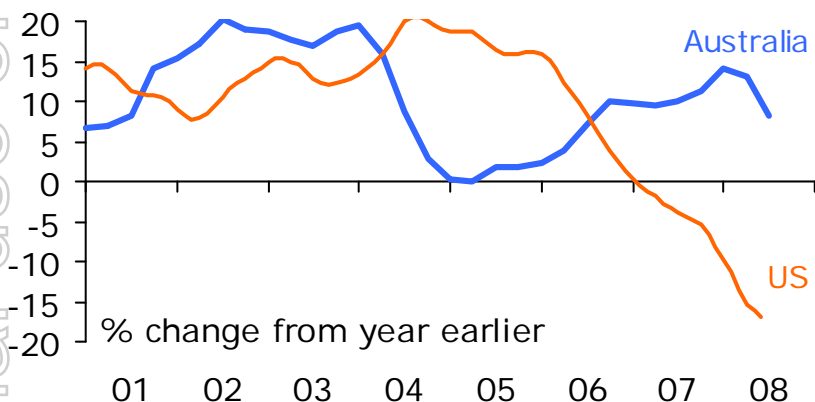
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Australia's housing market has also softened, but is unlikely to become as dire as US

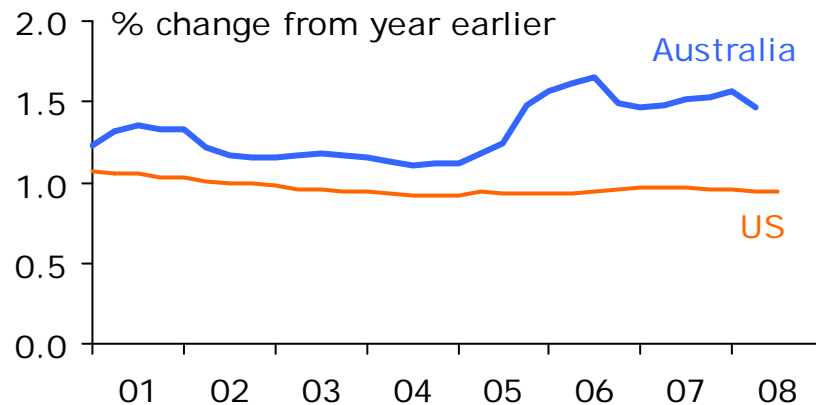


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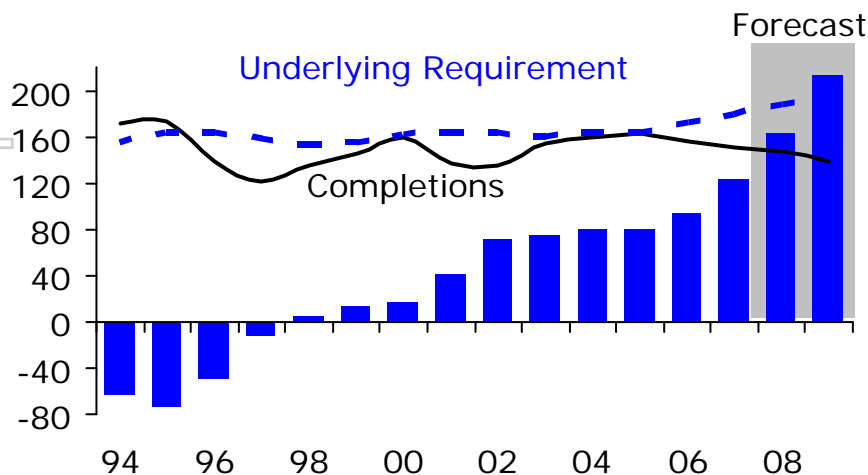
House prices



