

ANZ COBALT

PRODUCT DISCLOSURE STATEMENT
1 APRIL 2016



PDS: This Product Disclosure Statement (“PDS”) is dated 1 April 2016 and has been prepared by Australia and New Zealand Banking Group Limited (“ANZ”, “we” or “us”), the issuer of ANZ Cobalt. This PDS has not been lodged with the Australian Securities and Investments Commission (“ASIC”) and is not required by the Corporations Act to be lodged with ASIC. ASIC and its officers take no responsibility for the contents of this PDS.

Role of ANZ: ANZ is the provider of ANZ Cobalt and as such offers ANZ Cobalt and Transactions under it pursuant to this PDS. If ANZ agrees to accept your Application Form, ANZ will, in the circumstances specified in this PDS, take a Security Interest over your Securities as security for repayment of any amounts owing to ANZ under ANZ Cobalt and performance of your obligations under ANZ Cobalt. This will restrict your ability to deal with the Securities without our consent. You must also appoint ANZ Securities Limited (“ANZ Securities”) as your Sponsoring Participant in CHESS, or have your Securities held by the Nominee.

Terms of use: ANZ Cobalt and Transactions under it are entered into between an applicant and ANZ on the terms and conditions set out in Section 10 of this PDS (the “Terms”). These Terms may include any additional terms as may be agreed between ANZ and you before your application is accepted. It is important that you read these Terms in full as these terms set out your rights and obligations in relation to ANZ Cobalt.

Disclaimer: Our obligations in relation to ANZ Cobalt are not deposit liabilities of ours, and they are not guaranteed by any other party. They are unsecured contractual obligations which will rank equally with our other unsecured contractual obligations and with our unsecured debt (other than liabilities mandatorily preferred by law). In this regard, section 13A(3) of the Banking Act 1959 (Cth) provides that in the event we become unable to meet our obligations, our assets in Australia shall be available to meet certain liabilities in priority to all of our other liabilities, including our obligations in relation to ANZ Cobalt. Such preferred liabilities include, without limitation, certain debts and costs owed to the Australian Prudential Regulation Authority, liabilities in relation to protected accounts and any debts or liabilities owed to the Reserve Bank of Australia.

Jurisdiction and selling restrictions: The offer to which this PDS relates is only available to persons receiving this PDS in Australia. This PDS does not constitute an offer or invitation in relation to ANZ Cobalt in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by laws of places where it is distributed and therefore persons into whose possession this PDS comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws.

Defined words: Capitalised words and phrases have the meaning given to them in the Glossary set out Section 11 of this PDS.

Updates relating to this PDS: This PDS is current as at 1 April 2016. ANZ may make available updated information relating to this PDS. The information which ANZ will make available by way of these updates is subject to change from time to

time and will not be information which is materially adverse to investors. You may access this updated information on our website (see Contact Details in Section 1) or alternatively you may request a paper copy of this information free of charge from your financial adviser or by contacting ANZ (see Contact Details in Section 1).

PRODUCT SUITABILITY AND RISKS

ANZ Cobalt and the Transactions you may enter into under ANZ Cobalt offered under this PDS are not traditional investments. Transactions under ANZ Cobalt are complex financial products and have a higher degree of complexity and potential risk than a simple interest bearing deposit or debt instrument or a simple investment in shares or other assets. You should ensure that you fully understand all of the risks associated with the ANZ Cobalt transaction you choose to invest in and have determined that the type of investment is suitable for you. For example, ANZ Cobalt may not be a suitable investment for you if:

- > you aren't comfortable with the risk that you might not get back the full principal amount of the money which you invested, and in some cases you might receive zero
- > you don't understand the risks associated with the relevant Securities and the way in which the performance of the Securities will affect your return on the investment
- > you don't have experience in, or are otherwise unfamiliar with, investing in products which have structured or derivative payoff profiles
- > you aren't comfortable with the effect that the loss of your principal amount might have on your investment portfolio
- > you aren't comfortable that investments under ANZ Cobalt are term investments and that you do not have a right to redeem or break any transactions without the consent of ANZ. In the event that ANZ accepts a request for early termination, the amount payable to you by ANZ may be less than your original amount
- > you don't understand the impact of leverage on your portfolio both in relation to the potential for magnified gains and losses and the impact of the interest cost on your break even levels
- > in relation to International Securities, you don't understand the potential impact of foreign exchange rate movements on your investment
- > don't understand that your obligations are full recourse to you (in the case of a Non-SMSF Investor) or in the case of a SMSF Investor that the obligations will be full recourse to the Guarantor

Recommendation to Seek Advice: Neither ANZ nor any member of the ANZ group of companies guarantees the performance of ANZ Cobalt or any Transaction under it. Potential investors should note that no person is authorized by ANZ to give any information to investors or to make any representation other than as contained in this PDS. Nothing contained in this PDS constitutes the giving of general or personal financial product advice or a recommendation concerning the entry into Transactions or participation in ANZ

Cobalt. This PDS does not take into account the investment objectives, financial situation or particular need of any individual investor. Potential investors should not rely on this PDS as the sole basis for entering into a Transaction under ANZ Cobalt, and should seek independent legal, tax and investment advice, taking into account their own particular needs and financial circumstances.

ATO Product Ruling: 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.

Securities and derivatives markets are volatile. Investments in securities and derivative products involve a high degree of risk and are not suitable for all persons. You should contact your legal, tax and financial adviser before making any investment decision in relation to ANZ Cobalt or any Transaction.

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SECTION 1: OVERVIEW OF ANZ COBALT

| FEATURE | SUMMARY | REFERENCE |
|-----------------------------|--|-----------------|
| Issuer | Australia and New Zealand Banking Group Limited | Section 9.15 |
| Contact Details for Issuer | <p>Mail: ANZ Cobalt ANZ Equity Markets GPO Box 555 Sydney NSW 2001</p> <p>Phone: 1800 204 693</p> <p>Email: equitysolutions@anz.com</p> <p>Website: www.anz.com/markets/equities</p> | |
| ANZ Cobalt general features | <p>ANZ Cobalt is a customised investment facility with features that allow you to fund, protect and enhance your investment in Australian and international listed Securities. Under the facility you may:</p> <ul style="list-style-type: none"> > gain exposure to Securities by entering into Loans or Options or both; > protect an existing portfolio of Securities; and > seek to generate investment returns, by entering into Options. | Section 2 and 3 |
| Loans | <p>A Loan under ANZ Cobalt can be used to:</p> <ul style="list-style-type: none"> > fund the purchase of Securities (including through the exercise of Vested Employee Options); or > borrow against Securities that you already hold (not available to SMSF Investors). <p>For each Loan you take out you must enter into a Purchase Put Option to protect you from a fall in the price of the relevant Securities at Maturity below the Protection Level. The requirement that you enter into a Purchase Put Option is referred to as the “Protection” feature of a Loan. Your Purchase Put Option cannot be exercised before Maturity, which means that the sale proceeds of your Securities before Maturity could be less than your Protection Level.</p> <p>In addition, if you select a fixed interest rate, you may also apply for an Interest Assistance Loan to fund the interest payable for a particular Interest Payment Date.</p> | Section 2 |
| Options | <p>A range of Options are available under ANZ Cobalt. You can use Options to:</p> <ul style="list-style-type: none"> > protect the value of Securities; or > generate returns by buying or selling Options over Securities or Indices. | Section 3 |
| Nominee | ANZ Equities (Nominees) Pty Limited | Section 9.5 |
| Broker | ANZ Securities Ltd | Section 9.8 |
| Sponsoring Participant | ANZ Securities Ltd | Section 9.5 |
| Securities | <p>ASX-quoted securities and interests in managed investment schemes are eligible to be Securities for a Transaction. However, we may accept or reject any particular Transaction Request, including if we are unwilling to transact in the relevant underlying security.</p> <p>We may also allow Options or Loan Transactions over certain International Securities. There are additional requirements and potentially additional charges associated with Transactions in International Securities.</p> <p>We may also allow some categories of Option Transactions over certain Indices.</p> | |

SECTION 1: OVERVIEW OF ANZ COBALT

| FEATURE | SUMMARY | REFERENCE |
|----------------------|---|-----------|
| Summary of key risks | <p>Transactions under ANZ Cobalt are complex investments that can carry high risk levels. Risks can include:</p> <ul style="list-style-type: none">> Leverage risk: leverage can magnify losses. Options and Loan Transactions can involve high leverage levels> Market risk: Transactions are exposed to equity market risks and risks relating to the specific Security you select for a Transaction> Early Termination: Protection does not apply in the event of Early Termination. You could incur substantial losses if you, or we, terminate a Transaction before Maturity> Credit risk: the value of your investment in a Transaction is subject to our ability to perform our obligations which are unsecured> FX risk: if you enter into a Transaction over International Securities there is a risk that foreign exchange rate movements could adversely impact your investment> Adjustment Events: we have broad discretions to deal with Adjustment Events including Early Termination> Guarantor risk: your Guarantors are liable for your obligations under Transactions. <p>This is a summary only. Please see Section 5 for more detail on these and other key risks.</p> | Section 5 |

SECTION 2: LOANS UNDER ANZ COBALT

SECTION 2.1: INTRODUCTION AND KEY FEATURES

KEY FEATURES

Under ANZ Cobalt, you may take out a Loan from us to:

- > fund an investment in Securities;
- > fund the exercise of Vested Employee Options (not available to SMSF Investors); or
- > borrow against Securities you already hold (not available to SMSF Investors).

Each Loan is linked to a Parcel or Basket of Securities. For each Loan you take out we will require you to enter into a Purchase Put Option to protect you from a fall in the price of the relevant Securities at Maturity below the Protection Level. The Purchase Put Option requirement is referred to as the "Protection" feature of a Loan Transaction because it ensures that your Securities and your Purchase Put Option together will be worth no less than the Protection Level at the originally scheduled Maturity. We will generally require that your Protection Level for your Purchase Put Option is at least equal to your Loan amount. (You may choose a Protection Level that is higher than

your Loan amount and, in some cases, we may allow you to have a Protection Level that is lower than your Loan amount.)

The Protection feature, provided through the Purchase Put Option, does not apply if your Purchase Put Option terminates before Maturity (the Purchase Put Option is a "European" style option that can only be exercised at Maturity).

You should also note that if we are unable to perform our obligations under your Purchase Put Option (eg if we are insolvent) you may not receive a payment and/or performance of our obligations under the Purchase Put Option.

If you are a Non-SMSF Investor, your obligations under a Loan are full recourse, both at Maturity and in the event of Early Termination (your Purchase Put Option, can only be exercised at Maturity). If you are a SMSF Investor, your obligations are limited recourse both at and before Maturity (however, we may call on the Guarantee if the Securities are insufficient for us to recoup the Amount Outstanding for your Loan).

The key features of the Loan facility are outlined below:

| | |
|---|---|
| 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). |
| Optional Interest Assistance Loan | You may apply for an Interest Assistance Loan to fund the interest payable for a particular interest period. Interest Assistance Loans are not available to SMSF Investors. |
| 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. |

Under ANZ Cobalt, you may enter into more than one Loan, each for a different Parcel or Basket (as further explained below). We may specify an overall Facility Limit, in which case the total of all of your Loan amounts and Interest Prepayment Loan amounts cannot exceed that limit.

WHAT IS PROTECTION AND HOW DOES IT WORK?

"Protection" refers to our requirement that you enter into a Purchase Put Option in respect of each Loan. Your Purchase Put Option protects you if the Closing Price of your Securities at the originally scheduled Maturity is below the Protection Level. That is, it ensures that, irrespective of the value of your Securities at Maturity, your Securities and your Purchase Put Option together will be worth no less than the Protection Level at Maturity.

If your Protection Level is less than 100% of the value of the Securities at the Issue Time, your Purchase Put Option will not cover:

- > any initial Contribution you make to buy the Securities;
- > the difference between the Loan amount and the value of Securities at the Issue Time if you borrow against Securities you already own.

Also, your Purchase Put Option will not cover the interest you pay on your Loan, the repayment of an Interest Assistance Loan, the Initial Option Fee in respect of your Purchase Put Option, any Adviser Option Payment, any brokerage or any fees and charges you are charged.

SECTION 2: LOANS UNDER ANZ COBALT

At Maturity, your Purchase Put Option will be automatically exercised if the Closing Price of the Securities is less than your Protection Level. This means that:

- > you can sell us the Parcel or Basket at the Protection Level and the sale proceeds will be applied to repay the Loan amount (this is referred to as “**Physical Settlement**”). You (or your Guarantor) will still be liable to us for any residual Amount Outstanding (such as any outstanding interest on your Loan, any excess of your Loan amount above the Protection Level or the repayment of any Interest Assistance Loan). We will pay you any surplus amounts after the Amount Outstanding is paid (for example, if your Protection Level is greater than your Loan amount, you will receive a residual payment); or
- > we will pay you the difference between the Protection Level and the Closing Price of the Securities at Maturity, this amount will be applied towards repayment of your Loan (this is referred to as “**Cash Settlement**”). You will still be required to repay any balance of the Amount Outstanding to retain title to the Securities and for us to release our Security Interest.

If you are a Non-SMSF Investor, your obligations under a Loan are full recourse, both at Maturity and in the event of Early Termination (your Purchase Put Option, can only be exercised at Maturity). If you are a SMSF Investor, your obligations are limited recourse both at and before Maturity (however, we may call on the Guarantee if the Securities are insufficient for us to recoup any Amount Outstanding).

Please refer to clause 8 of the Terms in Section 10.

CAN I LOSE MY PROTECTION?

Your Purchase Put Option may only be exercised at Maturity. Your Purchase Put Option may not be exercised if:

- > you repay your Loan and terminate your Purchase Put Option before Maturity (we may refuse any Early Termination Request);
- > you are in Default (e.g. if you fail to make an interest payment when due) and we terminate your Purchase Put Option and require early repayment of your Loan; or
- > we declare an Early Termination in response to an Adjustment Event.

Also, if we are unable to perform our obligations under your Purchase Put Option, eg if we are insolvent, you may not be able to exercise your Purchase Put Option or receive the full amount of any payment and/or performance of our obligations under the Purchase Put Option.

In these circumstances, you (or your Guarantor) will still be liable to us for the Amount Outstanding on your Loan.

WHAT IS MY PROTECTION LEVEL?

You can choose the Protection Level that will apply for your Purchase Put Option. We will generally require that you choose a Protection Level that is at least equal to 100% of your Loan amount (in some cases, we may allow you to choose a Protection Level that is lower than 100% of your Loan amount). You can choose a Protection Level that is greater than your Loan amount.

The Protection Level that you choose will impact the cost of the Purchase Put Option (the “**Initial Option Fee**”) that you will pay either as a lump sum upfront payment, or through the interest

rate on your Loan.

If your Purchase Put Option is a Capped Purchase Put Option, the cap feature has the effect of reducing the Initial Option Fee. However, if the Closing Price of the Securities on the Maturity Date is above the Cap Level you will have to pay us a Variable Premium Amount equal to the difference.

CAN I INCREASE MY PROTECTION LEVEL DURING THE TERM?

You can, if we agree, increase the Protection Level on your Purchase Put Option during the Term. This allows you to lock-in any price appreciation of your Securities during the Term (provided you hold until Maturity). If you increase your Protection Level you must pay to us the Protection Level Increase Fee, which we will calculate at the time you apply for the increase based on the factors described in Section 6 below. This fee may be a significant amount, so you should speak to us to determine how much it is likely to be before you apply to increase your Protection Level. You may also have to pay or reimburse us on request for any related Taxes (as at the date of this PDS, we are not aware of any applicable Taxes).

CAN I AUTOMATICALLY LOCK-IN PRICE APPRECIATION IN MY SECURITIES?

When you enter into a Purchase Put Option you can request a “dynamic” Protection Level feature which will automatically increase the Protection Level to a specified level (the “**Increased Protection Level**”) if the price of your Securities ever trades at or above a specified level (the “**Trigger Price**”) during the Term. If you also elect to have a Cap Level associated with your Purchase Put Option (i.e. your Purchase Put Option is a Capped Purchase Put Option), the Increased Protection Level must be less than the Cap Level. This feature (referred to as the “**Automatic Lock-In Facility**”) allows you to automatically lock-in some or all of any price appreciation for your Securities during the Term (provided you hold until Maturity), through an increase in your Protection Level. If we accept your request to use the Automatic Lock-In Facility, and on any Business Day during the Term the aggregate last trade price of the Securities in your Parcel (as published by the Relevant Exchange(s) on which the Securities trade) equals or exceeds the Trigger Price, the Protection Level for your Purchase Put Option will automatically increase to the Increased Protection Level, without any action required on your part.

