

FLEXIBLE FORWARDS

PRODUCT DISCLOSURE STATEMENT | 06.10

IMPORTANT INFORMATION

ISSUER

Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527, is the issuer of the *flexible forwards* offered in this Product Disclosure Statement (PDS) dated 1st June 2010.

References to "ANZ", "us", "our" or "we" throughout this PDS are references to Australia and New Zealand Banking Group Limited. References to "you" or "your" throughout this PDS means the person entering into a *flexible forward*.

PURPOSE OF THIS PDS

This PDS is an important document. Its purpose is to provide you with key information about *flexible forwards*.

ANZ is providing you with this PDS so that you receive key information about *flexible forwards* to help you understand their risks, benefits and costs, and to assist you in making an informed decision about entering into *flexible forwards*.

Flexible forwards are sophisticated financial products. These products may be unsuitable for you if you are unfamiliar with foreign exchange dealings.

Please read this PDS in full before deciding to enter into a *flexible forward*. If you decide to enter into a *flexible forward*, you should keep this PDS and any other documentation relating to the *flexible forward* for future reference.

GENERAL INFORMATION ONLY

The information in this PDS is general information only and does not take into account your personal objectives, financial situation or needs. This PDS does not constitute advice and is not a recommendation or opinion that *flexible forwards* are appropriate for you.

Before entering into a *flexible forward*, you should give consideration to your objectives, financial situation and needs, and be satisfied that they will be met if you enter into a *flexible forward*. We recommend that you consult your independent professional adviser about the suitability of *flexible forwards* for you.

AUSTRALIAN DISTRIBUTION ONLY

The *flexible forwards* to which this PDS relates are available to persons receiving the PDS (electronically or otherwise) in Australia, who are Australian residents.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and therefore, persons into whose possession those documents come should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate these laws. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

UPDATED INFORMATION

The information in this PDS is subject to change. Where new information arises that is materially adverse to the information in this PDS, ANZ will issue a new PDS or issue a supplementary PDS setting out the new information.

Where new information arises that is not materially adverse to the information in this PDS, you will be able to find the updated information on our website anz.com or you can contact us using the details in the directory in Section 13 or call your ANZ contact. A paper copy of the updated information is available free on request.

EXAMPLES IN THIS PDS

The examples are for illustrative purposes only. You should note that the actual rates and prices will vary depending on the terms of the *flexible forward* and the factors listed in Section 3.5 of this PDS.

DEFINITIONS

To assist you in understanding this PDS, we have included definitions in Section 12. The meaning of some words in italics used in this PDS are set out in that section.

CONTACT ANZ

If there is anything in this PDS that you do not understand or if you have any questions you can contact us using the details in the directory in Section 13 or call your ANZ contact. You can also go to our website at anz.com.

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1. KEY FEATURES

TOPIC	HIGHLIGHTS	MORE INFORMATION
WHO IS THE ISSUER?	Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527	Section 9
WHAT ARE WE OFFERING?	A <i>flexible forward</i> is an agreement between you and ANZ to exchange a specified amount of one currency for another currency at an <i>exchange rate</i> that is determined in accordance with the agreed variables and mechanisms at an agreed time at an agreed date.	Sections 2 and 3
WHAT ARE THE SIGNIFICANT BENEFITS?	Entering into a <i>flexible forward</i> allows you to achieve <i>exchange rate</i> protection and provides the potential to benefit from favourable <i>exchange rate</i> movements.	Section 4
WHAT ARE THE SIGNIFICANT DISADVANTAGES AND RISKS?	If the <i>flexible forward</i> needs to be cancelled you may incur a cost or benefit, depending on prevailing market rates. Other risks are explained in Section 5, including market risk, correlation risk and operational risk.	Sections 4 and 5
WHAT IS THE TERM?	2 <i>business days</i> to 2 years. Longer <i>terms</i> may be available on request.	Section 2
WHICH CURRENCIES ARE OFFERED?	ANZ will quote most currencies. Please contact us for a full range of currencies offered.	Section 2
WHAT IS THE MINIMUM CONTRACT AMOUNT?	No minimum amount.	
WHAT DO I HAVE TO PAY?	Generally, there is no <i>premium</i> payable for a <i>flexible forward</i> , as it is a zero <i>premium</i> structure. However, you may agree with ANZ to pay a <i>premium</i> for entering into a flexible forward and this may impact the <i>variables</i> ANZ will agree for your <i>contract</i> .	Section 6
HOW IS IT SETTLED?	<i>Flexible forwards</i> are settled on the agreed <i>settlement date</i> . If you have an obligation to ANZ to exchange currencies under the <i>contract</i> at the <i>expiry time</i> on the <i>expiry date</i> , you must make a physical delivery of one currency to ANZ and ANZ will make a physical delivery of another currency to you on the <i>settlement date</i> . You must ensure that you have sufficient cleared funds to settle the <i>contract</i> .	Section 3.7
CAN I VARY THE SETTLEMENT DATE?	Variations to the agreed <i>settlement date</i> are not permitted.	Sections 3.8
CAN I TERMINATE EARLY?	If we agree, you can terminate early but an amount may be payable by or to you depending on the value of the <i>flexible forward</i> . You may also be liable for any losses and costs ANZ may incur as a result of termination.	Section 3.9
HOW DO I ENTER INTO A CONTRACT?	Entry into a <i>flexible forward</i> is subject to ANZ's credit approval. You will need to specify the <i>currency pair</i> , the <i>term</i> , a <i>variable</i> and the type of <i>flexible forward</i> transaction. We will need to agree to a number of parameters for the contract. Please contact us if you are interested in a <i>flexible forward</i> .	Section 8
TAX	The tax consequences of entering into a <i>flexible forward</i> will depend upon your specific circumstances. You should seek your own independent tax advice before you enter into a <i>flexible forward</i> .	Section 10
COMPLAINTS	Complaint resolution procedures are provided.	Section 11.2
NO COOLING OFF	There is no cooling off period once you have entered into a <i>flexible forward</i> .	Section 5

2. WHAT IS A FLEXIBLE FORWARD?

A *flexible forward* is an agreement between you and ANZ to exchange a specified amount of one currency for another currency at an *exchange rate* that is determined in accordance with the agreed mechanisms and *variables* based on the type of *flexible forward* at an agreed time (*expiry time*) on an agreed date (*expiry date*).

ANZ offers four types of *flexible forwards*; *range forwards*, *ratio forwards*, *converting forwards* and *smart forwards*.

Each type of contract consists of two *variables*. One of the *variables* is the *worst case rate* and the other *variable* will depend on the type of *contract*. You will nominate one *variable*, generally the *worst case rate*, and we will determine and quote you the other *variable* if we agree to enter into a *flexible forward* with you. You will also need to tell us the *contract amount*, *currency pair*, the *expiry date* and the type of *flexible forward*. Please contact your ANZ contact for a quote.

The table below describes the different types of *flexible forwards* and the relevant *variables*.