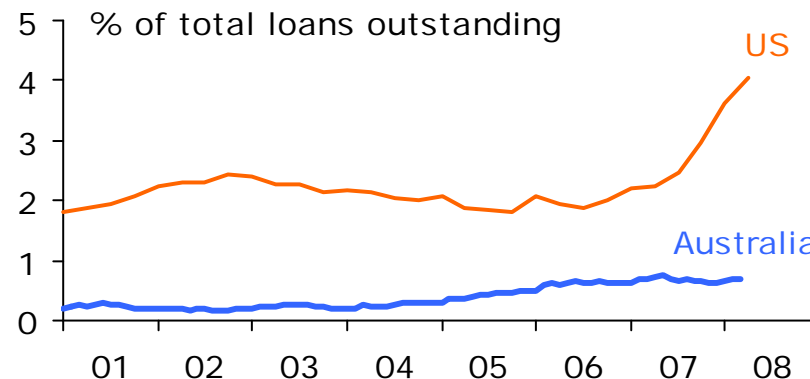
Population growth



Housing market balance



Mortgage delinquency rates*



* 90 days or more past due. For Australia, securitized mortgages only. Sources: ABS; US Commerce Department; S&P; Mortgage Bankers' Association of America, Economics@ANZ

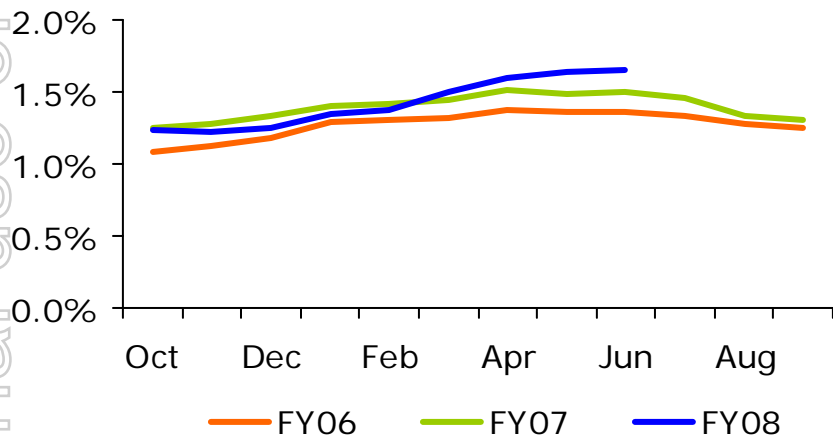
Consumer portfolio arrears are trending upward



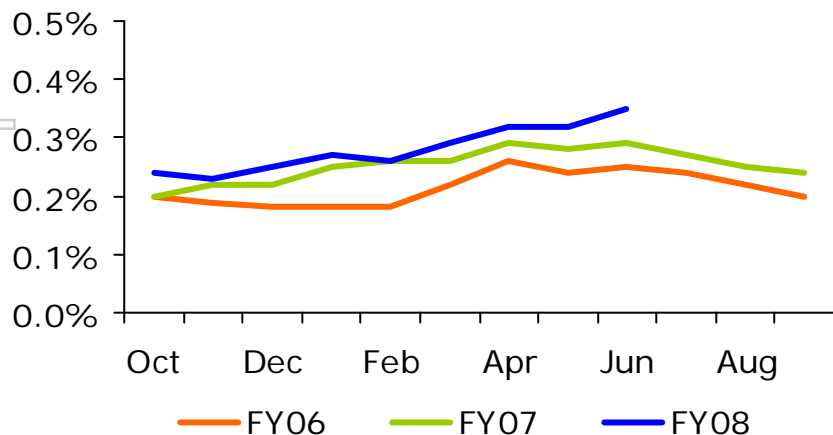
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Australia