Use of the Automatic Lock-In Facility will increase the cost of your Purchase Put Option (see “How do we calculate interest rates on the Loans?” below).

The Automatic Lock-In Facility is not available for:

- > Purchase Put Options over International Securities where the currency in which the International Securities is denominated is different to the Option Currency (see Section 4 for further information); or
- > Purchase Put Options over Baskets of Securities.

SECTION 2: LOANS UNDER ANZ COBALT

WORKED EXAMPLE:

The following example of how a Purchase Put Option with an Automatic Lock-in Facility can work is indicative and provided for illustrative purposes only. It is not tax advice and is not intended to be indicative of Initial Option Fees or share price performance. We have also assumed that there is no Default. You should seek your own independent tax advice on the tax consequences of entering into the Purchase Put Option.

John wants to protect a holding of 40,000 XYZ shares that are currently trading at a price of \$25.00 per share. John enters into a Purchase Put Option with a Protection Level of \$20.00 per share. John elects to use the Automatic Lock-in Facility and sets the 'Trigger Price' at \$35.00 per share and the 'Increased Protection Level' at \$25.00 per share. The Initial Option Fee for the Purchase Put Option is \$40,000. John does not take out a Loan in connection with his Purchase Put Option.

During the term of the Purchase Put Option, if on any day, the last traded price of XYZ shares equals or exceeds the Trigger Price of \$35.00 then John's Protection will increase from the original Protection Level of \$20.00 per share to the Increased Protection Level of \$25.00 per share.

On the Maturity Date of the Purchase Put Option, if:

> **the Trigger Price has NOT been reached and the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Protection Level)**

John's Purchase Put Option is automatically exercised and he elects Physical Settlement and sells his shares to us at the Protection Level of \$20.00 per share (i.e. \$800,000 in total).

John's net profit from purchasing the Purchase Put Option is the excess of the Protection Level above the Closing Price on the Maturity Date ($\$20.00 - \$15.00 = \$5.00$, multiplied by 40,000 = \$200,000), minus the Initial Option Fee (\$40,000) which equals \$160,000 in total. John has also realised a loss of \$5.00 per share on his holding ($\$25.00 - \$20.00 = \$5.00$) or \$200,000 in aggregate. John's net position on the investment is a loss of \$240,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.) In effect the Purchase Put Option has protected the value of his holding at Maturity at \$20.00 per XYZ share.

> **the Trigger Price has been reached and the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Increased Protection Level)**

John's Purchase Put Option is automatically exercised and he elects Physical Settlement and sells his shares to us at the Increased Protection Level of \$25.00 per share (i.e. \$1,000,000 in total).

John's net profit from purchasing the Purchase Put Option is the excess of the Protection Level above the Closing Price on the Maturity Date ($\$25.00 - \$15.00 = \$10.00$, multiplied by 40,000 = \$400,000), minus the Initial Option Fee (\$40,000) which equals \$360,000 in total. John sells his shares for the same price he bought them for, so John's net position on the investment is a loss of \$40,000 (being the Initial Option Fee). (This ignores any dividends on the XYZ shares over the Term and any tax implications.) In effect the Purchase Put Option has protected the value of his holding at Maturity at \$25.00 per XYZ share.

> **the Trigger Price has been reached and the Closing Price of XYZ shares is \$32.00 per share (i.e. above the Increased Protection Level)**

John chooses to sell his shares to us at the Closing Price of \$32.00 per share (ie \$1,280,000 in total).

In this example, John makes a loss by purchasing the Purchase Put Option equal to \$40,000 being the Initial Option Fee. John also has a realised gain on his shares of \$7.00 per share ($\$32.00 - \$25.00 = \7.00) or \$280,000 in aggregate, because he has sold the XYZ shares. John's net position on the investment (combining the realised loss and the unrealised gain) is a profit of \$240,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

HOW MUCH CAN I BORROW?

We may lend you up to 100% of the value of the Securities at the Issue Time.

CAN I INCREASE MY LOAN AMOUNT DURING THE TERM?

If your Protection Level is greater than your Loan amount (for example, if you increase your Protection Level during the Term as described above), you can, if we agree, enter into an additional Loan (up to the amount of that excess). Any such additional Loan will be repayable in full on the date the initial Loan is repayable. The Loan amount for any such additional Loan must be used wholly or predominantly for investment or business purposes (other than investment in residential property).

SMSF Investors may not increase their Loan amount during the Term.

CAN I TAKE OUT SEVERAL LOANS?

You will have flexibility to request multiple Loans by giving us a Transaction Request and agreeing to the Quote Sheet we provide. Each Loan is subject to the Terms in Section 10.

The total of the Amounts Outstanding under all your Loans (and Interest Assistance Loans if applicable) cannot exceed your overall Facility Limit (if any).

WHAT IS AN INTEREST ASSISTANCE LOAN?

You may apply for an Interest Assistance Loan to fund a particular interest payment. An Interest Assistance Loan will be offered at ANZ's discretion and will not be offered to SMSF Investors. You may apply for an Interest Assistance Loan for the initial, and any subsequent, interest payment under a Loan. You cannot apply for an Interest Assistance Loan if you have elected to use the Dividend Give-Up Facility (see section headed "Dividend Give-Up Facility" below).

The Interest Assistance Loan is a full recourse loan. The maximum term of an Interest Assistance Loan is 12 months, or, in respect of a variable interest rate Loan, the relevant interest period.

The interest rate for an Interest Assistance Loan is fixed for the term of the Interest Assistance Loan. The Interest Assistance Loan will generally be repayable monthly in arrears by principal and interest payments over the term of the Interest Assistance Loan. Principal repayments are calculated on a pro rata basis over the term of the Interest Assistance Loan. Interest is

SECTION 2: LOANS UNDER ANZ COBALT

calculated daily on the outstanding balance of your Interest Assistance Loan. The interest rate and repayment schedule will be set out in the Confirmation Letter for your Interest Assistance Loan.

If you elect to repay your Interest Assistance Loan in part or in full prior to its Maturity Date you may incur break costs on the portion of the loan repaid prior to Maturity. These costs may be significant.

If you elect to repay some or all of your Loan before its Maturity, the relevant portion of any corresponding Interest Assistance Loan will also need to be repaid at that time. You may be required to pay break costs associated with the portion of your Interest Assistance Loan that is required to be repaid before its scheduled repayment date.

HOW WILL MY SECURITIES BE ACQUIRED?

When you enter into a Loan in respect of Securities you do not currently own, or you enter into a Sold Call Option, a Capped Purchase Put Option or a Capped Put Spread Option over Securities you do not currently own, either:

- > we will sell you the Securities as principal at a price we determine as their current trading price at the Issue Time; or
- > your Securities will be acquired on your behalf on the relevant market by the Broker.

You may be charged brokerage in relation to this transaction.

If you are:

- > a SMSF Investor, your Securities will be held by the Nominee on the terms of the Trust Deed; or
- > a Non-SMSF Investor, your Securities will be transferred to a HIN in your name, unless the Securities are International Securities or you have elected for the Dividend Give-Up Facility to apply in which case they will be held by the Nominee (through a sub-custodian) on the terms of the Trust Deed.

HOW DO I PAY FOR MY PURCHASE PUT OPTION?

The cost of the Purchase Put Option (being the Initial Option Fee) may be paid either as an upfront lump sum, or as a component of the interest rate payable on your Loan. If you elect to pay for the Purchase Put Option in respect of your Loan through the interest rate on your Loan, your interest rate will be higher than if you pay for the Purchase Put Option through an upfront lump sum payment (assuming all other factors are equal). The amount of the increased interest rate may equate to more than the lump sum Initial Option Fee reflecting the time value of money associated with deferring part of the cost of your Initial Option Fee through interest payments over the Term.

If your Purchase Put Option is a Capped Purchase Put Option, the cap feature has the effect of reducing the Initial Option Fee. However, if the Closing Price of the Securities on the Maturity Date is above the Cap Level you will have to pay us a Variable Premium Amount equal to the difference between that Closing Price and the Cap Level (see Section 3.3 below for more information on Capped Purchase Put Options).

Our calculation of the Initial Option Fee for the Purchase Put Option that comprises your Protection is complicated and is

affected by a number of factors. These are described in section headed "How do we calculate interest rates on the Loans?" below.

GRANTING US A SECURITY INTEREST AND OBTAINING GUARANTEES

You are required to grant us a Security Interest over, amongst other things, the Securities the subject of your Loan and your rights under ANZ Cobalt in respect of Loans and Options. You cannot deal with the Securities whilst they are subject to our Security Interest without our consent. If you are a SMSF Investor, or your Securities are International Securities or you have elected for the Dividend Give-Up Facility to apply, your Securities will be held by the Nominee (or a sub-custodian of the Nominee), and the Nominee will grant us the Nominee Security Interest over the relevant Securities.

If you do not meet your obligations under the terms of the Loan or Interest Assistance Loan, we may exercise our rights as mortgagee and take possession of the Securities to satisfy those obligations.

In some cases (eg if you are a SMSF Investor) before we accept your application for ANZ Cobalt and/or a Loan, we may require a Guarantee to be granted to us in support of your obligations under the Loan. For trustee applicants other than SMSF Investors, we will generally require an individual to act as Guarantor. For SMSF Investors, we will generally require that each member of the SMSF act as Guarantor. For company applicants, we will generally require that at least one director acts as Guarantor.

If you are a Non-SMSF Investor, the Security interest you grant us will include cross default mechanisms permitting us to sell other Parcels of Securities held on your behalf to cover any amounts due and payable by you even if you are not in Default of your obligations under the Loan or Interest Assistance Loan corresponding to all of those Parcels.

WHAT ARE THE DIFFERENCES BETWEEN SMSF INVESTORS AND NON-SMSF INVESTORS?

Non-SMSF Investors

Your obligations to us are full recourse both at and before Maturity. That is, we can enforce payment obligations (including Loan amounts, Interest Assistance Loan amounts, interest on your Loans, fees and charges and any Break Costs or Early Termination Amount you owe us) against you (and your Guarantor, if any) to recover the relevant amounts in full. Our recourse is not limited to the Secured Property.

You will be required to enter into a Purchase Put Option which will provide Protection at Maturity (to the Protection Level) to ensure that the Loan can be repaid.

You will hold the Securities in your name (unless they are International Securities or you have elected for the Dividend Give-Up Facility to apply) and will grant the Security Interest directly to us. The Sponsoring Participant must be the CHESSE sponsor in respect of your holding of Securities.

We may register our Security Interest on the Personal Property Securities Register. For Non-SMSF Investors we may require you to pay us charges associated with such registration. The fee for registration as at the date of this PDS is \$130.

SECTION 2: LOANS UNDER ANZ COBALT

SMSF Investors

Your obligations are limited recourse. That is, our recourse against you, as a SMSF Investor, to recover amounts (including Loan amounts, interest on Loans, fees and charges and any Break Costs or Early Termination Amount you owe us) is limited to the Securities.

In addition, if you fail to repay the Loan at the Maturity Date or in the event of early repayment (following an Adjustment Event or otherwise), we will only be entitled to exercise our enforcement rights over the Parcel or Basket in relation to the particular Loan that has not been repaid. We will not have any recourse to recover the Loan amount against any other Parcel you own, or against you otherwise. However, we may call on the Guarantee for these amounts, as well as to the extent you fail to pay:

- > interest on your Loans;
- > any fees and charges;
- > any Break Costs; and
- > any Early Termination Amount you owe us.

Under the Guarantee, we will seek to recover from the Guarantor any amounts (including interest, principal, Break Costs, any Early Termination Amount and other amounts) that you owe us in relation to a Parcel that exceed the proceeds of the sale of that Parcel.

The Guarantor will be personally liable for these amounts and may not be able to be reimbursed for those amounts from the assets of the SMSF. Where there is more than one Guarantor, they will be jointly liable and each of them will be separately liable, for the Amount Outstanding plus any Break Costs or any Early Termination Amount you owe us.

By signing the Guarantee a Guarantor undertakes obligations in respect of all subsequent Transactions entered into by the SMSF Investor. **If a Guarantor ceases to be a member of the relevant SMSF or otherwise wishes to no longer incur liability in respect of new Transactions, they should contact us to terminate the Guarantee in respect of new Transactions (it is not possible to terminate the Guarantee in respect of Transactions already entered into).**

Your Securities will be held by the Nominee on trust for you (subject to our Nominee Security Interest). The Trust Deed sets out the rights, powers, obligations and liabilities of the Nominee and your rights and obligations in relation to the Securities. A copy of the Trust Deed is available free of charge. Please call us on the phone number provided in Section 1 if you would like a copy.

See Section 8 of this PDS for an opinion in respect of SMSF investors

It is your responsibility to ensure that you are complying with your ongoing legal obligations. For example, you should ensure that the trust deed which constitutes the SMSF gives the power to borrow and to enter into derivatives.

You should also note the representation in the Terms that you give us in relation to all Loans that the purchase price of the underlying Securities represents not more than two thirds of the SMSF's net assets. Please contact your private banker, adviser or broker if you are unable to make this representation.

SMSF Investors will need to consider whether an investment through ANZ Cobalt is appropriate for the relevant SMSF, having regard to, amongst other things, the investment strategy of that SMSF. We recommend that SMSF Investors obtain independent advice before investing through ANZ Cobalt.

YOU WILL RECEIVE ORDINARY DIVIDENDS AND MAY RECEIVE FRANKING CREDITS

You will receive the benefits of owning Securities, such as receiving all dividends and distributions (unless you have agreed to a Dividend Give-Up Facility) (other than special dividends) and depending on your circumstances, any associated franking credits (subject to you satisfying any taxation requirements). For Loans in relation to International Securities, no franking credits will be available, and withholding tax may be deducted from dividends or distributions paid on International Securities. You should consult your independent tax adviser in relation to your specific tax position. In some cases, including on the occurrence of Adjustment Events, we may require that the Securities or New Rights associated with the Securities be transferred to the Nominee. This could affect taxation outcomes. This is described in more detail in Section 9.4.

Under the Dividend Give-Up Facility, you may direct that we apply dividends and distributions paid on your Securities to satisfy some or all of your obligations to pay interest on your Loan (see the section headed "Dividend Give-Up Facility" below).

ADJUSTMENT EVENTS

We have broad discretions to make adjustments to the terms of your Transaction following Adjustment Events, such as bonus or rights issues, affecting your Securities or our inability to hedge our exposure to Transactions to our satisfaction. Whilst these adjustments would typically be made in accordance with the adjustments announced by the ASX for exchange traded options, we have the discretion to make our own adjustments and take other actions. These actions may not result in a favourable outcome for you.

For example, in response to an Adjustment Event we may terminate or close out your Loan, Interest Assistance Loan (if applicable) and Purchase Put Option as if you are in Default. This may result in Break Costs, the payment or receipt of an Early Termination Amount, the expiration of your Purchase Put Option (and so, the loss of Protection) and unintended tax consequences. See Section 9.4 for more information.

You should also note that if an Adjustment Event occurs, we may transfer Securities to the Nominee in order to facilitate any adjustment.

EARLY TERMINATION

If you want to repay your Loan (and any related Interest Assistance Loan) and terminate your Purchase Put Option prior to the Maturity Date, you should contact us to make an Early Termination Request. If we are prepared to allow your Early Termination Request, we will give you an "Early Termination Quote" setting out our estimate of the Break Costs you will incur and the Early Termination Amount payable by you or to you under the proposed Early Termination. If you wish to proceed with the Early Termination, you will need to notify us

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that you accept the terms of our Early Termination Quote. We will then notify you of the new Maturity Date and the other terms of your Early Termination, including the Break Costs you will be charged and the Early Termination Amount payable by you or receivable by you. You must repay to us on the date we specify all amounts owing to us in respect of the Loan (and any associated Interest Assistance Loan) together with any Break Costs and any Early Termination Amount you owe us. We will generally refund to you any prepaid interest (net of Break Costs) if you terminate a Loan early.