TYPE	DESCRIPTION	VARIABLES
RANGE FORWARD	<p>A <i>range forward</i> is a <i>contract</i> between you and ANZ to exchange one currency for another at the agreed <i>worst case rate</i> or <i>best case rate</i> on the <i>settlement date</i> unless the <i>spot exchange rate</i> is between the <i>best case rate</i> and the <i>worst case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>. If the <i>spot exchange rate</i> is between the <i>best case rate</i> and the <i>worst case rate</i> at the <i>expiry time</i> on the <i>expiry date</i> then there is no obligation to exchange currencies. You may choose to deal with ANZ at the <i>spot exchange rate</i> if that rate is more favourable to you on the <i>expiry date</i>.</p> <p>See Section 3.1 for further information on <i>range forwards</i>.</p>	<p><i>worst case rate</i> <i>best case rate</i></p>
CONVERTING FORWARD	<p>A <i>converting forward</i> is a <i>contract</i> between you and ANZ to exchange one currency for another at an agreed <i>worse case rate</i> unless a <i>trigger rate</i> is reached during the <i>term</i>. If the <i>trigger rate</i> is reached during the <i>term</i>, you have no obligation to exchange currencies with ANZ but you can choose to deal with ANZ at the <i>worst case rate</i> or at the applicable <i>spot exchange rate</i> if that rate is more favourable to you on the <i>expiry date</i>.</p> <p>See Section 3.2 for further information on <i>converting forwards</i>.</p>	<p><i>worst case rate</i> <i>trigger rate</i></p>
RATIO FORWARD	<p>A <i>ratio forward</i> is a <i>contract</i> between you and ANZ to exchange one currency for another at an agreed <i>worse case rate</i> unless the <i>spot exchange rate</i> is more favourable to you than the <i>worst case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>, in which case you must settle the agreed <i>proportion</i> of the <i>contract amount</i> at the <i>worst case rate</i>. You have no obligation to ANZ to exchange the balance of the <i>contract amount</i>.</p> <p>See Section 3.3 for further information on <i>ratio forwards</i>.</p>	<p><i>worst case rate</i> <i>proportion</i></p>
SMART FORWARD	<p>A <i>smart forward</i> is a <i>contract</i> between you and ANZ to exchange one currency for another at an agreed <i>worse case rate</i> if the <i>reset rate</i> is reached at any time during the <i>term</i>. If the <i>reset rate</i> is not reached at any time during the <i>term</i>, you have no obligation to exchange currencies but you can choose to exchange currencies with ANZ at either the <i>worst case rate</i> or the <i>spot exchange rate</i> (if it is more favourable to you than the <i>worst case rate</i> at the <i>expiry time</i> on the <i>expiry date</i>).</p> <p>See Section 3.4 for further information on <i>smart forwards</i>.</p>	<p><i>worst case rate</i> <i>reset rate</i></p>

Generally, there is no *premium* payable for a *flexible forward*, as it is a zero *premium* structure. You may agree with ANZ to pay a *premium* for entering into a *flexible forward* and this may impact the *variables* ANZ will agree for your *flexible forward*.

WHICH TYPE OF FLEXIBLE FORWARD WOULD YOU CHOOSE?

The table below gives examples of considerations for an importer and exporter in understanding the different types of *flexible forward*.

TYPE	IMPORTER EXAMPLE	EXPORTER EXAMPLE
RANGE FORWARD	Importer believes that the <i>spot exchange rate</i> will appreciate mildly over the <i>term</i> .	Exporter believes the <i>spot exchange rate</i> will depreciate mildly over the <i>term</i> .
CONVERTING FORWARD	Importer believes that the <i>spot exchange rate</i> will fall initially, but will have moved higher by the <i>expiry date</i> .	Exporter believes the <i>spot exchange rate</i> will rise initially, but will have fallen by the <i>expiry date</i> .
RATIO FORWARD	Importer believes that the <i>spot exchange rate</i> will continue to appreciate over the <i>term</i> .	Exporter believes the <i>spot exchange rate</i> will continue to depreciate over the <i>term</i> .
SMART FORWARD	Importer believes that the <i>spot exchange rate</i> will appreciate mildly over the <i>term</i> .	Exporter believes the <i>spot exchange rate</i> will depreciate mildly over the <i>term</i> .

The examples in the table above are intended to highlight differences between the types of *contracts* ANZ offers. The examples do not take into account all relevant considerations and before deciding to enter into a *flexible forward* you will need to consider whether a *flexible forward* is appropriate for your individual circumstances.

WHAT CURRENCIES ARE OFFERED?

ANZ will enter into *flexible forwards* in respect of most currencies. Popular currencies and their associated codes are:

CURRENCIES*	CODE
AUSTRALIAN DOLLARS	AUD
EURO	EUR
GREAT BRITISH POUNDS	GBP
HONG KONG DOLLARS	HKD
JAPANESE YEN	JPY
NEW ZEALAND DOLLARS	NZD
SINGAPORE DOLLARS	SGD
UNITED STATES DOLLARS	USD

*The list above is not exhaustive. We can advise you of the full range of currencies which we offer for *flexible forwards*.

WHAT IS THE TERM?

The *term* of the *flexible forward* is the time between the *trade date*, which is the date you enter into a *flexible forward*, and the *settlement date*. Once you enter into a *flexible forward* the *settlement date* cannot be varied. Please see Section 3 for further information.

WHAT ARE FLEXIBLE FORWARDS USED FOR?

Flexible forwards are offered to allow parties to fix *exchange rates*. Importers, exporters and investors commonly use *flexible forwards* to hedge foreign currency cash flows.

Flexible forwards are commonly used:

- > to protect foreign currency exposures against adverse *exchange rate* movements;
 - > to set a 'worst case' *exchange rate*;
 - > as part of a foreign currency risk management exposure strategy; and
 - > to reduce or eliminate *premium* costs associated with foreign currency options.
- Commercial activities that *flexible forwards* may be useful for include:
- > importing or exporting, where the invoice is quoted in a foreign currency;
 - > foreign currency payments; and
 - > repatriation of overseas profits or interest in foreign currencies back to Australia.

3. HOW DOES A FLEXIBLE FORWARD WORK?

3.1 WHAT IS A RANGE FORWARD?

A *range forward* is a contract that protects you against the risk that the *spot exchange rate* is less favourable to you than a nominated *worst case rate*, but also allows you to benefit from a favourable move in the *spot exchange rate* up to the *best case rate*.

POSSIBLE OUTCOMES

Possible outcomes under a *range forward*:

- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is at or is less favourable to you than the *worst case rate*, you must settle the contract at the *worst case rate*;
- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is at or is more favourable to you than the *best case rate*, you must settle the contract at the *best case rate*; and
- > if the *spot exchange rate* at the *expiry time* on the *expiry date* is between the *worst case rate* and the *best case rate*, you have no obligation to exchange currencies with ANZ. You may choose to exchange currencies with ANZ at the *spot exchange rate*.

Your *contract amount* is protected at the *worst case rate* and you can participate in favourable *exchange rate* movements up to the *best case rate*.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether the contract must be settled at the *best case rate* or the *worst case rate*.

3.2 WHAT IS A CONVERTING FORWARD?

A *converting forward* is a contract which protects you against the risk that the *spot exchange rate* at the *expiry time* on the *expiry date* is unfavourable to you when compared against a nominated *worst case rate* while allowing you the opportunity to benefit from favourable movements if a nominated *trigger rate* is reached at any time during the *term*. At all times you will have a known *worst case rate*. If the nominated *trigger rate* is not reached, the *converting forward* will settle at the *worst case rate*.

POSSIBLE OUTCOMES

Possible outcomes under a *converting forward*:

- > if the *spot exchange rate* reaches the *trigger rate* at any time during the *term*, you will have no obligation to ANZ to exchange currencies. You can choose to deal with ANZ at the *worst case rate* or the *spot exchange rate* (if this rate is more favourable to you on the *expiry date*); and
- > if the *spot exchange rate* never reaches the *trigger rate*, you must settle the contract at the *worst case rate* regardless of the level of the *spot exchange rate* at the *expiry time* on the *expiry date*.

Your *contract amount* is protected at the *worst case rate* and if the *trigger rate* is reached at any time during the *term* you can benefit from favourable *exchange rate* movements.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether the *trigger rate* has been reached during the *term*.

3.3 WHAT IS A RATIO FORWARD?

A *ratio forward* is a contract which protects you against the risk that the *spot exchange rate* is unfavourable to you when compared against a nominated *worst case rate*. It also allows you to benefit from favourable movements in the *exchange rate* in relation to an agreed *proportion* of the *contract amount*.

POSSIBLE OUTCOMES

Possible outcomes under a *ratio forward*:

- > if the *spot exchange rate* is more favourable to you than the *worst case rate* at the *expiry time* on the *expiry date* then you must settle an agreed *proportion* of the *contract amount* at the *worst case rate*. You have no obligation to ANZ to exchange the balance of the *contract amount* and you can choose to settle the balance of the *contract amount* with ANZ at the *spot exchange rate* if it is more favourable to you on the *expiry date*; and
- > if the *spot exchange rate* is less favourable to you than the *worst case rate* at the *expiry time* on the *expiry date*, you must settle the entire *contract amount* at the *worst case rate*.