Credit Cards 60+ Days Arrears

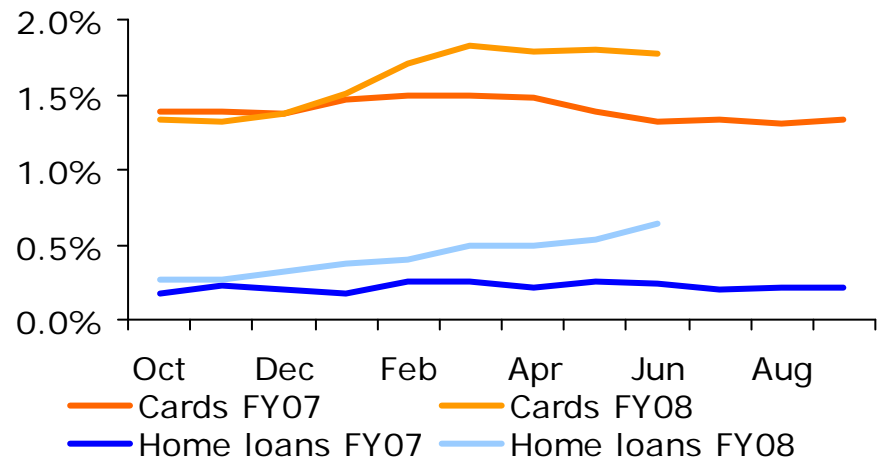


Mortgages Retail 60+ Days Arrears

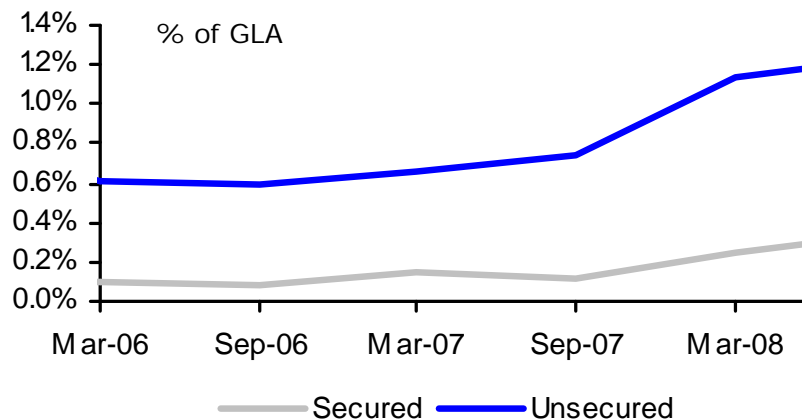


New Zealand

Credit Card & Home Loan 60+ Day Arrears



90 days past due (NZ Businesses)



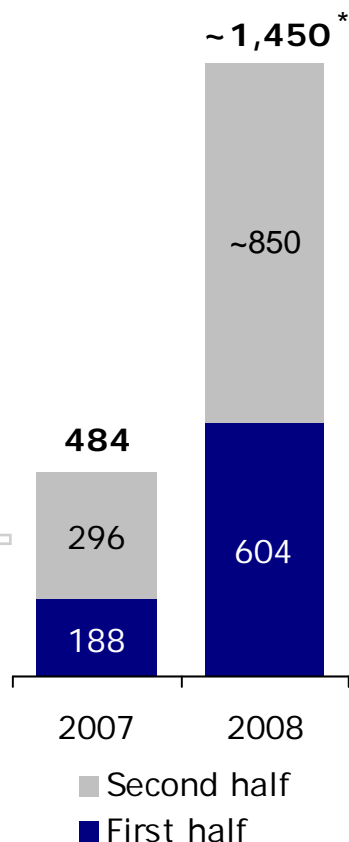
Credit impairment costs will remain high in the second half as a result of global credit markets and softening domestic economy



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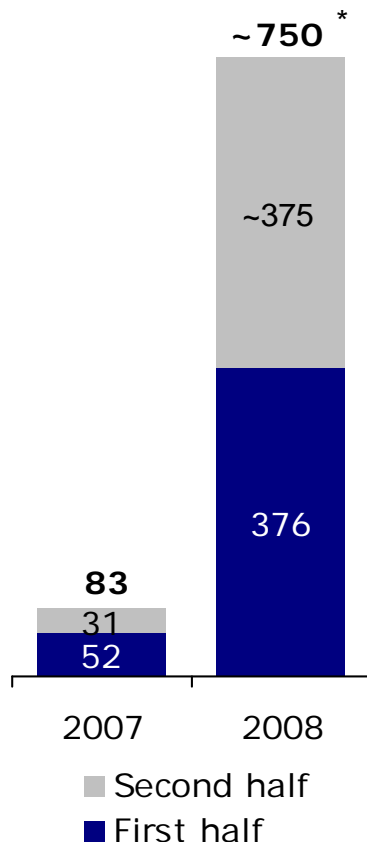
Individual provisions