If you repay your Loan (and any associated Interest Assistance Loan) before Maturity, or if we terminate your Loan (and any associated Interest Assistance Loan) and Purchase Put Option before Maturity in response to an Adjustment Event (see Section 9.4), there are material risks for you. In particular, your Purchase Put Option may not be exercised and the proceeds of your Securities may be less than the Protection Level. If you are a SMSF Investor, your obligations on default are limited recourse (in these circumstances, we may call on any Guarantee provided by a Guarantor, which is not limited recourse). Also, there is a risk that you will be charged significant Break Costs or required to pay significant Early Termination Amounts.

HOW DO WE CALCULATE INTEREST RATES ON THE LOANS?

The Quote Sheet we will provide you before you enter into a Loan will include an indicative interest rate for:

- > if the Loan is subject to a variable interest rate, the first interest period; or
- > if the Loan is subject to a fixed interest rate, the Term.

The interest rate payable on the Loan will include our costs of providing the funding to you. Where you do not pay the costs of your Purchase Put Option (ie the Initial Option Fee) through an upfront lump sum payment, your interest rate will also include an amount attributable to the Initial Option Fee for your Purchase Put Option.

GENERAL FACTORS AFFECTING INTEREST RATES

We cannot determine the actual interest rate you will pay on your Loan or Interest Assistance Loan until the relevant Issue Time (or, for variable rate Loans in respect of subsequent interest periods, the beginning of the relevant interest period) but some of the factors that may influence the applicable interest rate include:

- > **Prevailing interest rates:** Fluctuations in market interest rates of the currency in which your Loan or Interest Assistance Loan is denominated will impact the interest rate charged on your Loan or Interest Assistance Loan (all other factors being equal, an increase in market interest rates for the relevant Term will increase the interest rate we charge you on your Loan or Interest Assistance Loan);
- > **ANZ's margin on the Loan:** The margin we make on Loans and Interest Assistance Loans affects the interest rate we will charge you (all other factors being equal, an increase in our margin will increase the interest rate on your Loan or Interest Assistance Loan).

ADDITIONAL FACTORS WHERE INITIAL OPTION FEE IS INCLUDED IN YOUR INTEREST RATE

Where you include the cost of your Purchase Put Option (ie the Initial Option Fee) in the interest rate for your Loan, a number of other factors impact our calculation of the interest rate for your Loan:

- > **Choice of Securities:** Differing forecast dividend yields, as well as Security price volatility (amongst others factors) will impact the Initial Option Fee. Assuming all other factors are equal:
 - > the higher the forecast dividends on the Securities in your Parcel or Basket, the higher the Initial Option Fee and therefore the higher the interest rate on your Loan;
 - > the higher the volatility of the price of the Securities in your Parcel or Basket, in most cases the higher the Initial Option Fee and therefore the higher the interest rate on your Loan.
- > **Investment Term:** Where you have elected to pay the Initial Option Fee as a component of the interest rate, assuming all other factors are equal, the longer the Loan Term, the lower the interest rate. This is because, even though the Initial Option Fee generally increases with an increase in the Term (assuming all other factors are equal), because that cost is spread over a longer period, the interest rate per annum will generally decrease as the Term increases.
- > **Interest rates:** The prevailing interest rate of the currency in which the Option is denominated will impact the Initial Option Fee. Assuming all other factors are equal, the higher the interest rate of the currency in which the Option is denominated the lower the Initial Option Fee for the Purchase Put Option. This can decrease the interest rate on your Loan where you pay the Initial Option Fee through your interest payments. However, a higher interest rate in the currency in which the Option (and the Loan) are denominated will increase the funding costs for the Loan and so can have an increasing effect on the interest rate for the Loan (as described above). Where the interest rate of the Option Currency and the Loan currency increases, it is impossible to predict whether the upward impact on interest rate (relating to increased funding costs) or the downward impact on the interest rate (relating to the reduced Initial Option Fee component of the interest rate) will be the dominant impact (and vice versa).
- > **The structure of your Purchase Put Option:** The Initial Option Fee can be affected by the terms of your Purchase Put Option:
 - > Capped Purchase Put Option: the Cap Level (if any) you choose affects the Initial Option Fee for your Purchase Put Option (and so, the interest rate on your Loan where you pay the Initial Option Fee through your interest payments) because you are capping your participation in any price appreciation of your Securities. Assuming all other factors are equal, the lower the Cap Level, the lower the Initial Option Fee and the lower the interest rate on your Loan; and/or
 - > Choice of Protection Level: the Protection Level you choose affects the Initial Option Fee for your Purchase Put Option (and so, the interest rate on your Loan where you pay the Initial Option Fee through your interest payments). Assuming all other factors are equal, the lower the Protection Level, the lower the Initial Option Fee and the lower the interest rate on your Loan;

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- > Basket structure: use of a Basket structure may reduce the Initial Option Fee for your Purchase Put Option (and so, the interest rate on your Loan where you pay the Initial Option Fee through your interest payments). Assuming all other factors are equal the Initial Option Fee for the Purchase Put Option in respect of a Basket transaction will be less than the sum of the Initial Option Fees for equivalent Purchase Put Options over each of the Parcels that comprise the Basket;
- > Automatic Lock-In Facility: use of the Automatic Lock-In Facility will (assuming all other factors are equal) increase the Initial Option Fee for your Purchase Put Option (and so, the interest rate on your Loan where you pay the Initial Option Fee through your interest payments). In addition, various features of the Automatic Lock-in Facility affect the amount of this increase:
 - Increased Protection Level: assuming all other factors are equal, an increase in the Increased Protection Level will increase the Initial Option Fee for your Purchase Put Option (and the interest rate on your Loan); and
 - Trigger Level: assuming all other factors are equal, an increase in the Trigger Level will decrease the Initial Option Fee for your Purchase Put Option (and the interest rate on your Loan).
- > **International Securities:** If you enter into a Purchase Put Option over International Securities and the Option Currency is different to the currency in which the International Securities are denominated then there are additional factors that will impact the Initial Option Fee (and so, the interest rate on your Loan where you pay the Initial Option Fee through your interest payments). These factors include:
 - > Volatility of the FX Rate: in general, the higher the volatility of the FX Rate (the rate at which the Option Currency can be exchanged for the currency of the International Security), the higher the Initial Option Fee and so the higher the interest rate on your Loan (assuming all other factors are equal);
 - > Correlation between the International Security price and the FX Rate: in general, the higher the correlation between the price of the International Security and the relevant FX Rate, the higher the Initial Option Fee and so the higher the interest rate on your Loan;
 - > Comparative interest rates between Option Currency and currency of International Securities: The interest rate differential between the Option Currency and the currency of the International Securities can impact the Initial Option Fee. Assuming all other factors are equal, the higher the prevailing interest rates in the Option Currency relative to prevailing interest rates in the currency of the International Securities, the lower the Initial Option Fee and so the lower the interest rate on your Loan.

The effect of each individual factor on the interest rate will vary each time a calculation is performed, and some factors will have a greater influence on the calculation of the interest rate than others. There also may be factors other than those outlined above which may have an influence on interest rates.

If you pay the cost of your Purchase Put Option for your Loan as an upfront lump sum payment (ie the Initial Option Fee), the

description of the factors listed above will apply to our calculation of the amount of the upfront Initial Option Fee, except that, assuming all other factors are equal:

- > the longer the investment Term, in most cases, the higher the Initial Option Fee for your Purchase Put Option; and
- > the higher the interest rate of the currency in which the Option is denominated the lower the Initial Option Fee (ie the conflicting upwards impact on the interest rate of the Loan will not affect the Initial Option Fee, if you pay it as an upfront lump sum payment).

WHERE CAN I GET INFORMATION ON CURRENT INTEREST RATES?

You can contact us on the Contact Details provided in Section 1 for information (including indicative interest rates and Initial Option Fees) for a Loan or Interest Assistance Loan. We will then prepare a Quote Sheet which will outline the indicative interest rate payable on the Loan (amongst other things). The actual interest rate you will be charged for your Loan or Interest Assistance Loan will be determined by us after taking into account the factors detailed above at the Issue Time and may be different to that specified in the Quote Sheet. The applicable interest rate will be confirmed to you in your Confirmation Letter.

WILL WE BLEND RATES ACROSS YOUR LOANS?

The cost of your Purchase Put Option, and therefore the interest rate applicable to each Parcel or Basket you wish to invest in is likely to be different, as a result of the variations discussed above in “How do we calculate interest rates on the Loans”. While we will determine the actual interest cost for each Parcel or Basket you wish to invest in, we may provide you with one ‘blended’ interest rate that applies to all of your Loans. In calculating the blended interest rate, we will take a weighted average of the interest rates that would apply to each relevant Loan, taking into account the Term of each Loan. If we provide you a blended interest rate over a number of Loans, the Break Costs and any Early Termination Amount associated with terminating any one of those Loans (and the corresponding Purchase Put Option) will be calculated by reference not just to the terms of the Loan and the Purchase Put Option being terminated, but also to each other Loan and Purchase Put Option in the blended group. Early Terminations are further described in Section 6.

WHEN MUST I PAY INTEREST?

Unless we agree otherwise, interest on a Loan must be paid on the Interest Payment Dates specified in your Confirmation Letter. Unless you have entered in to a Dividend Give-up Facility (see below), interest on a Loan is payable in advance on each Interest Payment Date. We will notify you of an upcoming interest payment amounts and due dates in advance of the relevant Interest Payment Date.

If you are a non-SMSF investor, you can apply to use an Interest Assistance Loan to fund the payment of interest on your Loan. If ANZ approves your application for an Interest Assistance Loan, the Interest Assistance Loan will generally be repayable monthly in arrears by principal and interest payments over the term of the Interest Assistance Loan. The interest rate and repayment schedule will be set out in your Confirmation Letter.

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DO I HAVE A CHOICE OF FIXED OR VARIABLE RATES?

You have the choice of fixing your interest rate for the Term of your Loan or accepting a variable interest rate. If you choose a variable interest rate, we will notify you in writing of any changes to the interest rate. We will set the variable rate for each subsequent interest period at or before the beginning of the relevant interest period and notify you at least 5 Business days prior to the due date (interest periods will generally be a year, or such other period we agree with you).

The interest rate for an Interest Assistance Loan is fixed for the term of the Interest Assistance Loan.

DIVIDEND GIVE-UP FACILITY

Under the Dividend Give-Up Facility you can direct that all ordinary cash dividends or distributions on the Securities for a Loan that go 'ex-dividend' over a specified Dividend Collection Period be applied towards the payment of the interest on the Loan due on a specified Interest Payment Date. If we accept your request to participate in the Dividend Give-Up Facility for interest due on a specified Interest Payment Date, at or before the Interest Payment Date we will determine the portion of the interest on your Loan which will be payable via ordinary cash dividends or distributions on the Securities (the "**Dividend Interest Amount**"). You will be required to pay the balance of your interest (the "**Upfront Interest Amount**"), as specified in your Confirmation Letter or your interest reminder statement, on the relevant Interest Payment Date. The Dividend Interest Amount will also be specified in your Confirmation Letter or your interest reminder statement along with the Interest Payment Date for payment of the Dividend Interest Amount. Ordinary cash dividends or distributions that go 'ex-dividend' during the relevant Dividend Collection Period will, when received, be applied on your behalf to pay the Dividend Interest Amount.

If the amount of the actual ordinary cash dividends or distributions received on your Securities that have gone 'ex-dividend' during the relevant Dividend Collection Period is:

- > greater than the Dividend Interest Amount, we will pay the excess amount to you; or
- > less than the Dividend Interest Amount, we will notify you of the shortfall amount, which you must pay to us within 5 Business Days. **If you fail to pay this amount to us by the due date you will be in Default, which means that we will have the right to terminate your Loan and your Purchase Put Option. In these circumstances you, or, if you are a SMSF Investor, your Guarantor, will have unlimited liability to us.**

We will recalculate the Upfront Interest Amount and Dividend Interest Amount for each subsequent interest payment for which you participate in the Dividend Give-Up Facility.

In order for us to receive the dividends or distributions on your Securities, you will be required to transfer the Securities to the Nominee. The Nominee will grant us the Nominee Security Interest over the relevant Securities.

Use of the Dividend Give-Up Facility should not, of itself, adversely affect your tax treatment in respect of dividends or distributions on the Securities and your entitlement to franking credits. However, you should seek professional independent

taxation advice if you wish to use the Dividend Give-Up Facility in connection with a Loan and/or Options. Please refer to the Taxation Opinion in Section 7.

The Dividend Give-Up Facility will not be available in respect of Loans over International Securities.

WHAT HAPPENS IF I FAIL TO PAY AN INTEREST PAYMENT?

It is a Default under the Loan or Interest Assistance Loan if you fail to pay interest when it is due. Refer to clause 15 of the Terms in Section 10, and Section 5. We may terminate your Loan, Interest Assistance Loan and your Purchase Put Option in response to a Default which will mean that your Purchase Put Option may not be exercised (so the proceeds of your Securities could be less than the Protection Level) and Break Costs and/or an Early Termination Amount could be payable by you. We will also be able to call on any Guarantee for the Amount Outstanding on your Loan or Interest Assistance Loan, which may include Break Costs and/or an Early Termination Amount payable by you.

YOU MAY BE ABLE TO DEDUCT A PORTION OF THE INTEREST COST

If you borrow funds using a Loan to invest in Securities, you may be entitled to deduct a portion of the interest paid under the Loan. The timing of this deduction may vary depending on your circumstances and the period over which interest is prepaid (if at all). Moreover, you will be subject to the general taxation consequences resulting from investing in Securities, for example, the inclusion of dividends and/or distributions in assessable income, and the tax consequences of gains or losses arising from dealing in the Securities. A summary of the likely tax consequences for investors using a Loan can be found in Section 7 of this PDS.

If you utilise an Interest Assistance Loan, the interest payable on the Interest Assistance Loan should be deductible. As the interest is payable in arrears, it should be fully deductible when incurred, that is, when due and payable.

We have obtained a Product Ruling from the ATO on the general tax implications for investors of certain aspects of the Loans and Interest Assistance Loans available under ANZ Cobalt.

The Product Ruling only refers to the application of taxation laws to certain aspects of the Loans and Interest Assistance Loans available under ANZ Cobalt. The Product Ruling only applies if Loans and Interest Assistance Loans are used as set out in this PDS and in the Product Ruling. You will need to confirm whether the Product Ruling is applicable in your particular circumstances. A copy of the Product Ruling is available free of charge on the ATO's website at www.ato.gov.au or by contacting us on the Contact Details provided in Section 1. The Product Ruling and the Taxation Opinion in Section 7 do not cover all aspects of the taxation consequences of investing and using Loans. Furthermore, taxation laws are complex and their application will depend heavily on your individual and specific circumstances. Accordingly, you should seek your own independent taxation advice on the applicability of the Product Ruling and any other tax consequences that may arise in light of your circumstances.

SECTION 2: LOANS UNDER ANZ COBALT

EMPLOYEE OPTIONS

You may request a Loan under ANZ Cobalt to assist you with exercising Vested Employee Options. In order to do so, you will need to give us a Vested Employee Options Declaration. You can request a copy of the Vested Employee Options Declaration by contacting us on the Contact Details set out in Section 1.

We will also require that:

- > you enter into a Purchase Put Option over the Securities, we will generally require that the Loan may not exceed the Protection Level for that Purchase Put Option;
- > we be granted a Security Interest in the Securities;
- > the Securities allotted on exercise of your Vested Employee Options be held through an account sponsored by the Sponsoring Participant, or held by and in the name of the Nominee;
- > the Securities to be allotted on the exercise of the Vested Employee Options must have a market value of at least \$500,000 (or lower at ANZ's discretion) on the Commencement Date; and
- > unless we otherwise agree, the Loan amount must be at least \$500,000, but not more than the Protection Level under the requested Purchase Put Option.

WORKED EXAMPLE:

The following example of how a Loan can be used to assist with exercising Vested Employee Options is indicative and provided for illustrative purposes only. It is not tax advice and is not intended to be indicative of interest rates or Security price performance. We have also assumed that there is no Default. You should seek your own independent tax advice on the tax consequences of your Loan.