Your *contract amount* is protected at the *worst case rate* and you can benefit from favourable *exchange rate* movements in respect of some of the *contract amount* while the agreed *proportion* is settled at the *worst case rate*.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether all of the *contract amount* or the agreed *proportion* must be settled at the *worst case rate*.

3.4 WHAT IS A SMART FORWARD?

A *smart forward* is a *contract* which protects you against the risk that the *spot exchange rate* is unfavourable to you when compared against a nominated *worst case rate* at the *expiry time* on the *expiry date*, while allowing you the opportunity to benefit from a favourable move in the *exchange rate*, provided the *spot exchange rate* never reaches the nominated *reset rate* **at any time during the term**.

If the *spot exchange rate* **ever** reaches the *reset rate* during the *term*, the *exchange rate* at which you must settle the *contract* at will be the nominated *worst case rate* regardless of the prevailing *spot exchange rate* at the *expiry time* on the *expiry date*.

So by using a *smart forward* you have protected your *contract amount* at the agreed *worst case rate*. If the *spot exchange rate* moves favourably, but does not reach the *reset rate* you will have no obligation to exchange currencies with ANZ and you can choose to deal at the *spot exchange rate* if it is more favourable to you on the *expiry date*.

ANZ will determine the *spot exchange rate* at the *expiry time* on the *expiry date* and determine whether the *reset rate* was reached during the *term*.

3.5 HOW ARE THE VARIABLES DETERMINED?

Each *type of contract* consists of two *variables*. One of the *variables* is the *worst case rate* and the other *variable* will depend on the *type of contract*. You will nominate one *variable*, generally the *worst case rate* and we will determine and quote you the other *variable* if we agree to enter into a *flexible forward* with you. The *variable* ANZ quotes will depend on the *type of flexible forward* you choose. The *variables* for each *contract* are as follows:

TYPE OF CONTRACT	VARIABLE
RANGE FORWARD	> worst case rate > best case rate
CONVERTING FORWARD	> worst case rate > trigger rate
RATIO FORWARD	> worst case rate > proportion
SMART FORWARD	> worst case rate > reset rate

ANZ determines each *variable* by taking into account a number of factors, including

- > current *spot exchange rate*;
- > the *type of flexible forward* (ie *range forward*, *converting forward*, *smart forward* or *ratio forward*);
- > the *variable* you nominate;
- > the *currency pair*;
- > the *term* and *expiry date*;
- > the *contract amount*;
- > market volatility of the underlying *currency pair*;
- > current interest rates;
- > ANZ's internal fixed and variable costs; and
- > ANZ's risk/ profit margin.

The degree of influence that each factor has on the determination of the relevant *variable* varies from time to time, in accordance with economic conditions, such as *currency* and *interest rate* movements and volatility.

Please see Section 6.1 for further information on the cost of a *flexible forward*.

3.6 WHAT ARE EXCHANGE RATES?

An *exchange rate* is the price at which one *currency* can be bought with or sold for another *currency*. All quotations of *exchange rates* are made up of the two *currencies*: the *base currency* and the *terms currency*, called a *currency pair*. A quotation shows how many units of the *terms currency* will equal one unit of the *base currency*.

For example, in the following quotation:

Australian Dollar (AUD) against
United States Dollar (USD)

AUD/USD0.8805

Australian Dollars is the *base currency* and US Dollars is the *terms currency*. One Australian Dollar is equal to 0.8805 US Dollar (88.05 US cents).

3.7 HOW IS A FLEXIBLE FORWARD SETTLED ON THE SETTLEMENT DATE?

Flexible forwards are settled on the agreed *settlement date*, which is typically two *business days* after the *expiry date*. If you have an obligation to ANZ to exchange currencies under the *contract*, you must make a physical delivery of one currency to us and we will make a physical delivery of another currency to you on the *settlement date*. You must ensure that you have sufficient cleared funds to settle the *flexible forward* in this way.

3.8 CAN A FLEXIBLE FORWARD BE EXTENDED?

After entering into a *flexible forward*, you may not vary the agreed *term* or *expiry date*.

3.9 CAN A FLEXIBLE FORWARD BE TERMINATED EARLY?

You may find that you have no further use for an existing *flexible forward*. A *flexible forward* may be terminated at any time before the *expiry time* on the *expiry date*, either:

- > by agreement between you and ANZ; or
- > in accordance with the *master dealing agreement*.

Where the *flexible forward* is terminated by agreement between you and ANZ, the amount payable on termination is as agreed.

Where the *flexible forward* is terminated in accordance with the *master dealing agreement*, the amount payable is determined in accordance with those terms.

Termination of a *flexible forward* is complex and involves us notionally buying back the *flexible forward* from you.

ANZ will give you a quote for terminating the *flexible forward*.

ANZ will consider the factors in Section 3.5 and any costs applicable to the termination in determining the quote for terminating your *flexible forward*. Depending on the current market conditions, the *flexible forward* could be worth more or less than when you entered into it.

You may lose money by terminating the *flexible forward*. If early termination results in you having to pay an amount to ANZ, you must ensure that you have sufficient cleared funds in your nominated bank account to meet the payment, or as otherwise agreed.

4. WHAT ARE THE SIGNIFICANT BENEFITS AND DISADVANTAGES OF A FLEXIBLE FORWARD?

WHAT ARE THE BENEFITS OF A FLEXIBLE FORWARD?

The benefits of a *flexible forward* include:

- > ability to lock in a 'worst case' *exchange rate* at an agreed future date;
- > flexibility to tailor the *contract* to suit your needs such as the *contract amount*, the *currency pair*, the *term* and the type of *contract*, to protect against unfavourable *exchange rate* movements;
- > flexibility whether to pay a *premium* or have a zero *premium* structure, which may impact the *variables* we are prepared to agree for your *contract*; and
- > protection against unfavourable *exchange rate* movements while potentially giving you the ability to participate in favourable *exchange rate* movements. For instance:
 - > a *range forward* allows you to participate in *exchange rate* movements that are favourable to you, up to the best case rate;
 - > a *converting forward* allows you to participate in *exchange rate* movements that are favourable to you if the *trigger rate* is reached during the *term*;
 - > a *ratio forward* allows you to benefit from favourable *exchange rate* movements for some of the *contract amount*, while the agreed *proportion* is settled at the *worst case rate*;
 - > a *smart forward* allows you to participate in favourable *exchange rate* movements unless the *reset rate* is reached at any time during the *term*.

WHAT ARE THE DISADVANTAGES OF A FLEXIBLE FORWARD?

The disadvantages of a *flexible forward* include:

- > entering into a *flexible forward* may prevent you from benefiting from favourable *exchange rate* movements.
- > The *exchange rate* achieved may not be as favourable as the *exchange rate* you could have achieved if you had not entered into a *flexible forward* at all. For instance:
 - > a *range forward* only allows you to participate in *exchange rate* movements

that are favourable to you up to the *best case rate*. If the *exchange rate* is more favourable to you than the *best case rate* you must settle at the *best case rate*;

- > a *converting forward* does not allow you to participate in *exchange rate* movements that are favourable to you if the *trigger rate* is not reached at any time during the *term*;
- > a *ratio forward* requires you to settle an agreed *proportion* of the *contract* amount at the *worst case rate*;
- > a *smart forward* does not allow you to participate in *exchange rate* movements that are favourable to you if the *reset rate* is reached at any time during the *term*; and
- > there may be a cost to you if the *flexible forward* is terminated prior to the *expiry date*.

5. WHAT ARE THE SIGNIFICANT RISKS OF A FLEXIBLE FORWARD?

Risks arise out of factors that are beyond your control. From the time of entering a *flexible forward* with ANZ, risk factors may lead to unfavourable changes in the financial outcomes of the *flexible forward*.

Monitoring risks associated with a *flexible forward* is your responsibility.

Prior to entering into a *flexible forward*, you should carefully consider the following risk factors as well as the other information either contained in this PDS or of which you are otherwise aware and consider whether a *flexible forward* is suitable for you, given your individual objectives and circumstances. We recommend that you obtain independent advice on the suitability of a *flexible forward* for you.