(\$m)



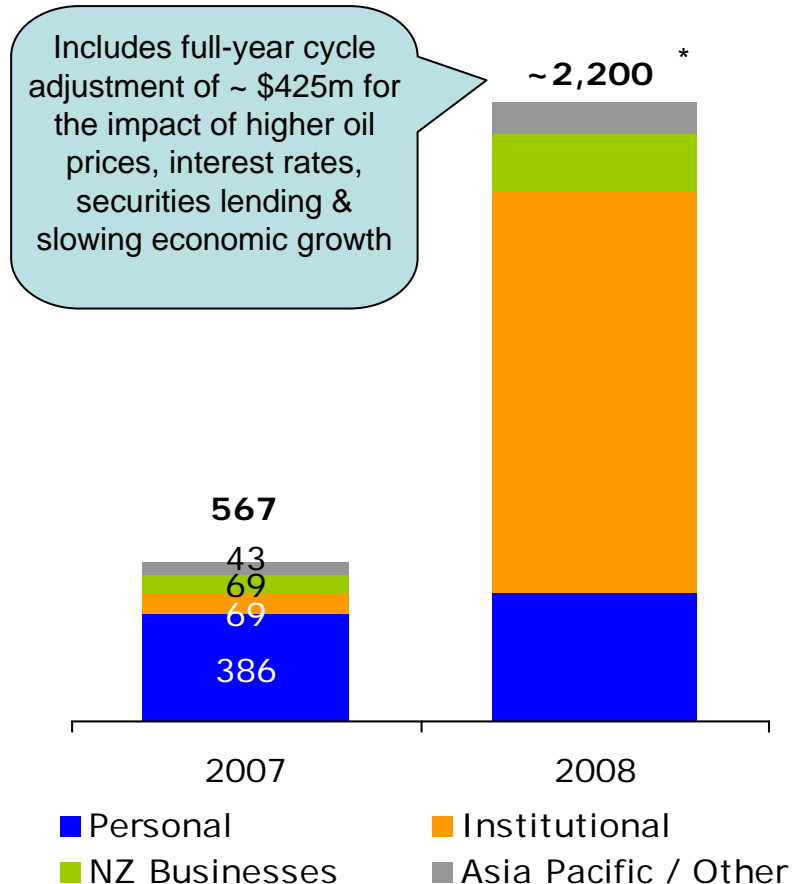
Collective provisions

(\$m)



Total provisions by division

(\$m)