Assume you own 100,000 Vested Employee Options over shares in XYZ, with each option attaching to one XYZ share, and a strike price of \$30. Assume the market value of XYZ shares is \$50. You request (and we agree) a 1 year Purchase Put Option with a Protection Level of \$40 per XYZ share (ie total Protection Level is \$4,000,000). You request (and we agree) a 1 year Loan of \$3,409,090.91 with the cost of the Purchase Put Option built in to the interest rate (rather than a lump sum up-front payment). We calculate that your interest rate is 12% p.a. Assume no Adviser Option Payment.

You must provide us the Vested Employee Options Declaration signed by a representative of XYZ and any other documents we require. We will then lend you \$3,409,090.91, being funds required to exercise the Vested Employee Options plus capitalised interest for the Term. Of this Loan amount, \$409,090.91 is immediately paid by you to us as prepaid interest for the Loan. The remaining \$3,000,000 is paid to XYZ or to the trustee of the relevant employee option scheme, as applicable, to exercise the Vested Employee Options with instructions that the Underlying Securities be allotted to an account sponsored by the Sponsoring Participant.

The Vested Employee Option facility is not available to SMSF Investors.

BASKETS

Generally each Parcel of Securities is individually protected at your chosen Protection Level and individually funded with a separate Loan. That is, each Parcel has a separate Purchase Put Option and a separate Loan. Most Loans will have this structure.

However, we may allow you to enter into a Purchase Put Option and Loan structure over a "Basket" of Securities. Under a Basket Transaction, the Purchase Put Option applies, and the Protection Level will be set, across all the Parcels of Securities that constitute the Basket on an aggregate basis. The aggregate Closing Price of all of the Parcels in the Basket on the Maturity Date will determine if your Purchase Put Option will be exercised. That is, even if the Closing Price on the Maturity Date of one Parcel in the Basket is below the relevant Protection Level percentage, if the aggregate Closing Price on the Maturity Date of the Basket as a whole is above the Protection Level, your Purchase Put Option will not be exercised.

Basket Transactions are not available to SMSF Investors.

WORKED EXAMPLE:

The following example of how a Basket can work is indicative and provided for illustrative purposes only. It is not tax advice and is not intended to be indicative of interest rates or Security price performance. We have also assumed that there is no Default. You should seek your own independent tax advice on the tax consequences of your Loan.

John would like to purchase \$1,000,000 worth of AAA Shares, BBB Shares and CCC Shares. John selects a Basket with the following composition of Securities:

| SECURITIES | CURRENT SHARE PRICE | NUMBER OF SHARES | CURRENT VALUE |
|--------------|---------------------|------------------|--------------------|
| AAA Shares | \$10.00 | 30,000 | \$300,000 |
| BBB Shares | \$25.00 | 10,000 | \$250,000 |
| CCC Shares | \$30.00 | 15,000 | \$450,000 |
| TOTAL | | | \$1,000,000 |

John elects to enter into a Purchase Put Option with a Protection Level percentage at 90% of the value of the Basket at the Issue Time or \$900,000. John chooses to fund the purchase of the Basket with a Loan of \$900,000. John pays the Contribution for the balance of the purchase price (\$100,000). The term of the Loan and Purchase Put Option is 1 year. John has requested a fixed interest rate for his Loan and has requested that he pay the Initial Option Fee for his Purchase Put Option as part of his interest rate. No Adviser Option Payment or brokerage are payable in connection with the Transaction. We determine the applicable interest rate is 10.00% per annum, which is \$90,000 for the 1 year Term. John pays the interest for the Term on the Issue Date. During the Term of the Loan, John retains all cash ordinary dividends and the benefit of any franking credits paid in relation to the AAA Shares, BBB Shares and CCC Shares

On the Maturity Date of the Loan, if:

- > **the aggregate Closing Price of the Securities in the Basket is below the Protection Level**

Assume the Closing Prices of the Securities in the Basket are as follows:

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| SECURITIES | INITIAL SHARE PRICE | CLOSING PRICE | NUMBER OF SHARES | CURRENT VALUE |
|--------------|---------------------|---------------|------------------|------------------|
| AAA Shares | \$10.00 | \$12.00 | 30,000 | \$360,000 |
| BBB Shares | \$25.00 | \$20.00 | 10,000 | \$200,000 |
| CCC Shares | \$30.00 | \$15.00 | 15,000 | \$225,000 |
| TOTAL | | | | \$785,000 |

As shown above, even though the price of AAA Shares has risen in value, the aggregate Closing Price at Maturity of the Basket as a whole (\$785,000) is below the Protection Level of \$900,000.

In this example:

- > John's Purchase Put Option is automatically exercised and he sells the Basket of Securities to us at the Protection Level (\$900,000);
- > we apply the sale proceeds to repay John's Loan; and
- > no further payments are due by either party.

In this example, John's gross loss on the investment is \$190,000, comprising:

- > his \$100,000 Contribution; and
- > the interest payments of \$90,000.

However, John is also entitled to receive any dividends paid on the AAA Shares, BBB Shares and CCC Shares over the Term. The tax implications of the Loan could also be relevant to John's overall profit or loss in respect of the Loan.

> the Closing Price of all Securities in the Basket is above the Protection Level

Assume the Closing Prices of the Securities in the Basket are as follows:

| SECURITIES | INITIAL SHARE PRICE | CLOSING PRICE PER SECURITY | NUMBER OF SHARES | AGGREGATE CLOSING PRICE |
|--------------------------------|---------------------|----------------------------|------------------|-------------------------|
| AAA Shares | \$10.00 | \$15.00 | 30,000 | \$450,000 |
| BBB Shares | \$25.00 | \$20.00 | 10,000 | \$200,000 |
| CCC Shares | \$30.00 | \$40.00 | 15,000 | \$600,000 |
| Aggregate Closing Price | | | | \$1,250,000 |

Even though the price of BBB Shares fallen below the Protection Level percentage for the Basket (i.e. Closing Price for BBB Shares is \$20.00 which is less than $90\% \times \$25.00 = \22.50), the aggregate Closing Price at Maturity of the Basket as a whole (\$1,250,000) is above the Protection Level so the Purchase Put Option will not be exercised.

- > John chooses to sell his Basket of Securities at the aggregate Closing Price of \$1,250,000;
- > we apply \$900,000 of the sale proceeds to repay the Loan; and
- > we pay the balance (\$350,000) to John, being the proceeds from selling John's Securities at the Closing Price on the Maturity Date less the principal of the Loan.

In this example, John's net proceeds at Maturity, after repayment of the Loan, are \$350,000. His total costs in connection with the investment are \$190,000 (being the

Contribution of \$100,000 and the interest payment of \$90,000). Therefore John makes a gross profit on the investment of \$160,000.

John is also entitled to receive any dividends paid on the AAA Shares, BBB Shares and CCC Shares over the Term. The tax implications of the Loan could also be relevant to John's overall profit or loss in respect of the Loan.

SECTION 2.2: AN EXAMPLE OF HOW A LOAN WORKS

The following example of how a Loan can work is indicative and provided for illustrative purposes only. It is not tax advice and is not intended to be indicative of interest rates or Security price performance. We have also assumed that there is no Default. You should seek your own independent tax advice on the tax consequences of your Loan.

John wants to purchase \$1,000,000 worth of XYZ shares at the current price of \$25.00 per share. John wishes to enter into a Loan with a 2 year Term. John chooses a Loan amount of \$800,000 and enters into a Capped Purchase Put Option with a Protection Level of \$20.00 per share and a Cap Level of \$35.00 per share. We lend John \$800,000 and John contributes the balance of the purchase price (\$200,000) to buy 40,000 XYZ shares at \$25.00 each. John has requested a fixed interest rate for his Loan and has requested that he pay the Initial Option Fee for his Purchase Put Option as part of his interest rate. No Adviser Option Payment or brokerage are payable in connection with the Transaction. We determine the applicable interest rate is 10.00% per annum, which is \$80,000 per annum. John pays the interest for the first year in advance. 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. On the first anniversary of the Commencement Date, John will be required to pre-pay another year's interest amount of \$80,000. At Maturity of the Loan and Capped Purchase Put Option, if the Closing Price of XYZ shares are above the Cap Level of \$35.00, John will be required to pay the Variable Premium Amount to us.

On the Maturity Date of the Loan, if:

> the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Protection Level)

- > John's Capped Purchase Put Option is automatically exercised and he sells his shares to us at the Protection Level;
- > we apply the sale proceeds to repay the Loan; and
- > no further payments are due by either party.

In this example, John's gross loss on the investment is \$360,000, comprising:

- > his \$200,000 initial Contribution; and
- > each of the two interest payments of \$80,000 (ie \$160,000 in total).

However, John is also entitled to receive any dividends paid on the XYZ shares over the Term. The tax implications of the Loan could also be relevant to John's overall profit or loss in respect of the Loan.

> the Closing Price of XYZ shares is \$27.00 per share (i.e. above the Protection Level but below the Cap Level)

SECTION 2: LOANS UNDER ANZ COBALT

- > John chooses to sell his shares to us at the Closing Price of \$27.00 per share (ie \$1,080,000 in total);
- > we apply \$800,000 of the sale proceeds to repay the Loan; and
- > we pay the balance (\$280,000) to John, being the proceeds from selling John's shares at the Closing Price on the Maturity Date less the principal of the Loan.

In this example, John's net proceeds at Maturity, after repayment of the Loan, are \$280,000. His total costs in connection with the investment are \$360,000 (being the Contribution of \$200,000 and the two interest payments totalling \$160,000). Therefore John makes a gross loss on the investment of \$80,000.

However, John is entitled to receive any dividends paid on the XYZ shares over the Term. The tax implications of the Loan could also be relevant to John's overall profit or loss in respect of the Loan.

> **the Closing Price of XYZ shares is \$32.00 per share (i.e. above the Protection Level but below the Cap Level)**

- > John chooses to sell his shares to us at the Closing Price of \$32.00 per share (ie sale proceeds of \$1,280,000 in total);
- > we apply \$800,000 of the sale proceeds to repay the Loan; and
- > we pay the balance (\$480,000) to John, being the proceeds from selling John's shares at the Closing Price on the Maturity Date less the principal of the Loan.

In this example, John's net proceeds at Maturity, after repayment of the Loan, are \$480,000. His total costs in connection with the investment are \$360,000 (being the Contribution of \$200,000 and the two interest payments totalling \$160,000). Therefore John makes a gross profit on the investment of \$120,000.

John is also entitled to receive any dividends paid on the XYZ shares over the Term. The tax implications of the Loan could also be relevant to John's overall profit or loss in respect of the Loan.

> **the Closing Price of XYZ shares is \$40.00 per share (i.e. above the Cap Level)**

- > John chooses to sell his shares to us at the Closing Price of \$40.00 per share (ie \$1,600,000 in total);
- > we apply \$800,000 of the sale proceeds to repay the Loan;
- > we apply \$200,000 of the remaining sale proceeds to pay us the Variable Premium Amount (being the amount by which the Closing Price exceeds the Cap Level or \$5.00 per share); and
- > we pay the balance (\$600,000) to John, being the proceeds from selling John's shares at the Closing Price on the Maturity Date less the principal of the Loan and the Variable Premium Amount.

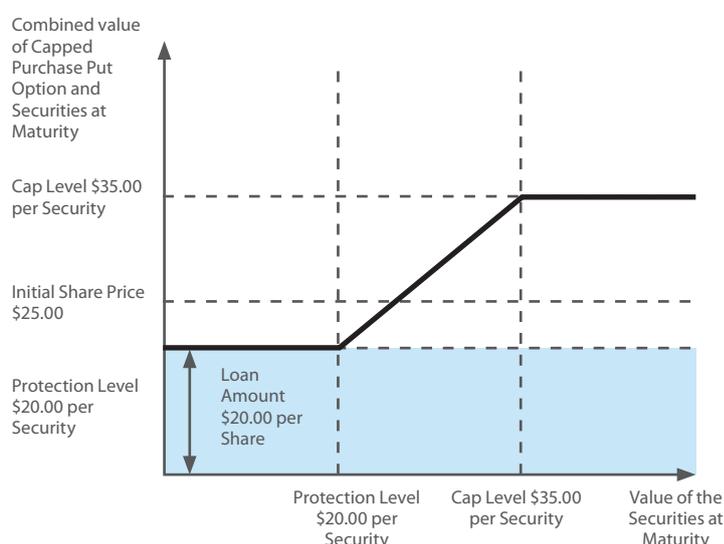
In this example, John's net proceeds at Maturity, after repayment of the Loan, are \$600,000. His total costs in connection with the investment are \$360,000 (being the Contribution of \$200,000 and the two interest payments totalling \$160,000). Therefore John makes a gross profit on the investment of \$240,000.

John is also entitled to receive any dividends paid on the XYZ shares over the Term. The tax implications of the Loan could also be relevant to John's overall profit or loss in respect of the Loan.

PURCHASE PUT OPTION VS CAPPED PURCHASE PUT OPTION

If John had elected to enter into a Purchase Put Option with no Cap Level then he would not have any obligation to pay a Variable Premium Amount at Maturity. This means, that John would have retained all upside exposure to XYZ shares. However, if John had elected to have no Cap Level, the interest rate that he would have paid on the Loan would have been higher.

The following diagram illustrates the combined value of John's Securities and his rights under the Capped Purchase Put Option at Maturity.



SECTION 2.3: AN EXAMPLE OF HOW AN INTEREST ASSISTANCE LOAN WORKS

The following example of how an Interest Assistance Loan can work is provided for illustrative purposes only. It is not tax advice and is not intended to be indicative of interest rates that will apply to any Interest Assistance Loan. The example assumes that there is no Default and no early repayment. You should seek your own independent tax advice on the tax consequences of your Interest Assistance Loan.

Following on from the previous example, assume John wishes to utilise an Interest Assistance Loan in order to fund the interest payment of \$80,000. We determine that the applicable interest rate for the Interest Assistance Loan is 7% per annum. John will be required to repay the Interest Assistance Loan monthly in arrears by principal and interest payments over 12 months. The Interest Assistance Loan details and repayment schedule will be as follows:

| | |
|--|------------|
| INTEREST ASSISTANCE LOAN AMOUNT | \$80,000 |
| INTEREST RATE P.A. | 7.00% |
| COMMENCEMENT DATE | 15/06/2015 |
| FINAL MATURITY DATE | 15/06/2016 |

SECTION 2: LOANS UNDER ANZ COBALT

| PERIOD | OUTSTANDING INTEREST ASSISTANCE LOAN AMOUNT | INTEREST ASSISTANCE LOAN INTEREST PAYMENT DATE / MATURITY DATE | DAYS | INTEREST PAYABLE | INTEREST ASSISTANCE LOAN AMOUNT REPAYABLE | TOTAL REPAYMENT |
|--------|---|--|------------|-------------------|---|--------------------|
| 1 | \$80,000.00 | 15/07/2015 | 30 | \$460.27 | \$6,557.38 | \$7,017.65 |
| 2 | \$73,442.62 | 17/08/2015 | 33 | \$464.80 | \$7,213.11 | \$7,677.92 |
| 3 | \$66,229.51 | 15/09/2015 | 29 | \$368.34 | \$6,338.80 | \$6,707.14 |
| 4 | \$59,890.71 | 15/10/2015 | 30 | \$344.58 | \$6,557.38 | \$6,901.95 |
| 5 | \$53,333.33 | 16/11/2015 | 32 | \$327.31 | \$6,994.54 | \$7,321.84 |
| 6 | \$46,338.80 | 15/12/2015 | 29 | \$257.72 | \$6,338.80 | \$6,596.52 |
| 7 | \$40,000.00 | 15/01/2016 | 31 | \$237.81 | \$6,775.96 | \$7,013.76 |
| 8 | \$33,224.04 | 15/02/2016 | 31 | \$197.52 | \$6,775.96 | \$6,973.48 |
| 9 | \$26,448.09 | 15/03/2016 | 29 | \$147.09 | \$6,338.80 | \$6,485.89 |
| 10 | \$20,109.29 | 15/04/2016 | 31 | \$119.55 | \$6,775.96 | \$6,895.51 |
| 11 | \$13,333.33 | 16/05/2016 | 31 | \$79.27 | \$6,775.96 | \$6,855.23 |
| 12 | \$6,557.38 | 15/06/2016 | 30 | \$37.73 | \$6,557.38 | \$6,595.10 |
| | | | 366 | \$3,042.00 | \$80,000.00 | \$83,042.00 |

SECTION 2.4: WHAT ARE MY CHOICES AT MATURITY OF A LOAN?

