

ANZ COBALT

PROTECTED LENDING PRODUCT SUMMARY

IT'S ALL POSSIBLE WITH ANZ COBALT

ANZ Cobalt is an advanced share gearing, protection and option platform for experienced wholesale investors, self-managed super funds ("SMSFs") and executives with employer related share exposures. It allows investors to protect and borrow against the value of a share portfolio or individual shares, borrow to purchase a new share portfolio or generate additional income using equity options.

Investors wanting access to US listed shares and Exchange Trade Funds ("ETFs"), via protected lending, can now also do so via ANZ Cobalt.

ANZ COBALT AT A GLANCE

- > Invest in a wide range of ASX or US listed shares or ETFs
- > Up to 100% capital protection and 100% finance available from ANZ (up to protection level)
- > Choice of terms (3 months to 5 years) without risk of margin calls
- > Interest expense may be deductible up to the Reserve Bank of Australia ("RBA") benchmark rate
- > Enter into a range of option strategies to protect an existing shareholding or generate additional investment returns via a Sold Call Option
- > May be an eligible investment for a Self-Managed Super Fund

WHY PROTECTED LENDING?

Investors have long geared into residential property as a means of wealth creation. Likewise margin lending has been utilised by many investors as a means of increasing their exposure to the share market. In both cases investors are relying on a geared exposure giving them increased exposure to potential capital gains, while income from the underlying asset, either rent or dividends, is typically used to offset any expenses, including interest related costs.

Protected lending via ANZ Cobalt offers investors with a positive view on the market the ability to gear into shares but with the peace of mind that if the underlying share value falls below the protection level at maturity, that share will be protected up to the protection level. Investors may be able to claim a tax deduction for interest related expenses, up to a publicised benchmark rate set by the RBA.

ANZ has added compelling new features to this product that enhance the ability to manage risk, to manage cash flows and to access overseas markets. ANZ Cobalt is a facility that is opened once, then available on an on-going basis for the execution of a range of strategies.

A range of option strategies are also available under ANZ Cobalt that can be used to protect the value of Securities or generate returns by buying or selling options.

It's all possible with ANZ Cobalt.

ANZ COBALT LETS YOU CHOOSE FROM A RANGE OF SECURITIES

SHARES

- > Suitable for investors requiring direct exposure
- > Select from Australia's largest companies and trusts by ASX market capitalisation
- > Select from a range of major US listed companies

EXCHANGE TRADED FUNDS (ETFs)

- > Select from a range of Australian and US listed ETFs
- > Suitable for investors preferring a diversified exposure
- > Relatively low cost when compared to managed alternatives
- > Offer exposure to broad equity indices such as the Australian ASX200 index and the US S&P500 index
- > Offer exposure to market sectors such as financials, healthcare, technology and agriculture

WHY ANZ COBALT

ANZ Cobalt is a comprehensive protected lending facility which includes a number of innovative features investors may be looking for, including:

- > an attractive 'automatic lock-in' feature that allows protection to automatically ratchet up during the term of the investment
- > an innovative dividend give up feature which allows investors to utilise dividends to pay part of their interest cost
- > protected lending within SMSFs
- > the ability to borrow to invest in US listed shares and ETFs with the investment denominated in USD or AUD
- > offered by ANZ, a well-rated counterparty
- > ATO Product Ruling*

INVESTOR SUITABILITY

ANZ Cobalt may be a suitable for experienced investors who are seeking:

- > leveraged exposure to Australian or US Equities with the benefit of capital protection
- > interest expenses that are that is potentially tax deductible (up to RBA benchmark rate)
- > a leveraged investment for SMSFs
- > a solution for managing executive share and option entitlements
- > a way to monetise and/or protect an existing shareholding
- > a way to generate income from an existing shareholding

KEY RISKS

Transactions under ANZ Cobalt are complex investments that can carry high risk levels. Risks can include:

- > **Leverage Risk** – a Loan under ANZ Cobalt is a geared investment. Gearing can magnify gains but also magnify losses.
- > **Full recourse loans** – Loans to Non-SMSFs are full recourse however protection (up to the protection level) is provided **at maturity** through the Purchase Put Option. ANZ will have full recourse to the investor including repayment of the Loan and any Break Costs or costs associated with Early Termination. Any interest amount and/or the initial option fee is not protected.
- > **Loans to SMSFs** – Loans to SMSFs are available however a Guarantor will be required and the Guarantor is liable for all obligations under the Transaction including being liable for any Break Costs or costs associated with Early Termination.

> **Performance risk** – there is no guarantee that an investment will generate a positive return.

> **Cap Level** – where you elect to implement a Cap Level you are limiting your participation in any increase in the price of the relevant Securities beyond that level.

> **Early Termination** – ANZ have a right to terminate a Loan prior to maturity in a range of situations. If the occurs, you may have to pay Break Costs or costs associated with Early Termination.

See the ANZ Cobalt Product Disclosure Statement (PDS) for more information and consult your financial adviser about these and additional risks that may be specific to your personal circumstances.

WHAT ARE THE COSTS?