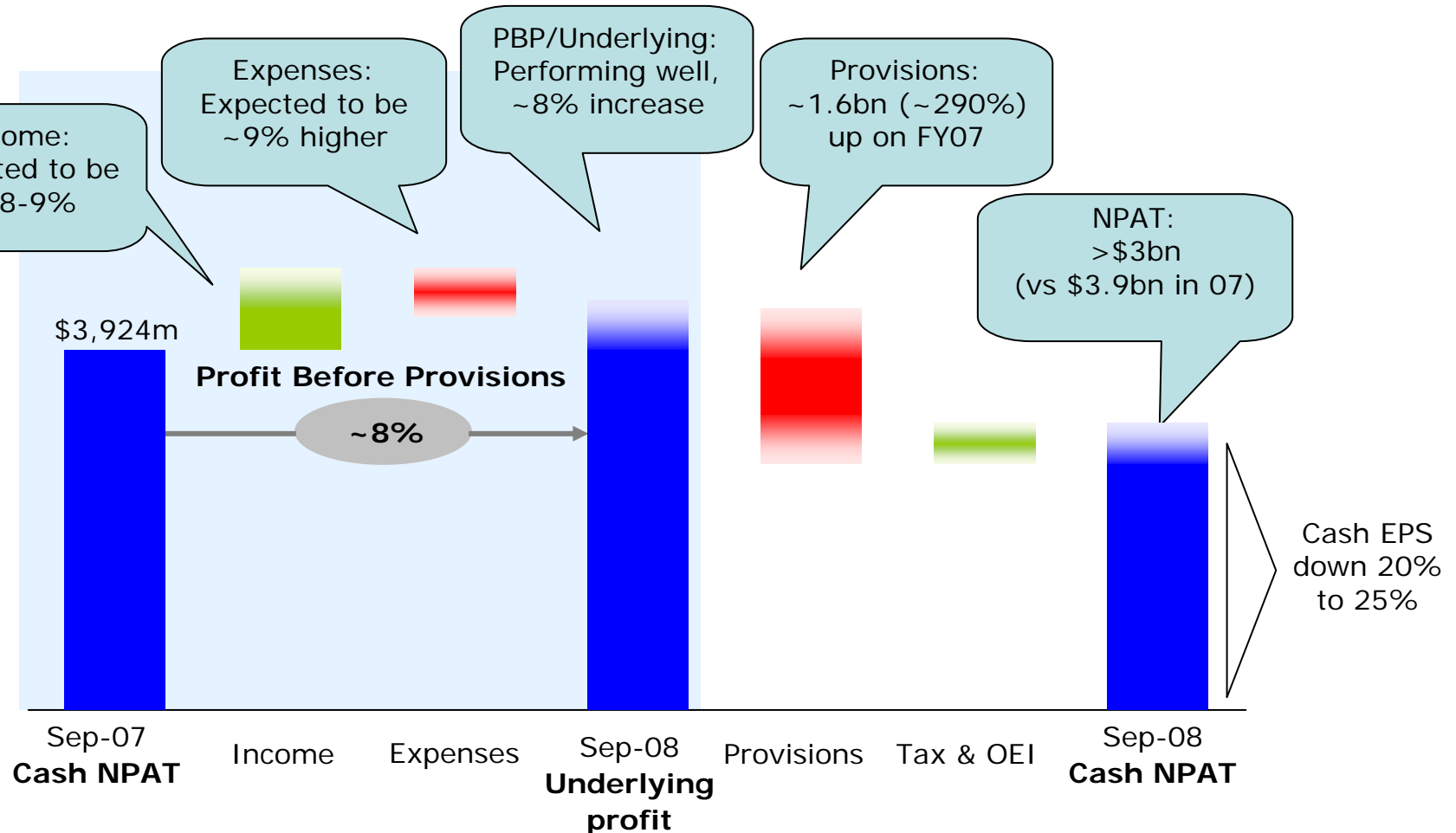


* As detailed in trading update of 28 July 2008

July trading update confirmed underlying business is performing well, albeit impacted by provisions