Each Loan must be repaid in full on its Maturity Date, together with any Amounts Outstanding in respect of the Loan (for example, any Interest Assistance Loan). What happens on the Maturity Date will depend on whether you would like to keep or sell your Securities.

You must notify us at least 3 Business Days prior to the Maturity Date which of the following alternatives you elect to repay the relevant Loan. If you fail to make an election:

- > if the Closing Price of the relevant Parcel or Basket is below the Protection Level you will be deemed to have elected Physical Settlement; or
- > if the Closing Price of the relevant Parcel or Basket is equal to or greater than the Protection Level you will be deemed to have elected for the relevant Parcel or Basket to be sold and for Cash Settlement to apply to the option).

INVESTOR REQUIREMENT

PROCESS AT MATURITY

Sell your Securities.

If you elect to sell your Securities, they will be sold and the sale proceeds will be used to repay your Loan and, if applicable, any Variable Premium Amount. Any surplus amount will be paid to you.

If the aggregate **Closing Price on the Maturity Date is less than the Protection Level** then your Purchase Put Option will be exercised automatically and you must sell the Parcel or Basket to us (unless the Securities are shares in ANZ, or we are otherwise restricted from buying the Securities) at the Protection Level under the terms of the Purchase Put Option. The proceeds from the sale will be used to repay the Loan (you, or your Guarantor, will be liable in respect of any shortfall, eg if the Protection Level is less than the Loan amount, if any Interest Assistance Loan amount is outstanding, or if any other Amount Outstanding remains unpaid). If the Securities are shares in ANZ or we are otherwise restricted from buying the Securities, we will not buy the Securities. The Broker will sell them on your behalf and the Purchase Put Option will be cash settled. The sum of the sale proceeds and the Cash Settlement amount will be applied towards repayment of the Loan and any other Amount Outstanding.

If the aggregate **Closing Price on the Maturity Date is greater than the Protection Level but lower than the Cap Level** (if applicable) then your Purchase Put Option expires automatically and you can request that your Parcel or Basket be sold on your behalf (we may purchase your Parcel or Basket under this transaction). If you fail to make any election coming up to the Maturity Date you will be deemed to request that your Parcel or Basket be sold on your behalf. The proceeds from the sale will be used to repay the Loan (and any other Amount Outstanding) and the balance will be paid to you. You may be charged brokerage on this sale.

Where you have entered into a Capped Purchase Put Option over the Securities, and the **Closing Price on the Maturity Date is greater than the relevant Cap Level** and you choose to sell your Securities, your Purchase Put Option expires automatically and your Parcel or Basket will be sold on your behalf (we may purchase your Parcel or Basket under this transaction) and the sale proceeds will be applied to:

- > pay the Variable Premium Amount to us; and
- > repay the Loan (and any other Amount Outstanding) to us.

The balance of the sale proceeds will be paid to you. You may be charged brokerage on this sale.

SECTION 2: LOANS UNDER ANZ COBALT

| | |
|--|---|
| Cash Settlement (you retain your Securities) | <p>If you elect to retain your Securities (ie Cash Settlement), you will need to pay to us the Loan (and any other Amount Outstanding) and, if applicable, any Variable Premium Amount.</p> <p>If the aggregate Closing Price of the Securities on the Maturity Date is less than the Protection Level then your Purchase Put Option will be exercised automatically, we will apply the Purchase Put Option Cash Settlement amount (being the amount by which the Protection Level exceeds the aggregate Closing Prices of your Securities on the Maturity Date) towards repaying your Loan. You must pay us the balance of your Loan and any other Amount Outstanding to retain your Securities.</p> <p>If the aggregate Closing Price of the Securities on the Maturity Date is greater than the Protection Level but lower than the Cap Level then your Purchase Put Option expires automatically but in order for you to retain your Securities you will need to repay your Loan and any other Amount Outstanding.</p> <p>Where you have entered into a Capped Purchase Put Option over the Securities, and the Closing Price on the Maturity Date is greater than the relevant Cap Level, then your Purchase Put Option expires automatically but in order to retain the Securities you must pay to us the sum of:</p> <ul style="list-style-type: none">> the Variable Premium Amount (the amount by which the Closing Price on the Maturity Date exceeds the Cap Level); and> the Loan (and any other Amount Outstanding). |
|--|---|

SALE OF SECURITIES

Where you elect to sell your Securities, we may purchase your Securities from you, or from the Nominee or its sub-custodian, as applicable. Alternatively, the Broker, Sponsoring Participant, Nominee or any custodian or sub-custodian of the Nominee may sell them on your behalf and apply the sale proceeds as described above.

SECTION 3: USING OPTIONS UNDER ANZ COBALT

SECTION 3.1: INTRODUCTION AND KEY FEATURES

Under ANZ Cobalt, you may access the a range of option strategies as outlined below. These options strategies can be utilised without a Loan.

- > buy put options (Purchase Put Options), including Capped Purchase Put Options;
- > buy call options (Purchase Call Options);
- > sell call options (Sold Call Options); and
- > buy Put Spread Options including Capped Put Spread Options.

SUMMARY OF THE OPTIONS STRATEGIES

| INVESTOR REQUIREMENT | SOLUTION | RESULT |
|---|----------------------|--|
| <p>Investors who want to protect Securities they hold from a price fall or who want to profit from a price fall in Securities not held by the investor.</p> <p>If you want to take out a Loan, you must purchase a Purchase Put Option (see Section 2 above).</p> | Purchase Put Option | <p>You can buy a Purchase Put Option to protect Securities you already own against adverse market movements, or to profit from a fall in the price of Securities you do not hold, below the Protection Level.</p> <p>Capped Purchase Put Options (a sub-set of Purchase Put Options) involve both a Protection Level (protecting you against price falls for the Securities) and a Cap Level (your obligation to pay us the Variable Premium Amount at Maturity means that will you will not participate in price gains above the Cap Level). The cap feature of a Capped Purchase Put Option has the effect of reducing the Initial Option Fee for the Capped Purchase Put Option. You must grant us a Security Interest in the relevant Securities (if you are a Non-SMSF Investor) or give the Nominee an irrevocable direction regarding the relevant Securities (if you are a SMSF Investor).</p> |
| Investors who want to profit from a rise in the price of Securities not owned by the investor | Purchase Call Option | You can buy a Purchase Call Option to profit from a rise in the price of Securities above the relevant Strike Level. |
| Investors who wish to generate income from Securities they hold | Sold Call Option | If you hold Securities you can generate income by selling us a call option (Sold Call Option) over the Securities. If the Closing Price on the Maturity Date is greater than the Cap Level you can sell your Securities to us at the Cap Level or pay the Cash Settlement Amount and retain your Securities. You must grant us a Security Interest in the relevant Securities (if you are a Non-SMSF Investor) or give the Nominee an irrevocable direction regarding the relevant Securities (if you are a SMSF Investor). |
| <p>Investors:</p> <ul style="list-style-type: none"> > who want to protect existing Securities from a price fall; > but who have a view that the value of a Security will not fall below a predetermined level | Put Spread Option | <p>You can buy a Put Spread Option to protect Securities you already own against price falls, below the Protection Level but not lower than the Floor Level. If the Securities fall below the Floor Level, you will only receive the Net Physical Settlement Payment or Net Cash Settlement Payment (as applicable), which will not include any protection below the Floor Level. The Floor Level feature of a Put Spread Option has the effect of reducing the Initial Option Fee for the Put Spread Option. You can also buy a Put Spread Option to profit from a fall in the price of Securities you do not hold (below the Protection Level, but not below the Floor Level).</p> <p>Capped Put Spread Options (a sub-set of Put Spread Options) involve:</p> <ul style="list-style-type: none"> > a Protection Level (protecting against falls in market value of Securities); > a Cap Level (you will not participate in price gains above the Cap Level); and > a Floor Level (below which Protection will not apply). <p>The cap feature of a Capped Put Spread Option has the effect of reducing the Initial Option Fee for the Capped Put Spread Option. You must grant us a Security Interest in the relevant Securities (if you are a Non-SMSF Investor) or give the Nominee an irrevocable direction regarding the relevant Securities (if you are a SMSF Investor).</p> |

SECTION 3: USING OPTIONS UNDER ANZ COBALT

“EUROPEAN” STYLE OPTIONS

All Option Transactions under ANZ Cobalt are “European” style options which means that they may be exercised only at the Maturity Date.

MINIMUM NOTIONAL FOR OPTION TRANSACTIONS

The minimum market value (as at the Issue Time) of the Parcel or Basket in respect of an Option Transaction is \$100,000 or such other amount as we may agree.

SECURITY INTEREST

If you wish to enter into a Capped Purchase Put Option, a Capped Put Spread Option or a Sold Call Option then:

- > if you are a Non-SMSF Investor, we will require you to own the underlying Securities, to grant us a Security Interest in those underlying Securities and to transfer their CHESS sponsorship to the Sponsoring Participant;
- > if you are a SMSF Investor, we will require you to transfer your Securities to the Nominee (if not already held by the Nominee in connection with a Loan) to be held on the terms of the Trust Deed and to give the Nominee an irrevocable direction regarding the relevant Securities.

You can buy a Purchase Put Option, Purchase Call Option or Put Spread Option without owning the relevant Securities.

ADJUSTMENT EVENTS

Adjustment Events are described in Sections 2.1 and 9.4.

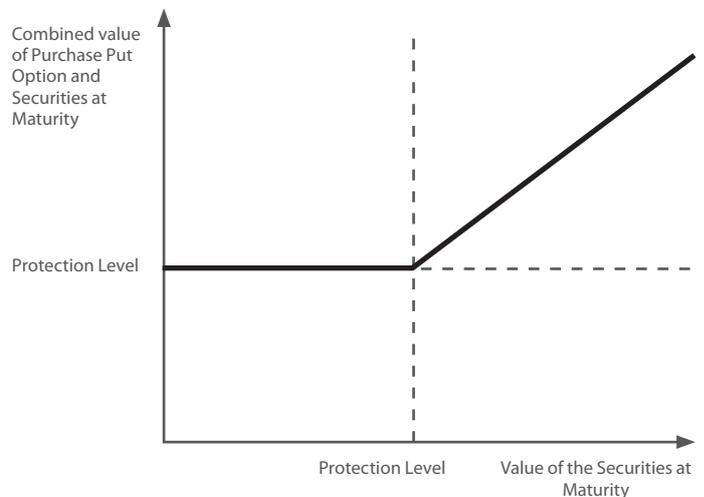
OPTIONS OVER AN INDEX

We may allow you enter into Option Transactions over certain Indices we approve from time to time. Index Option Transactions are limited to Purchase Put Options, Purchase Call Options and Put Spread Options. At Maturity of an Index Option Transaction only Cash Settlement will be available. Please see Section 3.9 for further information.

SECTION 3.2: PURCHASE PUT OPTIONS (EXCLUDING CAPPED PURCHASE PUT OPTIONS)

ANZ Cobalt allows you (if we agree) to buy from us a Purchase Put Option, which gives you the right to sell the corresponding Parcel or Basket of Securities to us at the Protection Level on a predetermined Maturity Date. Buying a Purchase Put Option over Securities you hold provides you with protection against the risk that the market value of the Securities may be below the Protection Level at Maturity. Buying a Purchase Put Option over Securities you do not own allows you to profit in any decrease in the Closing Price of the Securities below the Protection Level at Maturity.

The below diagram shows the combined value of a Parcel of Securities and a Purchase Put Option at Maturity relative to the value of the Securities at Maturity. The diagram does not take into account the payment of any Initial Option Fee, any Adviser Option Payment, brokerage or any other costs or charges in connection with the Transaction.



You can use the Automatic Lock-In Facility to automatically lock-in some or all of any price appreciation for your Securities during the Term, through an increase in your Protection Level. See the section headed “Can I automatically lock-in price appreciation in my Securities?” in Section 2 above.

In purchasing a Purchase Put Option your maximum loss is limited to the Initial Option Fee paid for the Purchase Put Option (the “Initial Option Fee”).

When you take out a Loan, we will require that you enter into a Purchase Put Option over the relevant Securities as described in Section 2 above.

The Product Ruling does not cover the tax consequences of purchasing a Purchase Put Option. Please refer to the Taxation Opinion in Section 7 for a summary of the general Australian taxation consequences for investors who buy a Purchase Put Option.

Exercise of a Purchase Put Option depends on the Closing Price of the underlying Parcel or Basket on the Maturity Date:

| | |
|--|---|
| If the Closing Price on the Maturity Date is greater than or equal to the Protection Level | Purchase Put Option expires. |
| If the Closing Price on the Maturity Date is less than the Protection Level | Purchase Put Option is automatically exercised. |

If the Purchase Put Option is exercised, you may elect to settle the Purchase Put Option by Cash Settlement or Physical Settlement. If you fail to make an election, we may elect which settlement method applies. Generally speaking we will deem you to have elected for Cash Settlement unless your Purchase Put Option relates to a Loan in which case Physical Settlement will apply.

| | |
|-----------------|---|
| Cash Settlement | You retain the Securities in your Parcel or Basket (assuming that you already hold them) and we will pay you the amount by which the Protection Level exceeds the Closing Price of the Parcel or Basket on the Maturity Date. |
|-----------------|---|

SECTION 3: USING OPTIONS UNDER ANZ COBALT

Physical Settlement You must sell your Parcel or Basket to us at the Protection Level. You must hold the Securities in your Parcel or Basket to effect Physical Settlement.

Please note, if you enter into a Purchase Put Option over an Index, only Cash Settlement will be available.

CALCULATION OF THE INITIAL OPTION FEE

The amount of the Initial Option Fee for your Purchase Put Option will be influenced by a number of market factors, including the volatility of the price of the Securities, the Term, forecast dividends for the Securities, prevailing interest rates in the Option Currency, the Protection Level and whether you have used the Automatic Lock-In Facility and, if so, the terms of that facility. If the Transaction is over International Securities and the Option Currency is different to the Currency of the International Securities, the Initial Option Fee is also impacted by the volatility of the relevant FX Rate, the correlation between the price of the International Security and relevant FX Rate and the relative interest rates in the Option Currency and the currency of the International Securities. These factors, and a description of their expected impact on our calculation of the Initial Option Fee in respect of a Purchase Put Option, are set out in Section 2 above under the heading "Additional factors where Initial Option Fee is included in your interest rate". The Quote Sheet we give you will include an estimate of the Initial Option Fee.

AN EXAMPLE OF A PURCHASE PUT OPTION

John has 10,000 shares in XYZ Limited with a market value at the Issue Time of \$25.00 per share. John seeks to protect his Parcel of Securities from a fall in price below \$20.00 per share and buys a Purchase Put Option over his Parcel of Securities from us with a Protection Level of \$20.00 per share. Assume no Adviser Option Payment is payable by John in connection with the Transaction and that no brokerage is charged in connection with John's acquisition of the shares or his disposal of the shares at Maturity. The Purchase Put Option has a Term of 2 years. John pays us the Initial Option Fee of \$12,500. On the Maturity Date of the Purchase Put Option, if:

> the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Protection Level)

- > the Purchase Put Option is automatically exercised; and
- > assuming John has elected Physical Settlement, John must sell his shares to us on the Settlement Date and we must pay to John the Protection Level (\$20 per share or \$200,000 in total).

John's net profit from purchasing the Purchase Put Option is the excess of the Protection Level above the Closing Price on the Maturity Date ($\$20 - \$15 = \$5$, multiplied by 10,000 = \$50,000), minus the Initial Option Fee (\$12,500) which equals \$37,500 in total. John has also realised a loss of \$5.00 per share on his Parcel of XYZ shares ($\$25.00 - \$20.00 = \$5.00$) or \$50,000 in aggregate. John's net position on the investment (combining the realised profit and the unrealised loss) is a loss of \$12,500. (This ignores any dividends on the XYZ shares over the Term and any tax implications.) In effect the Purchase Put Option has protected the value of his Parcel of XYZ Shares at Maturity at \$20.00 per XYZ share.