CORRELATION RISK

Correlation risk is the risk that the value of a *flexible forward* does not move in line with that of the underlying exposure that you are seeking to *hedge*. This may occur where you seek to mitigate an exchange risk in one currency by using another currency as a proxy.

For example, if you are concerned about the value of an investment in a European country without a freely convertible currency and ANZ is unable to deal in the currency of this country you may choose to deal in Euro as you consider it a close proxy to the currency of that country. As the Euro is not an exact proxy for that currency, and the correlation relationship between the currencies may change, you have assumed some correlation risk.

MARKET RISK

Markets can be volatile and are subject to a host of factors, including economic conditions, government regulations, legislation, market sentiment, local and international political events and environmental and technological issues. Market risk is the risk that the value of your *flexible forward* will change as a result of a movement in the underlying market price.

A *flexible forward* guarantees that your least favourable outcome will be to transact at the *worst case rate*. By entering into a *flexible forward* there is an opportunity risk that the *exchange rate* you achieve under your *flexible forward* will not be as favourable to you as the *exchange rate* you could have achieved if you did not enter into a foreign exchange contract for instance, or not entered into any transaction at all.

Also, as a result of market risk, early termination of a *flexible forward* may result in you making a loss.

CREDIT RISK

You are reliant on ANZ meeting its obligations to you under the *flexible forward*, such as making a payment on a *settlement date*. This reliance is an exposure known as credit risk or counterparty risk.

The proceeds from the issue of *flexible forwards* are not set aside by ANZ to satisfy its obligations under a *flexible forward* and such obligations are unsecured obligations of ANZ and will rank equally with other unsecured obligations of ANZ. Unsecured obligations of ANZ rank behind obligations that are mandatorily preferred by law including the rights of deposit holders and are subject to insolvency, banking and similar laws affecting creditor's rights.

For further information on ANZ, see Section 9.

Likewise, ANZ assumes some credit risk in transacting with you in respect of payment obligations you have under the *flexible forward*. If you have to make a payment to ANZ on the *settlement date*, you must ensure that you have sufficient cleared funds accessible to ANZ to meet your payment obligations. If you do not, you will be in breach of your obligations and ANZ may take further action to recover any payments owed and any costs involved with recovering those payments.

OPERATIONAL RISK

Operational risk arises out of the failure or inadequacy of systems, internal processes and people. It can also arise out of external events such as acts of terrorism or natural disasters.

You are reliant on ANZ being able to price and settle your *flexible forward* accurately and on time. ANZ, in turn, is reliant on its internal operating processes, including communications and computer networks. During the term of a *flexible forward*, it is ANZ's responsibility to manage these risks. Your *flexible forward* may be adversely affected if ANZ's operating processes, systems or people for managing these procedures are disrupted, inadequate or fail.

For example, if on the *settlement date* ANZ cannot obtain your settlement instructions because it cannot access its systems, payment may be delayed.

LEGAL, TAX AND REGULATORY RISKS

Legal, tax and regulatory changes could occur during the *term* of a *flexible forward*, which may adversely affect a *flexible forward*. You should seek independent tax advice before entering into a *flexible forward*.

TERMINATION

If you wish to terminate the *flexible forward* before the *expiry date*, the *flexible forward* will be terminated at prevailing market rates. This may incur a benefit or a cost to you. Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly and over wide ranges and may reflect unforeseen events or changes in conditions. Fluctuations in the underlying currencies will affect the benefit or cost to you when you terminate a *flexible forward*. For more information on termination of a *flexible forward* please refer to Section 3.9. You should also refer to the *master dealing agreement* as it provides for situations where a *flexible forward* can be terminated including for default under the *contract*.

In addition, if you terminate a *flexible forward* before the *settlement date*, there may be a fee payable by you. See Section 6 for further information on the costs and fees payable.

CONFLICTS OF INTEREST

ANZ is a large commercial bank which deals with many people and entities. ANZ and its related bodies corporate may enter into transactions and products with various counterparties that may be in conflict with or inconsistent with your interests under *flexible forwards* and ANZ does not need to and will not consider the impact on your *flexible forward*.

NO COOLING OFF

No cooling off period applies for *flexible forwards*.

OTHER RISKS

The risks listed above are not exhaustive. There may be other risks that are relevant to you when entering into a *flexible forward*.

You should also be sure that a *flexible forward* is suitable for you before entering into one. We recommend that you obtain independent professional advice on the suitability of *flexible forwards* to you.

6. COST OF A FLEXIBLE FORWARD

This section describes fees and other costs that may be charged in relation to a *flexible forward*. You should read all the information about the fees, costs and charges, as it is important you understand their impact on *flexible forwards*.

6.1 COSTS

Generally *flexible forwards* are zero *premium* structures and no *premium* is payable to ANZ for entering into a *flexible forward*.

ANZ determines the *variables* taking into account a number of factors as described in Section 3.5. ANZ may adjust the *variables* to allow for a zero *premium* structure. As a result of the adjustment, the *variables* ANZ quotes you for a zero *premium* structure may be less favourable to you than the *variables* ANZ would quote you if you chose to pay a *premium*.

In the event you choose to pay a *premium*, ANZ determines the *premium* in the same way as it determines the *variables* including taking into account the factors in Section 3.5. The agreed *premium* must be paid in cleared funds on the *premium payment date* (generally the second business day after the *trade date*). If the *premium* is not paid on the *premium payment date*, the *flexible forward* will automatically terminate and you will be liable for any costs arising as a result of the termination.

6.2 PAYMENT ON THE SETTLEMENT DATE

When you enter into a *flexible forward* with us, you agree in certain circumstances to make a physical payment of one currency to us in exchange for a physical receipt of another currency. What you pay is determined in accordance with the agreed mechanisms and *variables* based on the type of *flexible forward* and the *spot exchange rate* at the *expiry time* on the *expiry date*.

Please see Sections 3 and 7 for examples of how *flexible forwards* work.

6.3 ANZ FINANCIAL BENEFIT

ANZ derives a financial benefit when entering into a *flexible forward*.

6.4 FEES AND CHARGES

An establishment fee may be payable by you prior to you entering into a *flexible forward*. The establishment fee, if any, will be set out in your facility letter or agreement with ANZ and you will know what it is before you enter into a *flexible forward*.

There are no other fees payable to ANZ when you enter a *flexible forward*.

6.5 SETTLEMENT COSTS

You may also be required to pay additional costs on settlement or termination depending on the manner in which termination or settlement payments are effected, including telegraphic transfers and international drafts.

Information regarding the current costs of telegraphic transfers or international drafts is contained in the respective product disclosure statements for these products or other documents relating to these products. You can ask your *ANZ contact* for a free copy of the relevant product disclosure statements, or you can access them at anz.com.

Additional costs may be payable for couriers, postage and other actions relating to *flexible forwards*.

6.6 TAXES AND OTHER COSTS

You should consult your independent advisers with respect to legal, tax, accounting and financial implications of entering into *flexible forwards*. The costs you incur in doing so will be for your own account.

6.7 CHANGES TO FEES AND CHARGES

The fees and charges set out in this document may change from time to time at ANZ's discretion. If any fee changes affect existing holders of *flexible forwards*, we will advise them at least 30 days prior to any such fee changes taking effect by posting them on our website anz.com. By entering into a *flexible forward* you agree to notification of changes as set out above.

7. EXAMPLES OF HOW FLEXIBLE FORWARDS WORK

The following are examples from an importers point of view. The examples and considerations apply equally to exporters.

Unless otherwise indicated, in the examples we assume:

- > an Australian importer knows that it needs to make a payment of USD 100,000 to an offshore supplier in six months' time;
- > the importer will need to convert AUD to USD to make this payment;
- > the current AUD/ USD *spot exchange rate* is 0.8750;
- > the importer wants to protect against any unfavourable exchange rate movements so it can limit the amount of AUD it will need to pay for the USD, but also wants the potential to benefit from favourable currency movements; and
- > a *zero premium* structure has been used.