A number of key observations from the 28 July 2008 Trading Update

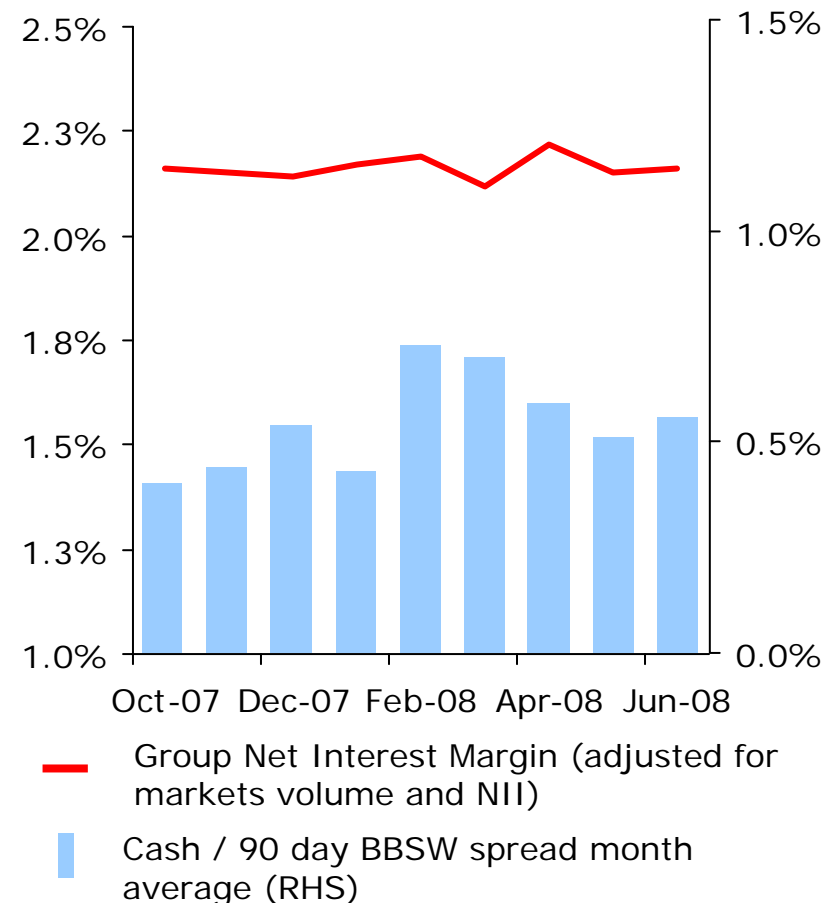




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- No direct exposure to US sub prime reaffirmed
- Strong capital position being maintained. Anticipate Tier 1 ratio of > 7%
- Collective Provision reset to in excess of 1% of Credit Risk Weighted Assets
- 1.5% DRP discount will continue together with flexibility to underwrite 2008 dividend.
- ANZ StEPS hybrid securities to be converted into ordinary shares at a 2.5% discount

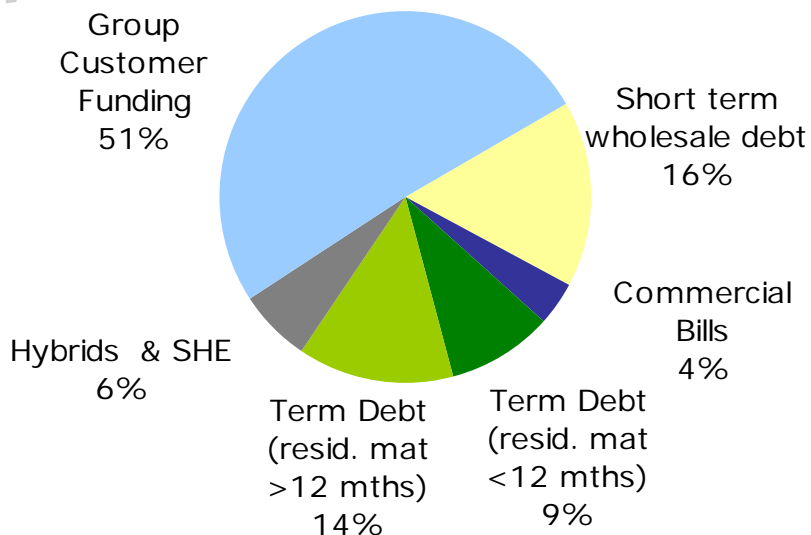
Net Interest Margin remaining stable with repricing initiatives