> the Closing Price of XYZ shares is \$40.00 per share (i.e. above the Protection Level)

- > the Purchase Put Option expires automatically, all obligations under the Purchase Put Option end and no further payments are due by either party.

In this example, John makes a loss by purchasing the Purchase Put Option equal to \$12,500 being the Initial Option Fee. John also has an unrealised gain on his Parcel of XYZ shares of \$15 per share ($\$40.00 - \$25.00 = \15.00) or \$150,000 in aggregate, because he is still holding the XYZ shares. John's net position on the investment (combining the realised loss and the unrealised gain) is a profit of \$137,500. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

The preceding example is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees.

In addition, the example does not take into consideration any dividends paid on the XYZ shares over the Term, which John would be entitled to receive. You should seek your own independent tax advice on the tax consequences of your Purchase Put Option.

WHAT ARE THE KEY BENEFITS OF BUYING A PURCHASE PUT OPTION?

- > Buying a Purchase Put Option provides protection against a decrease in the value of your existing Securities at the Maturity Date or an opportunity to profit from a fall in the price of Securities you do not hold, below the Protection Level.

WHAT ARE THE KEY RISKS OF BUYING A PURCHASE PUT OPTION?

- > Any gain made on the sale of a Parcel or Basket of Securities or the proceeds from a Cash Settlement may be less than the Initial Option Fee;
- > The Initial Option Fee is payable even if the Option expires unexercised;
- > If the Purchase Put Option is terminated prior to its Maturity Date, you will receive the Early Termination Amount (if any) that we calculate. The Early Termination Amount may be significantly less than the Initial Option Fee you originally paid;
- > Entry into an Option may impact upon your entitlement to franking credits on distribution in relation to the underlying Securities as further explained in the Tax Opinion in Section 7; and
- > Settlement of an exercised Option may give rise to a taxable gain.

SECTION 3.3: CAPPED PURCHASE PUT OPTIONS

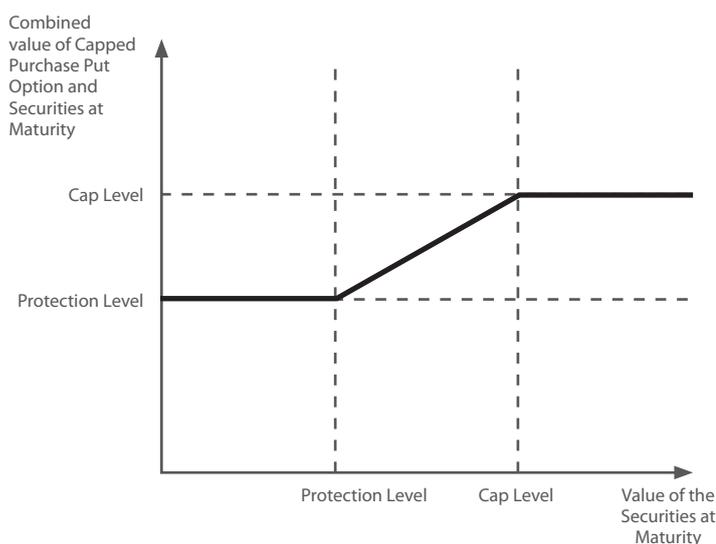
Capped Purchase Put Options are a sub-set of Purchase Put Options.

A Capped Purchase Put Option involves both a Protection Level (protecting you against price falls for the Securities below the Protection Level) and a Cap Level (you will you will not

SECTION 3: USING OPTIONS UNDER ANZ COBALT

participate in price gains above the Cap Level). The cap feature of a Capped Purchase Put Option has the effect of reducing the cost of the Protection feature, ie the Initial Option Fee. Depending on the terms of your Capped Purchase Put Option, there may be no Initial Option Fee. However, if the Closing Price of the Securities on the Maturity Date is above the Cap Level you will have to pay us a Variable Premium Amount equal to the difference. The Product Ruling does not cover the tax consequences of entering into a Capped Purchase Put Option. Please refer to the Taxation Opinion in Section 7 for a summary of the general Australian taxation consequences for investors who enter into a Capped Purchase Put Option.

The below diagram shows the combined value of a Parcel of Securities and a Capped Purchase Put Option at Maturity relative to the value of the Securities at Maturity. The diagram does not take into account the payment of any Initial Option Fee, any Adviser Option Payment, or any brokerage or any other costs or charges in connection with the Transaction.



You can use the Automatic Lock-In Facility to automatically lock-in some or all of any price appreciation for your Securities during the Term, through an increase in your Protection Level. See the section headed "Can I automatically lock-in price appreciation in my Securities?" in Section 2 above.

We will require you:

- > if you are a Non-SMSF Investor, to own the underlying Securities, grant us a Security Interest in those underlying Securities and to transfer their CHESS sponsorship to the Sponsoring Participant; or
- > if you are a SMSF Investor, to transfer your Securities to the Nominee (if not already held by the Nominee in connection with a Loan) to be held on the terms of the Trust Deed and to give the Nominee an irrevocable direction regarding the relevant Securities.

Exercise of the Capped Purchase Put Option will depend on the Closing Price of the underlying Parcel or Basket on the Maturity Date:

| | |
|--|--|
| If the Closing Price on the Maturity Date is greater than the Cap Level | You must pay to us the Variable Premium Amount and the Capped Purchase Put Option expires. If you elect: > Cash Settlement, you retain your Parcel or Basket and you must pay to us the Variable Premium Amount; or > You can request that we facilitate the sale of your Parcel or Basket the sale proceeds will be used to pay us the Variable Premium Amount with the balance paid to you. |
| If the Closing Price on the Maturity Date is greater than or equal to the Protection Level and less than or equal to the Cap Level | Capped Purchase Put Option expires. |
| If the Closing Price on the Maturity Date is less than the Protection Level | Capped Purchase Put Option is automatically exercised. If you elect: > Cash Settlement, you retain your Parcel or Basket and we will pay you the amount by which the Protection Level exceeds the Closing Price on the Maturity Date; or > Physical Settlement, you must sell the Parcel or Basket to us at the Protection Level. |

If you fail to make an election between Physical and Cash Settlement, we may elect which settlement method applies, generally speaking we will deem you to have elected for Physical Settlement to apply. If you are a SMSF Investor and you elect Cash Settlement and you fail to pay us the Variable Premium Amount (if any) by the Settlement Date, under the Terms you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to sell the Securities and apply the sale proceeds to pay us the Variable Premium Amount.

If you are a Non-SMSF Investor and you fail to pay us the Variable Premium Amount (if any) by the Settlement Date, we will exercise our Security Interest over your Securities and apply the sale proceeds to pay the Variable Premium Amount.

CALCULATION OF THE INITIAL OPTION FEE

The amount of the Initial Option Fee for your Capped Purchase Put Option will be influenced by a number of market factors, including the volatility of the price of the Securities, the Term, forecast dividends for the Securities prevailing interest rates in the Option Currency, the Protection Level, the Cap Level and whether you have used the Automatic Lock-In Facility and, if so, the terms of that facility. If the Transaction is over International Securities and the Option Currency is different to the Currency of the International Securities, the Initial Option Fee is also impacted by the volatility of the relevant FX Rate, the correlation between the International Security price and the relevant FX Rate and the relative interest rates in the Option

SECTION 3: USING OPTIONS UNDER ANZ COBALT

Currency and the currency of the International Securities. These factors, and a description of their expected impact on our calculation of the Initial Option Fee in respect of a Purchase Put Option, are set out in Section 2 above under the heading "Additional factors where Initial Option Fee is included in your interest rate". The Quote Sheet we give you will include an estimate of the Initial Option Fee.

AN EXAMPLE OF A CAPPED PURCHASE PUT OPTION

John has 10,000 shares in XYZ Limited with a current market price of \$25.00 per share. John seeks to protect his Securities from a fall in price and decides to reduce his cost of protection by agreeing to a Cap Level. John buys from us a Capped Purchase Put Option in respect of the Parcel. John has elected to set the Protection Level at \$20.00 per XYZ share and the Cap Level at \$30.00 per XYZ share with a Term of 1 year. John pays us the Initial Option Fee of \$5,000. Assume no Adviser Option Payment is payable by John in connection with the Transaction and that no brokerage is charged in connection with John's acquisition of the shares or his disposal of the shares at Maturity.

On the Maturity Date of the Capped Purchase Put Option, if:

> the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Protection Level)

- > the Capped Purchase Put Option is automatically exercised; and
- > assuming John has elected Cash Settlement, we will pay \$5.00 per XYZ share to John on the Settlement Date (ie \$50,000 in total), being the amount by which the Protection Level exceeded the Closing Price of the shares on the Maturity Date. John retains the shares; and
- > no further payments are due by either party.

In this example John has received a cash settlement payment of \$50,000 under his Capped Purchase Put Option. John makes a **realised** profit on the Capped Purchase Put Option of \$45,000 being the Cash Settlement amount of \$50,000 less the Initial Option Fee of \$5,000. However, the value of John's XYZ shares has fallen by \$10.00 per share or \$100,000 in total, so he has an **unrealised** loss of \$100,000 given that he is still holding the shares. John's net position on the investment (combining the realised profit and the unrealised loss) is a loss of \$55,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.) In effect the Capped Purchase Put Option has protected the value John's XYZ shares at \$20.00 per share as at the Maturity Date.

> the Closing Price of XYZ shares is \$25.00 per share (i.e. between the Protection Level and Cap Level)

- > the Capped Purchase Put Option expires automatically, all obligations under the Capped Purchase Put Option end and no further payments are due by either party.

In this example John makes a loss by entering into the Capped Purchase Put Option of \$5,000, being the Initial Option Fee. If the Capped Purchase Put Option was a zero cost Capped Purchase Put Option, there would be no cost associated with entering into the Capped Purchase Put Option, and so no loss on the Transaction.

> the Closing Price of XYZ shares is \$40.00 per share (i.e. above the Cap Level)

- > John must pay us the Variable Premium Amount of \$10.00 per XYZ share (ie \$100,000 in total), being the difference between the Closing Price of the shares on the Maturity Date and the Cap Level and the Capped Purchase Put Option expires;
- > John retains the shares and no further payments are due by either party.

In this example John makes a realised loss of \$105,000 by entering into the Capped Purchase Put Option being the Variable Premium Amount of \$100,000 plus the Initial Option Fee of \$5,000. John also has an unrealised profit of \$15.00 per share, or \$150,000 in total, on his investment in XYZ shares given that he is still holding the shares. John's net position on the investment (combining the realised loss and the unrealised profit) is a profit of \$45,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

The preceding example is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees.

In addition, the example does not take into consideration any dividends paid on the XYZ shares over the Term, which John would be entitled to receive. You should seek your own independent tax advice on the tax consequences of your Capped Purchase Put Option.

WHAT ARE THE KEY BENEFITS OF A CAPPED PURCHASE PUT OPTION?

- > A Capped Purchase Put Option provides protection against a decrease in the value of your existing Parcel or Basket below the Protection Level at the Maturity Date; and
- > The Initial Option Fee for the Capped Purchase Put Option will generally be less than that for a Purchase Put Option with the same Protection Level, and depending on the parameters of the Protection Level and Cap Level the Initial Option Fee may be zero.

WHAT ARE THE KEY RISKS OF A CAPPED PURCHASE PUT OPTION?

- > Any gain made on the sale of a Parcel or Basket of Securities or the proceeds from a Cash Settlement may be less than the Initial Option Fee;
- > The Initial Option Fee is payable even if the Capped Purchase Put Option expires unexercised;
- > If the Closing Price on the Maturity Date is greater than the Cap Level, you must pay us the Variable Premium Amount, which means that you will forego gains on your Parcel or Basket of Securities above the Cap Level;
- > If you are a Non-SMSF Investor, you must grant a Security Interest to us over the underlying Parcel or Basket and appoint ANZ Securities as Sponsoring Participant for that Parcel or Basket. You will not be permitted to trade or sell those Securities subject to the Security Interest. If you Default under the Capped Purchase Put Option, we may exercise our rights as secured party and take possession of and sell the Securities in the Parcel or Basket to satisfy your obligations under the Option;

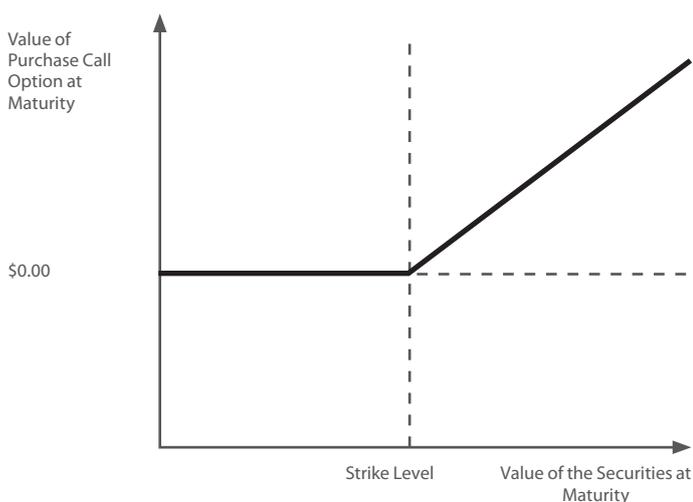
SECTION 3: USING OPTIONS UNDER ANZ COBALT

- > If you are a SMSF Investor you must transfer your Securities to the Nominee (if not already held by the Nominee in connection with a Loan) to be held on the terms of the Trust Deed and give the Nominee an irrevocable direction regarding the relevant Securities. You will not be permitted to trade or sell the Securities held by the Nominee.
- > If the Capped Purchase Put Option is terminated prior to its scheduled Maturity Date you may be required to pay an Early Termination Amount calculate by us;
- > Entry into a Capped Purchase Put Option may impact upon your entitlement to franking credits on distributions in relation to the underlying Securities; and
- > Settlement of an exercised Option may give rise to a taxable gain.

SECTION 3.4: PURCHASE CALL OPTION

ANZ Cobalt allows you (if we agree) to buy a Purchase Call Option from us, which gives you the right to require us to sell you the corresponding Parcel or Basket of Securities at the Strike Level on a predetermined Maturity Date. Buying a Purchase Call Option may enable you to profit from an increase in the price of the Parcel or Basket above the Strike Level. In purchasing a Purchase Call Option your maximum loss is limited to the Initial Option Fee paid for the Purchase Call Option.

The below diagram shows the value of a Purchase Call Option at Maturity relative to the value of the underlying Securities at Maturity. The diagram does not take into account the payment of any Initial Option Fee, any Adviser Option Payment or any brokerage or any other costs or charges in connection with the Transaction.



The Product Ruling does not cover the tax consequences of purchasing a Purchase Call Option. Please refer to the Taxation Opinion in Section 7 for a summary of the general Australian taxation consequences for investors who buy a Purchase Call Option.

Exercise of a Purchase Call Option depends on the Closing Price of the underlying Parcel or Basket on the Maturity Date:

| | |
|--|-------------------------------|
| If the Strike Level is greater than or equal to the Closing Price on the Maturity Date | Purchase Call Option expires. |
|--|-------------------------------|

| | |
|---|--|
| If the Strike Level is less than the Closing Price on the Maturity Date | Purchase Call Option is automatically exercised. |
|---|--|

If the Purchase Call Option is exercised, you may elect to settle the Purchase Call Option by Cash Settlement or Physical Settlement. If you fail to make an election, we may elect which settlement method applies, generally speaking we will deem you to have elected for Cash Settlement:

| | |
|-----------------|--|
| Cash Settlement | We will pay you the amount by which the Closing Price on the Maturity Date exceeds the Strike Level of the Parcel or Basket. |
|-----------------|--|

| | |
|---------------------|--|
| Physical Settlement | You must purchase the relevant Parcel or Basket at the Strike Level. |
|---------------------|--|

Please note, if you enter into a Purchase Call Option over an Index, only Cash Settlement will be available.