The examples below show how the different types of *flexible forwards* work and the outcomes that would be achieved depending on the *spot exchange rate* at the *expiry time* on the *expiry date*.

The examples are for illustrative purposes only. You should note that the actual *exchange rate* will vary depending on the terms of the *flexible forward*. To assess the merits of a *flexible forward* you will need to use the actual rates and prices quoted to you. If a *premium* is payable (see section 6.1), this cost will also need to be taken into account when determining your outcome.

EXAMPLE 1: HOW DOES A RANGE FORWARD WORK?

The importer contacts ANZ and tells ANZ that it wants to enter into a range forward against the USD as the importer believes that the AUD/ USD *spot exchange rate* will appreciate mildly over the next six months. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *best case rate* of AUD/ USD 0.8750. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

TRADE DATE	Today
TRANSACTION TYPE	Range forward
CURRENCY PAIR	AUD/ USD
CONTRACT AMOUNT	USD 100,000
BUYER	Importer
SELLER	ANZ
BEST CASE RATE	0.8750
WORSE CASE RATE	0.8550
PREMIUM	Nil
EXPIRY DATE	Six months from today
EXPIRY TIME	3:00pm Sydney (AEST)
SETTLEMENT DATE	2 <i>business days</i> after the <i>expiry date</i>

WHAT ARE THE POSSIBLE OUTCOMES ON THE EXPIRY DATE?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *range forward*.

EXCHANGE RATE ACHIEVED	POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE	OUTCOME WITHOUT RANGE FORWARD
EXCHANGE OCCURS AT 0.8550	<p>The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550)</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i>.</p> <p>The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550)</p>	<p>The importer would have paid AUD 121,802.67 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8210)</p> <p>The importer is AUD 4,843.03 better off for entering into the <i>range forward</i> (AUD 116,959.64 - AUD 121,802.67) compared to its position if it had done nothing.</p>
EXCHANGE OCCURS AT THE SPOT EXCHANGE RATE	<p>The <i>spot exchange rate</i> is 0.8670 which is between the <i>worst case rate</i> and the <i>best case rate</i>.</p> <p>The importer has no obligation to ANZ and neither party is required to exchange currencies.</p> <p>On the <i>settlement date</i> the importer could choose to exchange AUD for USD 100,000 at the <i>spot exchange rate</i>.</p> <p>If the importer chose to exchange at the <i>spot exchange rate</i>, the importer would pay AUD 115,340.25 (USD 100,000/ 0.8670)</p>	<p>The importer is in the same position as if it had not entered into a <i>range forward</i> and chose to exchange at the <i>spot exchange rate</i>.</p>
EXCHANGE OCCURS AT 0.8750	<p>The <i>spot exchange rate</i> is 0.8810 which is higher than 0.8750, the <i>best case rate</i>.</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>best case rate</i>.</p> <p>The importer will pay AUD 114,285.71 (USD 100,000/ 0.8750)</p>	<p>The importer would have paid AUD 113,507.37 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8810)</p> <p>The importer is AUD 778.33 worse off for entering into the <i>range forward</i> (AUD 114,285.71 - AUD 113,507.37) compared to its position if it had done nothing.</p>

EXAMPLE 2: HOW DOES A CONVERTING FORWARD WORK?

The importer contacts ANZ and tells ANZ that it wants to enter into a *converting forward* against the USD, as the importer believes that the AUD/USD *spot exchange rate* will fall initially but will be higher in six months. The importer nominates a *worst case rate* of AUD/USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *trigger rate* of AUD/USD 0.8350. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

TRADE DATE	Today
TRANSACTION TYPE	<i>Converting forward</i>
CURRENCY PAIR	AUD/ USD
CONTRACT AMOUNT	USD 100,000
BUYER	Importer
SELLER	ANZ
TRIGGER RATE	0.8350
WORSE CASE RATE	0.8550
PREMIUM	Nil
EXPIRY DATE	Six months from today
EXPIRY TIME	3:00pm Sydney (AEST)
SETTLEMENT DATE	2 <i>business days</i> after the <i>expiry date</i>

WHAT ARE THE POSSIBLE OUTCOMES ON THE EXPIRY DATE?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *converting forward*.

EXCHANGE RATE ACHIEVED	POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE	OUTCOME WITHOUT CONVERTING FORWARD
EXCHANGE OCCURS AT 0.8550 TRIGGER RATE REACHED	The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550) and the <i>trigger rate</i> (0.8350). On the <i>settlement date</i> the importer would (but is not obliged to) exchange AUD for USD 100,000 at the <i>worst case rate</i> . The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550)	121,802.67 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8210). The importer is AUD 4,843.03 better off for entering into the <i>converting forward</i> (AUD 121,802.67 - AUD 116,959.64) compared to its position if it had done nothing.
EXCHANGE OCCURS AT 0.8550 TRIGGER RATE NOT REACHED	The <i>spot exchange rate</i> is 0.8420 which is lower than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> did not reach the <i>trigger rate</i> during the <i>term</i> . On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i> . The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550)	The importer would have paid AUD 118,764.85 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8420). The importer is AUD 1,805.21 better off for entering into the <i>converting forward</i> (AUD 118,764.85 - AUD 116,959.64) compared to its position if it had done nothing.
EXCHANGE OCCURS AT 0.8550 TRIGGER RATE NOT REACHED	The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550) but the <i>spot exchange rate</i> did not reach the <i>trigger rate</i> (0.8350) during the <i>term</i> . On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i> . The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550)	The importer would have paid AUD 114,547.54 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8730). The importer is AUD 2,412.10 worse off for entering into the <i>converting forward</i> (AUD 114,547.54 - AUD 116,959.64) compared to its position if it had done nothing.
EXCHANGE OCCURS AT THE SPOT EXCHANGE RATE TRIGGER RATE REACHED	The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550) and the <i>spot exchange rate</i> reached the <i>trigger rate</i> (0.8350) during the <i>term</i> . The importer has no obligation to ANZ. On the <i>settlement date</i> the importer could choose to exchange AUD for USD 100,000 at the <i>spot exchange rate</i> . If the importer chose to exchange at the <i>spot exchange rate</i> , the importer would pay AUD 114,547.53 (USD 100,000/ 0.8730)	The importer is in the same position as if it had not entered into a <i>converting forward</i> and chose to exchange at the <i>spot exchange rate</i> .

EXAMPLE 3: HOW DOES A RATIO FORWARD WORK?

The importer contacts ANZ and tells ANZ that it wants to enter into a *ratio forward* against the USD, as the importer believes that the AUD/ USD *spot exchange rate* will continue to appreciate over the *term*. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *proportion* of 50% for a *worst case rate* of AUD/ USD 0.8550. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

TRADE DATE	Today
TRANSACTION TYPE	<i>Ratio forward</i>
CURRENCY PAIR	AUD/ USD
CONTRACT AMOUNT	USD 100,000
BUYER:	Importer
SELLER:	ANZ
PROPORTION	50% of <i>contract amount</i>
WORSE CASE RATE	0.8550
PREMIUM	Nil
EXPIRY DATE	Six months from today
EXPIRY TIME	3:00pm Sydney (AEST)
SETTLEMENT DATE	2 <i>business days</i> after the <i>expiry date</i>

WHAT ARE THE POSSIBLE OUTCOMES ON THE EXPIRY DATE?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *ratio forward*.