Funding and liquidity profile



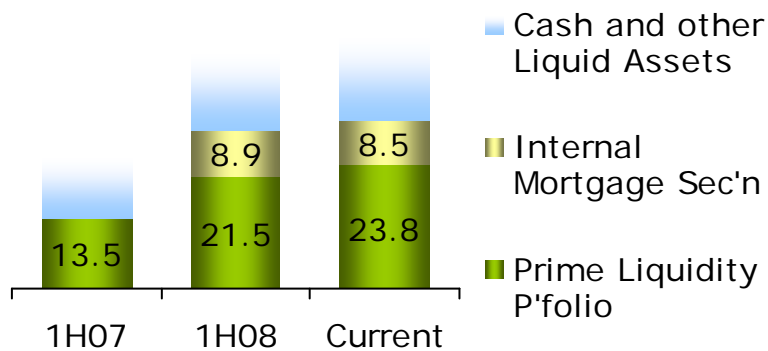
Group Funding profile – June 2008



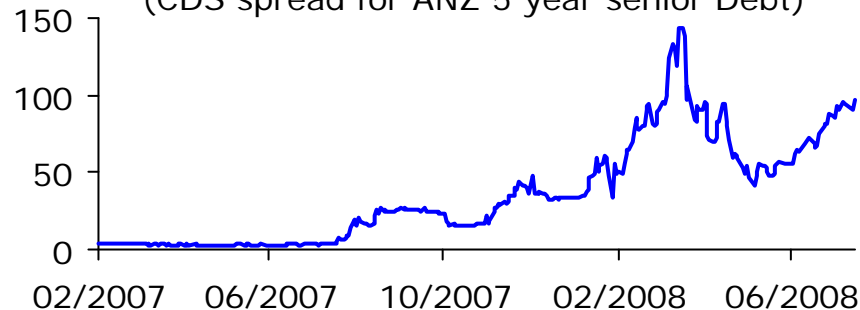
FY08 term funding requirement completed *

	Volume (A\$bn)	Tenor (yrs)	Cost (bp)	# deals
Term Debt >1Yr tenor	19.2	4.4	109	118
Term debt <1Yr (excl extendables)	8.4	0.8	13	195
Extendable notes	6.5	1.2	34	2
FY08 total	34.1	2.9	71	315
FY07 total	23.2	3.2	8	297

Maintaining significantly higher liquidity portfolio (\$bn)



Term funding costs continue to increase (CDS spread for ANZ 5 year senior Debt)



- Continue to maintain access to global capital markets despite volatile conditions
- Planning to raise ~\$30bn term debt in FY09

*Average tenor for callable and/or extendible notes assumed to be next call/extension date.



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Summary timetable



Key dates for the Offer	Date
Offer announced and lodgement of Initial Prospectus with ASIC	27 August 2008
Bookbuild to determine Margin	3 September 2008
Announcement of Margin and lodgement of Replacement Prospectus with ASIC	4 September 2008
Opening Date of Offer	4 September 2008
Closing Date for ANZ Securityholder Offer and General Offer (by 5.00pm)	24 September 2008
Closing Date for Broker Firm Offer (by 10.00am)	29 September 2008
Issue Date	30 September 2008
CPS commence trading on ASX (deferred settlement basis)	1 October 2008
Holding Statements despatched by	3 October 2008
CPS commence trading on ASX (normal settlement basis)	6 October 2008
First quarterly Dividend Payment Date	15 December 2008
Mandatory Conversion Date	16 June 2014

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Syndicate contact details



Australia and New Zealand Banking Group Limited

Rick Moscati, Group Treasurer	03 9273 1368
Steven Craig, Head of Capital and Balance Sheet Management	03 9273 2974
Cameron Davis, Senior Manager Investor Relations	03 9273 5629

Joint Lead Managers

 Angelos Giannakopoulos 03 9273 1774 Adam Vise 03 9273 3880	 Fraser Todd 02 8225 4692 Alex Allegos 03 8643 9709	 Tony Kench 02 8223 7550 Truong Le 02 8223 7551
 Rupert Daly 02 8258 1408 Mozammel Ali 02 8258 1845	 Andrew Shade 02 8667 5614 Gemma Cordeiro 02 9253 5488	 Rob Foale 02 9321 8742 Hamish Kelly 02 9320 1165
 Peter McInnes 02 9220 7853 Stuart Raynes 02 9220 1594	 Bob Herbert 03 9635 8263 Cameron Duncan 02 8232 7405	 Guy Foster 02 9324 3603 Andrew Buchanan 02 9324 2617

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