CALCULATION OF THE INITIAL OPTION FEE

The amount of the Initial Option Fee we calculate for your Purchase Call Option at the Issue Time will be influenced by a number of market factors, including:

- > Choice of underlying Securities: our assessment of the Security price volatility and forecast dividends for the Security will impact our calculation of the Initial Option Fee. Assuming all other factors are equal the higher the volatility of the price of the Securities in your Parcel or Basket, the higher the Initial Option Fee and the higher the forecast dividends for the Securities in your Parcel or Basket, the lower the Initial Option Fee;
- > Interest rate: assuming all other factors are equal, the higher the interest rate in the Option Currency, the higher the Initial Option Fee;
- > Investment Term: assuming all other factors are equal, the longer the Term, the higher the Initial Option Fee;
- > Strike Level: assuming all other factors are equal, the lower the Strike Level, the higher the Initial Option Fee;
- > Basket structure: use of a Basket structure may reduce the Initial Option Fee for your Purchase Call Option. Assuming all other factors are equal the Initial Option Fee for the Purchase Call Option in respect of a Basket transaction will be less than the sum of the Initial Option Fees for equivalent Purchase Call Options over each of the Parcels that comprise the Basket.

AN EXAMPLE OF A PURCHASE CALL OPTION

John would like to gain notional exposure to 10,000 shares in XYZ Limited which at the Issue Time are trading at a market price of \$25.00 per share. John decides to enter into a Purchase Call Option with a Strike Level equal to \$25.00 per share. Assume no Adviser Option Payment is payable by John in connection with the Transaction and that no brokerage is charged in connection with John's acquisition of the shares or his disposal of the shares at Maturity. The Purchase Call Option has a Term of 1 year. John pays us the Initial Option Fee of \$20,000.

SECTION 3: USING OPTIONS UNDER ANZ COBALT

On the Maturity Date of the Purchase Call Option, if:

> **the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Strike Level)**

- > the Purchase Call Option expires automatically, all obligations under the Purchase Call Option end and no further payments are due by either party.

In this example, John makes a loss by purchasing the Purchase Call Option equal to \$20,000 being the Initial Option Fee.

> **the Closing Price of XYZ shares is \$40.00 per share (i.e. above the Strike Level)**

- > the Purchase Call Option is automatically exercised;
- > assuming John has elected Cash Settlement, on the Settlement Date, John receives a Cash Settlement Payment of \$15.00 per share (ie \$150,000 in total), being the difference between the Closing Price of the shares on the Maturity Date and the Strike Level; and
- > no further payments are due by either party.

John's net profit from purchasing the Purchase Call Option is the excess of the Closing Price on the Maturity Date above the Strike Level ($\$40.00 - \$25.00 = \$15.00$, multiplied by 10,000 = \$150,000), minus the Initial Option Fee (\$20,000) which equals \$130,000 in total.

The preceding example is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees. You should seek your own independent tax advice on the tax consequences of your Purchase Call Option.

WHAT ARE THE KEY BENEFITS OF A PURCHASE CALL OPTION?

- > Buying a Purchase Call Option provides you with the potential to profit from an increase in the value of Securities that you do not own.

WHAT ARE THE KEY RISKS OF A PURCHASE CALL OPTION?

- > Any increase in value above the relevant Strike Level may be less than the Initial Option Fee;
- > The Initial Option Fee is payable even if the Option expires unexercised;
- > If the Purchase Put Option is terminated prior to its Maturity Date, you will receive the Early Termination Amount (if any) that we calculate. The Early Termination Amount may be significantly less than the Initial Option Fee you originally paid;
- > Settlement of an exercised Option may give rise to a taxable gain.

SECTION 3.5: SOLD CALL OPTION

If you have an existing Parcel or Basket, ANZ Cobalt allows you (if we agree) to sell us a Sold Call Option. This can generate income for you through receiving the Initial Option Fee, while still allowing you to take advantage of the benefits associated with owning your Securities, such as receipt of ordinary dividends, up until the Maturity Date. Entering into a Sold Call Option gives us the right to purchase the Parcel or Basket from you at the Cap Level on the Maturity Date. In return, you will

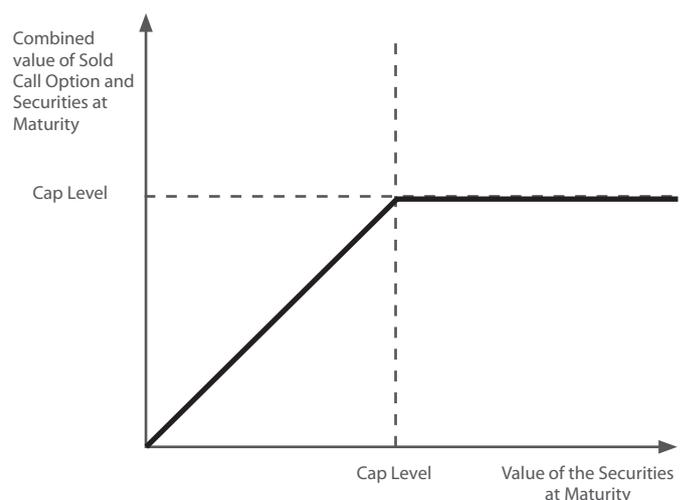
receive the Initial Option Fee. In selling a Sold Call Option, your maximum profit is limited to the Initial Option Fee. You also remain fully exposed to any fall in the price of the Parcel or Basket. If the value of the Parcel or Basket decreases, you do not receive any benefits other than the Initial Option Fee. If the Closing Price of the Parcel or Basket at the Maturity Date is above the Cap Level and you have elected Physical Settlement, you will be required to sell us the Parcel or Basket at the Cap Level which is lower than the price at which you could sell the Parcel or Basket in the market. This represents an "opportunity cost" to you. The Product Ruling does not cover the tax consequences of selling a Sold Call Option. Please refer to the Taxation Opinion in Section 7 for a summary of the general Australian taxation consequences for investors who sell a Sold Call Option.

We will require you:

- > if you are a Non-SMSF Investor, to own the underlying Securities, grant us a Security Interest in those underlying Securities and to transfer their CHESS sponsorship to the Sponsoring Participant; or
- > if you are a SMSF Investor, to transfer your Securities to the Nominee (if not already held by the Nominee) to be held on the terms of the Trust Deed and to give the Nominee an irrevocable direction regarding the relevant Securities.

The below diagram shows the combined value of a Parcel of Securities and a Sold Call Option at Maturity relative to the value of the Security at Maturity. The diagram does not take into account the payment of any Initial Option Fee, any Adviser Option Payment or any brokerage or any other costs or charges in connection with the Transaction.

Exercise of a Sold Call Option depends on the Closing Price of the underlying Parcel or Basket on the Maturity Date:



SECTION 3: USING OPTIONS UNDER ANZ COBALT

| | |
|--|--|
| If the Closing Price on the Maturity Date is less than or equal to the Cap Level | Sold Call Option expires. |
| If the Closing Price on the Maturity Date is greater than the Cap Level | Sold Call Option is automatically exercised. |
| If the Sold Call Option is exercised, you may elect to settle the Sold Call Option by Cash Settlement or Physical Settlement:: | |
| Cash Settlement | You retain your Parcel or Basket and pay us the amount by which the Closing Price of the Parcel or Basket on the Maturity Date exceeds the Cap Level (the "Cash Settlement Amount"). |
| Physical Settlement | You must sell your Parcel or Basket to us at the Cap Level. |

If you fail to make an election, we may elect which settlement method applies. Generally speaking we will deem you to have elected for Physical Settlement.

If you are a SMSF Investor and:

- > you elect Cash Settlement and you fail to pay us the Cash Settlement Amount by the Settlement Date, under the Terms you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to sell the Securities and apply the sale proceeds to pay us the Cash Settlement Amount; or
- > you elect Physical Settlement, you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to transfer the Parcel to ANZ or its nominee (we will pay you the Cap Level).

CALCULATION OF THE INITIAL OPTION FEE

The amount of the Initial Option Fee we calculate for your Sold Call Option at the Issue Time will be influenced by the factors described in Section 3.4 above in relation to Purchase Call Options.

The Quote Sheet we give you will include an estimate of the Initial Option Fee.

AN EXAMPLE OF A SOLD CALL OPTION

John has 10,000 shares in XYZ Limited with a current market price of \$25.00 per share. John seeks to generate income from his Parcel of Securities and sells a Sold Call Option over his Parcel of Securities to us with a Cap Level of \$27.50 per share. Assume no Adviser Option Payment is payable by John in connection with the Transaction and that no brokerage is charged in connection with John's acquisition of the shares or his disposal of the shares at Maturity. The Sold Call Option has a Term of 6 months. We pay John the Initial Option Fee of \$5,000.

On the Maturity Date of the Sold Call Option, if:

- > **the Closing Price of XYZ shares is \$15.00 per share (i.e. below the Cap Level)**
 - > the Sold Call Option expires automatically, all obligations under the Sold Call Option end and no further payments are due by either party.

In this example, John makes a realised profit by selling the Sold Call Option to us and receiving the Initial Option Fee of \$5,000.

However, John also makes an unrealised loss of \$10 per share, or \$100,000 in total, given that the value of his XYZ shares has decreased. John's net position on the investment (combining the realised profit and the unrealised loss) is a loss of \$95,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

> the Closing Price of XYZ shares is \$30.00 per share (i.e. above the Cap Level)

- > the Sold Call Option is automatically exercised;
- > assuming John has elected Cash Settlement, on the Settlement Date John must pay us \$2.50 per share (\$25,000 in total), being the difference between the Closing Price of the shares on the Maturity Date and the Cap Level and John may keep the shares; and
- > no further payments are due by either party.

In this example, John's realised net loss from selling us the Sold Call Option is \$20,000 being the \$25,000 Cash Settlement amount John pays us minus the Initial Option Fee of \$5,000 John received from us. John has also made an unrealised profit of \$5 per share, or \$50,000 in total, given that the value of his XYZ shares has increased. John's net position on the investment (combining the realised loss and the unrealised profit) is a profit of \$30,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

The preceding example is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees.

In addition, the example does not take into consideration any dividends paid on the XYZ shares over the Term, which John would be entitled to receive. You should seek your own independent tax advice on the tax consequences of your Sold Call Option.

WHAT ARE THE KEY BENEFITS OF SELLING A SOLD CALL OPTION?

- > Selling a Sold Call Option provides an additional return on your Securities while still allowing you to take advantage of benefits associated with owning your Securities, like dividends and/or distributions and depending on your circumstances, franking credits.

WHAT ARE THE KEY RISKS OF SELLING A SOLD CALL OPTION?

- > If you have elected Physical Settlement and the Sold Call Option is exercised, you must deliver the relevant Parcel or Basket to us at the Cap Level, which may be unfavourable to you compared to the price at which you could sell the Parcel or Basket in the market;
- > If the Closing Price of the Parcel or Basket on the Maturity Date exceeds the Cap Level and you have elected Cash Settlement, you must pay to us an amount equal to the amount by which the Closing Price of the Parcel or Basket on the Maturity Date exceeds the Cap Level;
- > If the Sold Call Option is exercised you will end up foregoing gains on your Parcel or Basket above the Cap Level;

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- > Entry into an Option may impact upon your entitlement to franking credits on distributions in relation to the underlying Securities;
- > If you are a Non-SMSF Investor, you must grant a Security Interest to us over the underlying Parcel or Basket and appoint ANZ Securities as Sponsoring Participant for that Parcel or Basket. You will not be permitted to trade or sell those Securities subject to the Security Interest. If you Default under the Sold Call Option, we may exercise our rights as secured party and take possession of and sell the Securities in the Parcel or Basket to satisfy your obligations under the Option;
- > If you are a SMSF Investor you must transfer your Securities to the Nominee (if not already held by the Nominee) to be held on the terms of the Trust Deed and give the Nominee an irrevocable direction regarding the relevant Securities. You will not be permitted to trade or sell the Securities held by the Nominee;
- > If the Sold Call Option is terminated prior to its scheduled Maturity Date you will be required to pay the Early Termination Amount (if any) that we calculate; and
- > Settlement of an exercised Option may give rise to a taxable gain.

SECTION 3.6: PUT SPREAD OPTIONS (EXCLUDING CAPPED PUT SPREAD OPTIONS)

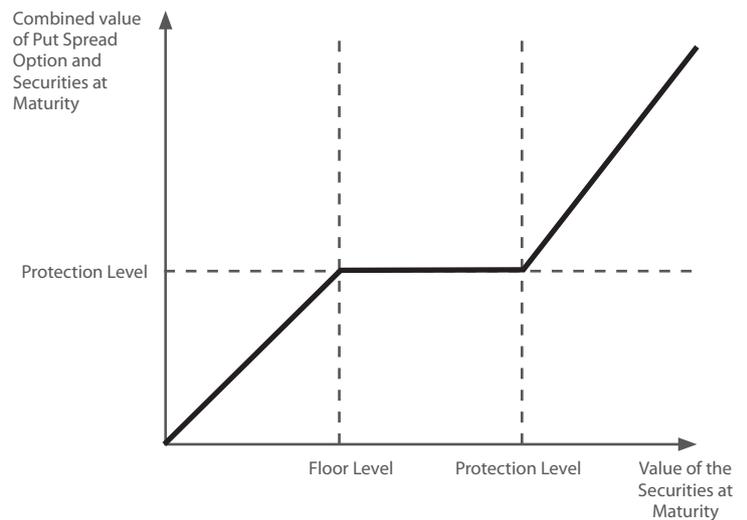
ANZ Cobalt allows you (if we agree) to enter into a Put Spread Option, which either:

- > if you own the relevant Securities in the Parcel or Basket, protects you against the risk that the Closing Price at Maturity of the Securities may be below the Protection Level, but above the Floor Level; or
- > if you do not own the relevant Securities in the Parcel or Basket, allows you to profit in any decrease in the Closing Price of the Securities at Maturity below the Protection Level, but not below the Floor Level.

Because you have not bought protection for falls in market value below the Floor Level, the cost of the protection is reduced. You will bear all loss below the Floor Level.

As with the Purchase Put Option, if the Closing Price of the Parcel or Basket at the Maturity Date is less than the Protection Level but greater than the Floor Level and you have elected Physical Settlement, you will be required to sell to us a Parcel or Basket at the Protection Level, which is higher than the price at which you could sell the Parcel or Basket in the market. However, if the Closing Price of the Parcel or Basket at the Maturity Date is less than the Floor Level, (again, assuming you elect Physical Settlement) you will be required to sell to us the relevant Parcel or Basket in exchange for the Net Physical Settlement Payment. The Net Physical Settlement Payment is the difference between Protection Level and the amount (if positive), by which the Floor Level exceeds to Closing Price on the Maturity Date. This will not include any protection below the Floor Level.

The below diagram shows the combined value of a Parcel of Securities and a Put Spread Option at Maturity relative to the value of the Security at Maturity. The diagram does not take into account the payment of any Initial Option Fee, any Adviser Option Payment or any brokerage or any other costs or charges in connection with the Transaction.



The Product Ruling does not cover the tax consequences of entering into a Put Spread Option. Please refer to the Taxation Opinion in Section 7 for a summary of the general Australian taxation consequences for investors who enter into a Put Spread Option.

Exercise of the Put Spread Option will depend on the Closing Price of the underlying Parcel or Basket on the Maturity Date.

| | |
|--|---|
| If the Closing Price on the Maturity Date is greater than or equal to the Protection Level | Put Spread Option expires. |
| If the Closing Price on the Maturity Date is less than the Protection Level (whether or not it is equal to, greater than or less than the Floor Level) | Put Spread Option is automatically exercised. |

If the Put Spread Option is exercised, you may elect to settle the Put Spread Option by Cash Settlement or Physical Settlement. If you fail to make an election we may elect which settlement method applies, generally speaking, we will deem you to have elected for Cash Settlement to apply:

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| | |
|---------------------|---|
| Cash Settlement | You retain your Parcel or Basket and, if the Closing Price on the Maturity Date is below the Protection Level but above the Floor Level, we will pay you the amount by which the Protection Level exceeds the Closing Price of the Parcel or Basket on the Maturity Date. However, if the Closing Price on the Maturity Date is less than the Floor Level, you will only receive the difference between the Protection Level and the Floor Level. |
| Physical Settlement | If the Closing Price of the relevant Parcel or Basket at the Maturity Date is less than the Protection Level but greater than the Floor Level, you will be required to sell to us the relevant Parcel or Basket at the Protection Level. However, if the Closing Price of the relevant Parcel or Basket at the Maturity Date is less than the Floor Level, you will be required to sell to us the relevant Parcel or Basket for the Net Physical Settlement Payment amount. You can only effect Physical Settlement if you hold the relevant Securities. |

Please note, if you enter into a Purchase Call Option over an Index, only Cash Settlement will be available.