EXCHANGE RATE ACHIEVED	POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE	OUTCOME WITHOUT RATIO FORWARD
EXCHANGE OCCURS AT 0.8550 (100% X CONTRACT AMOUNT)	<p>The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550).</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i>.</p> <p>The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550)</p>	<p>The importer would have paid AUD 121,802.67 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8210)</p> <p>The importer is AUD 4,843.03 better off for entering into the <i>ratio forward</i> (AUD 121,802.67 - AUD 116,959.64) compared to its position if it had done nothing.</p>
50% (PROPORTION) OF THE CONTRACT AMOUNT SETTLES AT 0.8550	<p>The <i>spot exchange rate</i> is 0.8750 which is higher than the <i>worst case rate</i> (0.8550).</p> <p>The importer must settle the agreed <i>proportion</i> (50% of the contract amount) at the <i>worst case rate</i>.</p> <p>On the <i>settlement date</i> the importer must exchange AUD for USD 50,000 at the <i>worst case rate</i>.</p> <p>The importer will pay AUD 58,479.82 (USD 50,000/ 0.8550)</p>	<p>The importer would have paid AUD 114,285.71 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8750).</p> <p>The importer is AUD 1,336.96 worse off for entering into the <i>ratio forward</i> (AUD 114,285.71 - AUD 58,479.82 - AUD 57,142.85) compared to its position if it had done nothing.</p>
50% OF THE CONTRACT AMOUNT SETTLES AT THE SPOT EXCHANGE RATE	<p>The importer has no other obligation to ANZ and could choose to exchange AUD for USD 50,000 at the prevailing <i>spot exchange rate</i> for AUD 57,142.85 (USD 50,000/ 0.8750)</p>	

EXAMPLE 4: HOW DOES A SMART FORWARD WORK?

The importer contacts ANZ and tells ANZ that it wants to enter into a *smart forward* against the USD, as the importer expects a mild appreciation in the AUD/ USD *spot exchange rate*. The importer nominates a *worst case rate* of AUD/ USD 0.8550 and an *expiry date* in six months' time.

Based on this information, ANZ quotes the importer a *reset rate* of AUD/ USD 0.9050 for a *worst case rate* of AUD/USD 0.8550. The importer accepts ANZ's quote and at this point the deal becomes binding on both parties.

The details of the deal are as follows:

TRADE DATE	Today
TRANSACTION TYPE	<i>Smart forward</i>
CURRENCY PAIR	AUD/ USD
CONTRACT AMOUNT	USD 100,000
BUYER	Importer
SELLER	ANZ
RESET RATE	0.9050
WORSE CASE RATE	0.8550
PREMIUM	Nil
EXPIRY DATE	Six months from today
EXPIRY TIME	3:00pm Sydney (AEST)
SETTLEMENT DATE	2 <i>business days</i> after the <i>expiry date</i>

WHAT ARE THE POSSIBLE OUTCOMES ON THE EXPIRY DATE?

The table below shows what and how much the importer will need to pay on the *settlement date* depending on the possible outcomes at the *expiry time* on the *expiry date*, as determined by ANZ. The table also compares the outcome to the amount the importer would pay if it had not entered into the *smart forward*.

EXCHANGE RATE ACHIEVED	POSSIBLE OUTCOMES AT THE EXPIRY TIME ON THE EXPIRY DATE	OUTCOME WITHOUT SMART FORWARD
EXCHANGE OCCURS AT 0.8550	The <i>spot exchange rate</i> is 0.8210 which is lower than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> did not reach the <i>reset rate</i> (0.9050) during the term.	The importer would have paid AUD 121,802.67 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8210)
RESET RATE NOT REACHED	On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i> . The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550) * Note that the outcome is the same if the <i>reset rate</i> was reached during the <i>term</i> and the <i>spot exchange rate</i> is lower than the <i>worst case rate</i> at the <i>expiry time</i> .	The importer is AUD 4,843.03 better off for entering into the <i>smart forward</i> (AUD 116,959.64 - AUD 121,802.67) compared to its position if it had done nothing..
EXCHANGE OCCURS AT THE SPOT EXCHANGE RATE	The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550). The <i>spot exchange rate</i> never reached the <i>reset rate</i> (0.9050) during the term.	The importer is in the same position as if it had not entered into a <i>smart forward</i> and chose to exchange at the <i>spot exchange rate</i> .
RESET RATE NOT REACHED	Neither the importer nor ANZ have any obligation to exchange currencies to one another. On the settlement date the importer could choose to exchange AUD for USD 100,000 at the <i>spot exchange rate</i> . If the importer chose to exchange at the <i>spot exchange rate</i> , the importer would pay AUD 114,547.53 (USD 100,000/ 0.8730)	
EXCHANGE OCCURS AT 0.8550	The <i>spot exchange rate</i> is 0.8730 which is higher than the <i>worst case rate</i> (0.8550). However, the <i>spot exchange rate</i> reached the <i>reset rate</i> (0.9050) during the <i>term</i> .	The importer would have paid AUD 114,547.53 if it had converted AUD to USD at the <i>spot exchange rate</i> (USD 100,000/ 0.8730)
RESET RATE REACHED	On the <i>settlement date</i> the importer must exchange AUD for USD 100,000 at the <i>worst case rate</i> . The importer will pay AUD 116,959.64 (USD 100,000/ 0.8550)	The importer is AUD 2,412.10 worse off for entering into the <i>smart forward</i> (AUD 116,959.64 - AUD 114,547.53) compared to its position if it had done nothing.

8. TERMS OF FLEXIBLE FORWARDS

8.1 HOW DO YOU ENTER INTO A FLEXIBLE FORWARD?

If you have made an assessment based on your own knowledge and independent professional advice and, as a result, are interested in entering into a *flexible forward*, you should contact us using the details in the directory in Section 13 or call your *ANZ contact*. Before you can enter into a *flexible forward*, ANZ will need to conduct a credit assessment to see if you satisfy ANZ's credit requirements. It is intended that ANZ will only enter into a *flexible forward* with its clients for genuine commercial reasons and not for speculative purposes.

The next steps are:

- > Contact us using the details in the directory in Section 13 or call your *ANZ contact* to ask for a *flexible forward*.
- > ANZ will provide you with the *master dealing agreement* that will apply to your *flexible forward* transaction.
- > You will need to provide the *contract amount*, *currency pair*, the *expiry date*, the type of *flexible forward* and one of the *variables* for your *contract* (eg the *worst case rate*).
- > ANZ will then quote you the applicable *variables* for your proposed *flexible forward* and any other relevant parameters for your *flexible forward*. For further information on how these are derived see Section 3.5.
- > If you accept ANZ's quote of the *variables* and terms you enter into a *flexible forward* with ANZ.
- > ANZ will send you a *confirmation* setting out the terms and details of the *flexible forward* you entered into including the currencies and values involved, the *variables* and the *settlement date*.
- > You need to carefully check the *confirmation* and *contact* your *ANZ contact* immediately if there is a discrepancy.
- > If requested by ANZ, you must sign and return the *confirmation* in a timely manner. However, failure to do so does not affect the validity of the *flexible forward*.

If you have any queries about a *confirmation*, contact your *ANZ contact*.

8.2 REQUIRED DOCUMENTATION TERMS AND CONDITIONS

A *flexible forward* transaction is subject to a *master dealing agreement*. There are two types of *master dealing agreements* that we use:

- > *standard terms and conditions*; and
- > *ISDA master*.

We will advise you whether the *standard terms and conditions* or *ISDA master* will apply as the *master dealing agreement* for your *flexible forward*. If we agree that an *ISDA master* will apply, we will provide it to you and you will be required to sign it prior to transacting a *flexible forward* with us.

The *master dealing agreement* governs the dealing relationship between you and us and sets out the terms and conditions that apply to any *flexible forward* you may enter into with ANZ. If you do not have a copy of the *master dealing agreement*, please contact us using the details in the directory in Section 13 or call your *ANZ contact* and a copy will be provided to you free of charge. The *standard terms and conditions* are also available at anz.com.

The *master dealing agreement* is important. The *master dealing agreement* covers a number of important terms, including obligations, payments, events of default, the right to terminate and the calculation of the amount payable on termination. The *master dealing agreement* also covers *confirmations*, calculation periods and assignment, amongst other things.

We recommend that you read the *master dealing agreement* carefully before entering into a *flexible forward* with us and consult your own independent professional adviser regarding the legal consequences of entering into a *flexible forward*.

OTHER DOCUMENTATION

In addition to the *master dealing agreement* and the *confirmation*, ANZ may require you to provide other documentation as part of the process of agreeing to enter into a *flexible forward* with you (for example, security, amendments to trust or partnership deed). For further information on this, contact your *ANZ contact*.

9. INFORMATION ABOUT ANZ

ANZ is a company incorporated in the Commonwealth of Australia. ANZ holds an Australian Financial Service Licence (AFSL No. 234527). ANZ is a commercial bank offering a wide range of banking services to its customers both domestically and internationally.