> **Interest** – Interest is payable on all loans (the interest rate may include the cost of protection)

> **Adviser Option Payment** – you may agree with your adviser that an Adviser Option Payment will be made

> **Early Termination payments** – on Early Termination Break Costs or costs associated with the Early Termination may be payable

> **Variable Premium** – if you elect to implement a Cap Level, a Variable Premium will be payable if the Closing Price is above the Cap Level at maturity

> **Brokerage** – you may be charged brokerage in connection with any purchase or sale of Securities

Each product offered under ANZ Cobalt will have different costs associated with it, please see the ANZ Cobalt PDS for more information.

FEATURES

Key features of the Loan facility:

BORROW UP TO 100% OF THE VALUE OF THE RELEVANT SECURITIES	We will lend you up to 100% of the value of the relevant Securities at the Issue Time.
PROTECT YOUR DOWNSIDE	Protection through a Purchase Put Option from any fall in the value of your Securities at Maturity below your chosen Protection Level (this does not apply if a Loan and Purchase Put Option is terminated before Maturity).
FLEXIBLE LOAN TERM	The Loan Term can be between 3 months and 5 years, or such longer or shorter period as we may agree.
MINIMUM LOAN AMOUNT	The minimum amount that we will lend you in respect of any Loan is \$500,000 (or less at our discretion).
MINIMUM PARCEL VALUE	The minimum starting value of each Parcel is \$100,000 (or less at our discretion).
CHOICE OF A FIXED OR VARIABLE INTEREST RATE	You have the flexibility to select an interest rate for your Loan that is either fixed for the Term of the Loan at the Issue Time, or variable (generally resetting annually, or such other period as we may agree).
EMPLOYEE OPTIONS	You can use a Loan to fund the exercise of Vested Employee Options you hold. This facility is not available to SMSF Investors.
BORROW AGAINST YOUR EXISTING SECURITIES	You can borrow against Securities you already own (up to their value at the Commencement Date) by purchasing a Purchase Put Option over the Securities and granting us a Security Interest in the Securities and the Purchase Put Option. This facility is not available to SMSF Investors.
INTEREST COST TAX DEDUCTION	If you borrow funds using a Loan to invest in Securities, you may be entitled to a tax deduction for a portion of the interest paid under the Loan.
DIVIDEND GIVE UP FACILITY	Under the Dividend Give-Up Facility you can direct that all ordinary cash dividends and distributions on the Securities for a Loan be applied towards the payment of the interest on the Loan for an interest period.

A WORKED EXAMPLE*

John has a positive view of XYZ shares and wishes to purchase \$1,000,000 worth at the current price of \$25.00 per share. John would also like to employ a negative gearing strategy and so John enters into a Loan with ANZ for a 2 year Term. John would also like some capital protection and therefore chooses a Loan amount of \$800,000 and enters into a Capped Purchase Put Option.

VALUE OF INVESTMENT	\$1,000,000
INITIAL CONTRIBUTION	\$200,000 of own capital
LOAN AMOUNT	\$800,000
GEARING LEVEL	80%
INTEREST RATE TYPE	Fixed for term of the loan
TERM	2 years
PROTECTION LEVEL AT MATURITY	\$20 per share
CAP LEVEL	\$35 per share
ANNUAL INTEREST COST	10.00%
TOTAL INTEREST PAYABLE OVER THE TERM	\$160,000

* This is a worked example of how a Capped Purchase Put Option and Loan can work, it is indicative and provided for illustrative purposes only. This example assumes that the Initial Option Fee is included in the interest rate payable on the Loan. Interest cost is deductible up to the RBA Benchmark Rate (currently 7.45%).

During the Term of the Loan, John retains all cash dividends and the benefit of any franking credits paid in relation to the XYZ shares. He may also receive a tax deduction in relation these interest payments up to the RBA benchmark rate.

AT MATURITY

If the value of John's investment rises, he'll receive the gains in excess of the loan amount, up to an increase of 40% in the value of the investment (\$35). If the investment falls to 80% or below of the value of his initial investment (\$20), he can sell his investment at the Protection Level to repay the loan and simply walk away with nothing further to pay (however, he may make a loss which includes some or all of his initial capital contribution).

NEXT STEPS

ANZ Cobalt is only available through licensed financial intermediaries who have been approved by ANZ Equity Markets.

To find out more about ANZ Cobalt contact your Approved Financial Advisor.

For more general information please visit the website www.anz.com/cobalt.

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* ANZ has obtained a Product Ruling from the Australian Taxation Office ("ATO") confirming some of the tax consequences for applicants. You will need to confirm whether the Product Ruling issued by the ATO in relation to the ANZ Cobalt (and certain Transactions under it) is applicable to your particular circumstances. The Product Ruling is only a ruling on the application of taxation law and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of ANZ Cobalt or any Transaction under it, of the soundness or otherwise of ANZ Cobalt or any Transaction under it as an investment, or of the reasonableness or commerciality of any fees charged in connection with ANZ Cobalt or any Transaction under it. The Product Ruling is only binding on the Commissioner of Taxation if ANZ Cobalt and Transactions under it are implemented in the specific manner provided in the Product Ruling.