ANZ world headquarters is located in Melbourne. It first opened as the Bank of Australasia in Sydney in 1835 and in Melbourne from 1838.

The ordinary shares of ANZ are listed on the Australian stock exchange. Full details of the share capital and net assets of ANZ are contained in the financial statements that are available on the ANZ website anz.com.

Financial statements for ANZ are also lodged with the Australian Securities and Investment Commission. Copies of ANZ's current financial statements are available upon request.

10. TAXATION

Depending on your particular circumstances, in general, gains from financial instruments such as this product may be assessable either as a revenue gain or a capital gain (under the capital gains tax regime). Conversely, losses may be deductible (or give rise to a capital loss) if the relevant eligibility and availability criteria are met. If the gains are subject to the capital gains tax regime, concessions or discounts may be available to the extent that you are eligible. We do not know how you will be required to treat this product or whether it can or will be held on capital account and thus subject to the capital gains tax regime.

Taxation law is complex and changes over time, as does the way it is interpreted. The impact that taxation law may have on you will depend on your specific circumstances. This product may not provide a beneficial or appropriate tax outcome for you.

Accordingly when determining whether a *flexible forward* is suitable for you, you should consult your own independent adviser(s) regarding the tax and accounting consequences of entering into a *flexible forward* in light of your particular circumstances.

11. ADDITIONAL INFORMATION

11.1 CODE OF BANKING PRACTICE

If the Australian Code of Banking Practice (**Code**) applies to you and if you are an individual or if you are using our products and services in connection with a small business, we are bound by the Code when we provide our products and services to you. A copy of the Code is available at anz.com.

11.2 WHAT IF YOU HAVE A COMPLAINT?

If you have a complaint about any of our products or services, ANZ has established complaint resolution procedures that aim to deal with and resolve your complaint within 10 working days.

For the fastest possible resolution to your complaint:

- > call ANZ on 1800 805 154
- > talk to staff at your local ANZ branch or business centre
- > talk to your ANZ contact or send a letter to ANZ Customer Response Centre via

Mail: Locked Bag 4050, South Melbourne
VICTORIA 3205

Email: YourFeedback@anz.com

Fax: 1800 269 030

For more information about ANZ's complaint resolution procedures, please ask for the brochure entitled 'Resolving your complaint' at any ANZ branch or business centre, or go to anz.com.

FINANCIAL SERVICES DISPUTE RESOLUTION SCHEMES

If you are not satisfied with the steps taken by ANZ to resolve the complaint, or with the result of ANZ's investigation, you may wish to contact the Financial Ombudsman's Service Limited (FOS), which is an amalgamation of the Banking and Financial Services Ombudsman, Financial Industry complaints Service Ltd and the Insurance Ombudsman Services Limited. The FOS is an external dispute resolution scheme that provides free advice and assistance to consumers to help resolve complaints relating to financial service providers.

Financial Ombudsman's Service Limited

GPO Box 3 Melbourne, Victoria 3000

Telephone: 1300 780 808

Facsimile: +61 3 9613 6399

Email: info@fos.org.au

Internet: www.fos.org.au

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Alternatively, the Australian Securities and Investments Commission's (ASIC) website contains information relevant to complaining about companies and people and describes the types of complaints handled by ASIC.

To obtain further information contact the ASIC Info line:

Telephone: 1300 300 630

Fax: +61 3 5177 3999

Email: infoline@asic.gov.au

Internet: www.asic.gov.au

11.3 PRIVACY AND CONFIDENTIALITY

ANZ'S PRIVACY NOTICE AND CONSENTS – INDIVIDUALS

When you deal with ANZ, ANZ is likely to collect and use some of your *personal information*. ANZ's disclosure of *non-personal information* is subject to our general duty of confidentiality towards our customers. ANZ explains below when and how ANZ may collect and use your *personal information*. This clause applies to you if you are:

- > a personal customer of ANZ or a non-incorporated customer of ANZ (for example, a sole trader or firm) (each a "*customer*"); or
- > a representative of a *customer* (for example, a company director or officer or an authorised signatory) or some other kind of third party relevant to a *customer* (for example, an employee or guarantor) (each a "*third party*").

COLLECTION OF YOUR PERSONAL INFORMATION BY ANZ

If you are considering acquiring, or have acquired a product or service from ANZ, it may collect your *personal information*:

- > to assist in providing information about a product or service;
- > to consider your request for a product or service;
- > to enable ANZ to provide a product or service;
- > to tell you about other products and services that may be of interest to you;
- > to assist in arrangements with other organisations (such as loyalty partners) in relation to the promotion and provision of a product or service;
- > to perform other administrative and operational tasks (including risk management,

systems development and testing, credit scoring, staff training, and market or customer satisfaction research);

- > to prevent or investigate any fraud or crime (or a suspected fraud or crime); and
- > as required by relevant laws, regulations, Codes and external payment systems.

If you are a representative of a *customer* or any other type of *third party*, ANZ is collecting your *personal information*:

- > to identify you;
- > to consider the *customer's* request for a product or service (including assessing their application);
- > to enable ANZ to provide the *customer* with the relevant product or service.

ABSENCE OF RELEVANT PERSONAL INFORMATION

If you do not provide some or all of the information requested, ANZ may be unable to:

- > provide you with a product or service; or
- > if you are a representative of a *customer* or any other type of *third party*, to verify your authority to act on the *customer's* behalf or to provide the *customer* with the relevant product or service.

DISCLOSURES BY ANZ

Subject to ANZ's general duties of confidentiality towards their customers, ANZ may need to disclose your information to:

- > your referee(s);
- > credit reporting or debt collection agencies;
- > an organisation that is in an arrangement or alliance with ANZ for the purpose of promoting or using their respective products or services (and any agents used by that organisation in administering such an arrangement or alliance);
- > any service provider ANZ engages to carry out or assist its functions and activities;
- > regulatory bodies, government agencies, law enforcement bodies or courts;
- > other parties ANZ is authorised or required by law to disclose information to;
- > participants in the payments system (including payment organisations and merchants) and other financial institutions (such as banks);
- > any person who introduces you to ANZ;
- > your authorised agents, or your executor, administrator or your legal representative.

PRIVACY CONSENTS

By entering into a *flexible forward* or by acquiring or continuing to hold a product or service from ANZ, you agree that ANZ and each of its related companies (including subsidiaries) ("**ANZ companies**") may exchange with each other any information about you for the purposes of:

- > providing, managing or administering your product or service;
- > performing administrative and operational tasks (including risk management, debt recovery, exposure aggregation, systems development and testing, credit scoring, staff training and market or customer satisfaction research); and
- > complying with regulatory requirements and prudential standards.

You consent to ANZ disclosing any *personal information* collected by it in the course of your relationship with ANZ to:

- > any contractor or service provider ANZ engages to provide services connected with your relationship with ANZ; and

- > participants in the payments system (including financial institutions, merchants and payment organisations).

Any contractor, agent or service provider engaged by ANZ is contractually required to only use *personal information* for ANZ purposes and to keep the information confidential.

PROMOTION OF OTHER PRODUCTS OR SERVICES

Until you tell ANZ otherwise, ANZ may use your *personal information* to promote its products or services or those of its related companies and alliance partners and disclose your *personal information* to its related companies and alliance partners to enable them or ANZ to market their products or services.

Where you do not want ANZ to tell you about its products or services or those of its related companies or alliance partners, you may withdraw your consent by calling 13 13 14 at any time or contacting your *ANZ contact*.

ACCESSING YOUR PERSONAL INFORMATION HELD BY ANZ

Subject to the provisions of the Privacy Act, you may access your *personal information* at any time by asking to do so at any ANZ branch. ANZ may charge you a reasonable fee for access. If you can show that information about you is not accurate, complete and up to date, ANZ must take reasonable steps to ensure it is accurate, complete and up to date.

COLLECTING YOUR SENSITIVE INFORMATION

ANZ will not collect sensitive information about you, such as health information, without your consent. If you give ANZ *personal information* about someone else or direct someone else to give their *personal information* to ANZ, please show them a copy of this clause so they may understand the manner in which their *personal information* may be used or disclosed by ANZ in connection with your dealings with ANZ.

AUTHORITY TO DISCLOSE CONFIDENTIAL INFORMATION – NON INDIVIDUALS

This clause applies to you if you are an incorporated *customer* of ANZ.

By entering into a *flexible forward* or by acquiring or continuing to hold the product or service from ANZ, you agree that ANZ companies may exchange with each other any information about you for the purposes of:

- > providing, managing or administering your product or service;
- > performing administrative and operational tasks (including risk management, debt recovery, exposure aggregation, systems development and testing, credit scoring, staff training and market or customer satisfaction research);
- > promotion of products or services; and
- > complying with regulatory requirements and prudential standards.

You authorise ANZ to disclose any *confidential information* collected by it in the course of your relationship with ANZ to:

- > any contractor or service provider ANZ engages to provide services connected with your relationship with ANZ;
- > participants in the payments system (including financial institutions, merchants and payment organisations); and
- > to its alliance partners to promote their products or services.

Any contractor, agent or service provider engaged by ANZ is contractually required to only use the information for ANZ purposes and to keep the information confidential.

11.4 TELEPHONE RECORDING

Please note that telephone dealings with ANZ in respect of entering into a *flexible forward* are normally recorded.

This is standard practice in the financial markets and accordingly a standard procedure for ANZ in entering into a *flexible forward* with you. If it is not possible or practical that the conversation in respect of entering into a *flexible forward* be recorded, ANZ will discuss an alternative method for recording it with you at the time.

Recorded telephone lines will be used to clarify any doubt over the content of a conversation. If a recorded telephone line is not used, alternative means will be used for

clarification purposes. Your *ANZ contact* will advise you of the alternative means at the time of entering the transaction.

If you do not wish to be recorded, please advise your *ANZ contact* immediately, however we will be unable to enter into a *flexible forward* with you.

11.5 ANTI-MONEY LAUNDERING

You agree that ANZ may delay, block or refuse to process any transaction without incurring any liability if ANZ suspects that:

- (a) the transaction may breach any law in Australia or any other country;
- (b) the transaction involves any person (natural, corporate or governmental) that is itself sanctioned or is connected, directly or indirectly, to any person that is sanctioned under economic and trade sanctions imposed by the United States, the European Union or any country; or
- (c) the transaction may directly or indirectly involve the proceeds of, or be applied for the purposes of, conduct which is unlawful in Australia or any other country.

You must provide all information to ANZ which ANZ reasonably requires in order to manage money-laundering or terrorism-financing risk or to comply with any laws in Australia or any other country. You agree that ANZ may disclose any information concerning you to any law enforcement body, regulatory agency or court where required by any such law, in Australia or elsewhere.

Unless you have disclosed that you are acting in a trustee capacity or on behalf of another party, you warrant that you are acting on your own behalf in entering into the transaction.

You declare and undertake to ANZ that the processing of any transaction by ANZ in accordance with your instructions will not breach any laws or regulations in Australia or any other country.

11.6 ETHICAL CONSIDERATIONS

ANZ does not, and will not, take into account any particular labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments.

12. DEFINITIONS

ANZ, us, our, we is Australia and New Zealand Banking Group Limited ABN 11 005 357 522

AFSL 234527

ANZ companies is ANZ and each of its related companies (including subsidiaries)

ANZ contact is your *ANZ relationship manager* or your *ANZ markets advisor*

ANZ markets advisor is an ANZ employee who is responsible for the structuring, pricing and distribution of financial products provided by ANZ's Global Markets division. *Flexible forwards* are transacted with an *ANZ markets advisor**

ANZ relationship manager is an ANZ employee who acts as an ANZ customer's prime contact point (this could be an Institutional Banking Manager, a Corporate Banking Manager, a Business Banking Manager, an International Services Manager or another Manager so designated) and who is responsible for approving, or facilitating approval, of the provision of ANZ's products to customers*

best case rate is the most favourable *exchange rate* that you can achieve under your *range forward* as agreed at the time the *range forward* is entered into

business day is a day on which ANZ is open for business for *flexible forwards* in Sydney

confidential information is information acquired by ANZ from and concerning you in the course of the banker-customer relationship and does not include publicly available information

confirmation is a document that outlines the commercial parameters of the *flexible forward*

contract is a *flexible forward* and includes *range forwards*, *converting forwards*, *smart forwards* and *ratio forwards*.

contract amount is the agreed amount of the *flexible forward* entered into on the *trade date* as set out in the *confirmation*

converting forward is a *contract* between you and ANZ to exchange one currency for another as described in Section 3.2

currency pair means the two currencies which will be exchanged under the *flexible forward*

exchange rate expresses the value of one currency in terms of another currency for example, in the exchange rate AUD/USD0.8805, one Australian Dollar is equal to 0.8805 US Dollars (88.05 US cents)

expiry date is the date on which the *flexible forward* expires

expiry time is the time of day that the *flexible forward* expires

flexible forward is a contract entered into with ANZ in accordance with this PDS and includes *range forwards*, *converting forwards*, *smart forwards* and *ratio forwards*. For more information please refer to Section 2

hedge, hedging are terms used in financial markets to describe the activity of mitigating or reducing economic exposure to price fluctuations in underlying markets such as currencies, interest rates or commodities. For example, in reducing or mitigating your economic exposure to the fluctuation of the United States Dollar (USD) by entering into a *flexible forward*, you are engaging in the activity of hedging

ISDA master means the International Swaps and Derivatives Association, Inc. Master Dealing Agreement as modified by ANZ and provided to you, if applicable

master dealing agreement is either the *standard terms and conditions* or an *ISDA master* as advised by ANZ

personal information is information about an individual

proportion is a percentage of the contract amount we agree for a *ratio forward*. If the *spot exchange rate* is more favourable to you than the *worst case rate* you must exchange the *proportion* of the *contract amount* at the *worst case rate*

range forward is a contract between you and ANZ to exchange one currency for another as described in Section 3.1

ratio forward is a *contract* between you and ANZ to exchange one currency for another at as described in Section 3.3

reset rate is an *exchange rate* that we agree for a *smart forward*. If the *spot exchange rate* reaches the *reset rate* before the *expiry date*, this will affect the rate at which you will need to exchange currencies under the *smart forward*.

settlement date is the date on which a *flexible forward* is settled and the exchange of currencies takes place (typically two *business days* after the *expiry date*)

smart forward is a *contract* between you and ANZ to exchange one currency for another as described in Section 3.4

spot exchange rate is the *exchange rate* that ANZ would make available to you when settlement is approximately two *business days* after the date the *exchange rate* is quoted

standard terms and conditions means the document issued by ANZ titled Terms and Conditions for Trading in Foreign Exchange and Derivative Transactions, available at anz.com

term the period from and including the *trade date* to the *expiry time* on the *expiry date*

trade date is the date on which you enter into a *flexible forward*

trigger rate is an *exchange rate* that we agree for a *converting forward*. If the *spot exchange rate* reaches the *trigger rate* at any time during the *term*, this will affect the rate at which you will need to exchange currencies under the *converting forward*

us, our we is ANZ

variable is a pricing *variable* for a *flexible forward*. Each type of *flexible forward* consists of two *variables*.

worst case rate is the least favourable *exchange rate* you can be exposed to under your *flexible forward* as agreed at the time the *flexible forward* is entered into

you, your is the customer who is a party to a *flexible forward*

13. DIRECTORY

NEW SOUTH WALES

Level 2, 20 Martin Place
Sydney NSW 2000
02 9226 6655

VICTORIA

Level 7, 100 Queen Street
Melbourne VIC 3000
03 9095 0233

QUEENSLAND

Level 7, 324 Queen Street
Brisbane QLD 4000
1800 145 138

SOUTH AUSTRALIA

Level 21, 11 Waymouth Street
Adelaide SA 5000
08 8218 8047

WESTERN AUSTRALIA

Level 7, 77 St Georges Terrace
Perth WA 6000
08 9323 8300