CALCULATION OF THE INITIAL OPTION FEE

The amount of the Initial Option Fee for your Put Spread Option will be influenced by a number of market factors, including the volatility of the price of the Securities, the Term, forecast Dividends for the Security, the Protection Level and the Floor Level. Some of the factors, and a description of their expected impact on our calculation of the Initial Option Fee in respect of a Put Spread Option are set out in Section 2 above under the heading "Additional factors where Initial Option Fee is included in your interest rate" in the context of how those factors impact on our calculation of the Initial Option Fee for a Purchase Put Option.

In addition to the factors relevant to calculating the Initial Option Fee for Purchase Put Options, assuming all other factors are unchanged the higher the Floor Level for a Put Spread Option, the lower the Initial Option Fee.

The Quote Sheet we give you will include an estimate of the Initial Option Fee.

AN EXAMPLE OF A PUT SPREAD OPTION

John has 10,000 shares in XYZ Limited with a current market price of \$25.00 per share. John seeks to protect his Parcel of Securities from a fall in price below \$25.00 per share but would like to reduce the cost of the protection by purchasing a Put Spread Option. John decides to set the Protection Level for the Put Spread Option at \$25.00 per share and the Floor Level at \$15.00 per share. John is therefore protected from falls in the price of the Securities down to \$15.00 but will not be protected from falls below \$15.00. The Put Spread Option has a Term of 1 year. John pays us the Initial Option Fee of \$20,000. Assume no Adviser Option Payment is payable by John in connection with the Transaction and that no brokerage is charged in connection

with John's acquisition of the shares or his disposal of the shares at Maturity.

On the Maturity Date of the Put Spread Option, if:

> **the Closing Price of XYZ shares is \$20.00 per share (i.e. below the Protection Level but above the Floor Level)**

> the Put Spread Option is automatically exercised;

> assuming John has elected Physical Settlement, John must sell his shares to us; and

> on the Settlement Date we must pay to John the Protection Level (\$25.00 per share).

In this example John was able to sell his shares at \$25.00 per share rather than the prevailing share price of \$20.00. John's **realised** profit from entering into the Put Spread Option is therefore \$30,000 being the \$50,000 higher-than-market sale proceeds ($(\$25.00 - \$20.00) \times 10,000$) less the \$20,000 Initial Option Fee. John has also realised a loss of \$5 per share ($\$25.00 - \$20.00 = \5.00) or \$50,000 in total on his investment in XYZ shares. John's net position on the investment is a loss of \$20,000 (being the Initial Option Fee). (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

> **the Closing Price of XYZ shares is \$40.00 per share (i.e. above the Protection Level)**

> the Put Spread Option expires automatically, all obligations under the Put Spread Option end and no further payments are due by either party.

In this example John makes a loss by entering into the Put Spread Option of \$20,000, being the Initial Option Fee. John also makes an **unrealised** profit of \$15 per share ($\$40 - \$25 = \15) or \$150,000 in total given that he is still holding the XYZ shares. John's net position on the investment (combining the realised loss and the unrealised profit) is a profit of \$130,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

> **the Closing Price of XYZ shares is \$10.00 per share (i.e. below the Protection Level and the Floor Level)**

> the Purchase Put Option is automatically exercised;

> assuming John has elected Physical Settlement, John must sell his shares to us; and

> on the Settlement Date and we must pay to John the Net Physical Settlement Payment of \$20.00 per share (i.e. $\$25.00 - (\$15.00 - \$10.00)$).

In this example John makes a **realised** profit by entering into the Put Spread Option. John's proceeds from Physical Settlement were \$20.00 per share rather than the prevailing share price of \$10.00. John's profit from entering into the Put Spread Option is therefore \$80,000 being the \$100,000 higher-than-market sale proceeds less the \$20,000 Initial Option Fee. John has also realised a loss of \$5 per share ($\$25.00 - \$20.00 = \5.00) or \$50,000 in total on his holding. John's net position on the investment is a loss of \$70,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

SECTION 3: USING OPTIONS UNDER ANZ COBALT

The preceding example is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees.

In addition, the example does not take into consideration any dividends paid on the XYZ shares over the Term, which John would be entitled to receive. You should seek your own independent tax advice on the tax consequences of your Put Spread Option.

WHAT ARE THE KEY BENEFITS OF A PUT SPREAD OPTION?

- > Buying a Put Spread Option provides protection against a decrease in the value of your existing Securities provided the Closing Price on the Maturity Date remains above the Floor Level; and
- > The Initial Option Fee for a Put Spread Option will generally be less than that for a Purchase Put Option with the same Protection Level.

WHAT ARE THE KEY RISKS OF A PUT SPREAD OPTION?

- > You are not protected against decreases in value in the Parcel or Basket below the Floor Level;
- > Any gain made on the sale of a Parcel or Basket or the proceeds from a Cash Settlement may be less than the Initial Option Fee;
- > The Initial Option Fee is payable even if the Option expires unexercised;
- > If you terminate your Put Spread Option before Maturity, you may be required to pay an Early Termination Amount.;
- > Entry into a Put Spread Option may impact upon your entitlement to franking credits on distributions in relation to the underlying Securities; and
- > Settlement of an exercised Option may give rise to a taxable gain.

SECTION 3.7: CAPPED PUT SPREAD OPTION

Capped Put Spread Options are a sub-set of Put Spread Options.

A Capped Put Spread Option involves:

- > a protection feature (protecting against the risk that the Closing Price of the Securities at Maturity may be below the Protection Level);
- > a Cap Level feature (you will you will not participate in price appreciation above the Cap Level); and
- > a Floor Level feature (protection will not apply for price falls below the Floor Level).

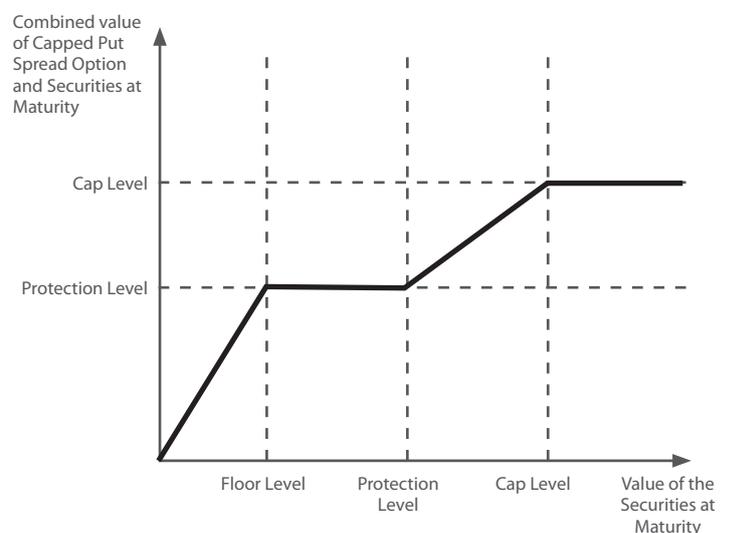
Both the Cap Level feature and the Floor Level feature of a Capped Put Spread Option have the effect of reducing the cost of the protection feature. However:

- > if the Closing Price on the Maturity Date of the Securities is above the Cap Level you will have to pay us a Variable Premium Amount equal to the difference between that Closing Price and the Cap Level; or
- > if the Closing Price on the Maturity Date of the Securities is less than the Floor Level, you will only receive the Net Physical Settlement Payment (if you elect for Physical Settlement to

apply) or the Net Cash Settlement Payment (if you elect for Physical Settlement to apply), which will not include any protection below the Floor Level.

The Floor Level feature of a Capped Put Spread Option is as described above in relation to Put Spread Options.

The below diagram shows the combined value of a Parcel of Securities and a Capped Put Spread Option at Maturity relative to the value of the Security at Maturity. The diagram does not take into account the payment of any Initial Option Fee, any Adviser Option Payment or any brokerage or any other costs or charges in connection with the Transaction.



The Product Ruling does not cover the tax consequences of entering into a Put Spread Option. Please refer to the Taxation Opinion in Section 7 for a summary of the general Australian taxation consequences for investors who enter into a Capped Put Spread Option.

We will require you:

- > if you are a Non-SMSF Investor, to own the underlying Securities, grant us a Security Interest in those underlying Securities and to transfer their CHESS sponsorship to the Sponsoring Participant; or
- > if you are a SMSF Investor, to transfer your Securities to the Nominee (if not already held by the Nominee) to be held on the terms of the Trust Deed and to give the Nominee an irrevocable direction regarding the relevant Securities.

SECTION 3: USING OPTIONS UNDER ANZ COBALT

Exercise of the Capped Put Spread Option will depend on the Closing Price of the underlying Parcel of Securities on the Maturity Date:

| | |
|--|--|
| If the Closing Price on the Maturity Date is greater than or equal to the Protection Level and less than or equal to the Cap Level | Capped Put Spread Option expires automatically. |
| If the Closing Price on the Maturity Date is less than the Protection Level (whether or not it is equal to, greater than or less than the Floor Level) | Capped Put Spread Option is automatically exercised. |
| If the Closing Price on the Maturity Date is greater than the Cap Level | Capped Put Spread Option expires automatically |

If the Capped Put Spread Option is exercised, you may elect to settle the Capped Put Spread Option by Cash Settlement or Physical Settlement:

| | |
|---------------------|--|
| Cash Settlement | <p>You retain your Parcel or Basket and if the Closing Price on the Maturity Date is below the Protection Level but above the Floor Level, we will pay you the amount by which the Protection Level exceeds the Closing Price of the Parcel or Basket on the Maturity Date. However:</p> <ul style="list-style-type: none"> > if the Closing Price on the Maturity Date is less than the Floor Level, you will only receive the difference between the Protection Level and the Floor Level; and > if the Closing Price on the Maturity Date is greater than the Cap Level, then the Capped Put Spread Option expires unexercised and you must pay us the Variable Premium Amount (you will retain your Securities). |
| Physical Settlement | <p>If the Closing Price of the relevant Parcel or Basket at the Maturity Date is less than the Protection Level but greater than the Floor Level, you will be required to sell to us the relevant Parcel or Basket at the Protection Level. However:</p> <ul style="list-style-type: none"> > if the Closing Price of the relevant Parcel or Basket at the Maturity Date is less than the Floor Level, you will be required to sell to us the relevant Parcel or Basket in exchange for the Net Physical Settlement Payment; and > if the Closing Price of the relevant Parcel or Basket on the Maturity Date is greater than the Cap Level, your Parcel or Basket will be sold and the sale proceeds applied to pay us the Variable Premium Amount. |

If you fail to make an election, we may elect which settlement method applies. Generally speaking, we will be deemed you to have elected for Physical Settlement to apply.

If you are a SMSF Investor and you elect Cash Settlement and you fail to pay us the Variable Premium Amount (if any) by the Settlement Date, under the Terms you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to sell the Securities and apply the sale proceeds to pay us the Variable Premium Amount.

CALCULATION OF THE INITIAL OPTION FEE

The amount of the Initial Option Fee for your Capped Put Spread Option will be influenced by a number of market factors, including the volatility of the price of the Securities, the Term, the Protection Level, the Floor Level and the Cap Level. Some of the factors, and a description of their expected impact on our calculation of the Initial Option Fee in respect of a Put Spread Option are set out in Section 2 above under the heading "Additional factors where Initial Option Fee is included in your interest rate" in the context of how those factors impact on our calculation of the Initial Option Fee for a Purchase Put Option.

In addition to the factors relevant to calculating the Initial Option Fee for Purchase Put Options, assuming all other factors are equal:

- > Floor Level: the higher the Floor Level the lower the Initial Option Fee; and
- > Cap Level: the higher the Cap Level the higher the Initial Option Fee.

The Quote Sheet we give you will include an estimate of the Initial Option Fee.

AN EXAMPLE OF A CAPPED PUT SPREAD OPTION

John has 10,000 shares in XYZ Limited with a current market price of \$25.00 per share. John seeks to protect his Parcel of Securities from a fall in price below \$25.00 per share but would like to reduce the cost of the protection by purchasing a Capped Put Spread Option. John decides to set the Protection Level for the Put Spread Option at \$25.00 per share, the Floor Level at \$15.00 per share and the Cap Level at \$30.00. The Capped Put Spread Option has a Term of 1 year. John pays us the Initial Option Fee of \$17,000. Assume no Adviser Option Payment is payable by John in connection with the Transaction and that no brokerage is charged in connection with John's acquisition of the shares or his disposal of the shares at Maturity. On the Maturity Date of the Capped Put Spread Option, if:

- > **the Closing Price of XYZ shares is \$20.00 per share (i.e. below the Protection Level but above the Floor Level)**
 - > the Capped Put Spread Option expires; and
 - > assuming John has elected Cash Settlement, we must pay \$5.00 per share to John (ie \$50,000 in total) on the Settlement Date, being the amount by which the Protection Level exceeds the Closing Price of the shares on the Maturity Date;
 - > John retains the shares and no further payments are due by either party.

In this example John makes a **realised** profit of \$33,000 being the Cash Settlement amount of \$50,000 less the Initial Option Fee of \$17,000. However, the value of John's shares has fallen by \$5.00 per share, or \$50,000 in total, so he will have an **unrealised** loss of \$50,000 given that he is still holding the underlying

SECTION 3: USING OPTIONS UNDER ANZ COBALT

shares. John's net position on the investment (combining the realised profit and the unrealised loss) is a loss of \$17,000 (being the Initial Option Fee). (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

> **XYZ shares have risen to \$30.00 per share (i.e. between the Protection Level and Cap Level)**

- > the Capped Put Spread Option expires automatically, all obligations under the Capped Put Spread Option end and no further payments are due by either party.

In this example John makes a realised loss by entering into the Capped Put Spread Option of \$17,000, being the Initial Option Fee. However, the value of John's shares has risen by \$5.00 per share, or \$50,000 in total, so he will have an unrealised profit of \$50,000 given that he is still holding the underlying shares. John's net position on the investment (combining the realised loss and the unrealised profit) is a profit of \$33,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

> **the Closing Price of XYZ shares is \$40.00 per share (i.e. above the Cap Level)**

- > the Capped Put Spread Option is automatically exercised;
- > John must pay us the Variable Premium Amount of \$5.00 per share (ie \$50,000 in total), being the difference between the Closing Price of the shares on the Maturity Date and the Cap Level;
- > John retains the shares; and
- > no further payments are due by either party.

In this example John makes a realised loss of \$67,000 being the Variable Premium Amount of \$50,000 plus the Initial Option Fee of \$17,000. However, the value of John's shares has risen by \$15.00 per share or \$150,000 in total so he will have an unrealised profit of \$150,000 given that he is still holding the XYZ shares. John's net position on the investment (combining the realised loss and the unrealised profit) is a profit of \$83,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

> **the Closing Price of XYZ shares is \$10.00 per share (i.e. below the Protection Level and the Floor Level)**

- > the Purchase Put Option is automatically exercised;
- > assuming John has elected Cash Settlement, we must pay to John the Net Cash Settlement Payment of \$10.00 per share (ie \$100,000 in total);
- > John retains the shares; and
- > no further payments are due by either party.

In this example John makes a realised profit of \$83,000 being the Net Cash Settlement Payment of \$100,000 less the Initial Option Fee of \$17,000. However, the value of John's shares has fallen by \$150,000 so he will have an unrealised loss of \$150,000 given that he is still holding the underlying shares. John's net position on the investment is a loss of \$67,000. (This ignores any dividends on the XYZ shares over the Term and any tax implications.)

The preceding example is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees.

In addition, the example does not take into consideration any dividends paid on the XYZ shares over the Term, which John would be entitled to receive. You should seek your own independent tax advice on the tax consequences of your Capped Put Spread Option.

WHAT ARE THE KEY BENEFITS OF A CAPPED PUT SPREAD OPTION?

- > Buying a Capped Put Spread Option provides protection against a decrease in the value of your existing Securities provided the Closing Price on the Maturity Date remains above the Floor Level; and
- > The Initial Option Fee for a Capped Put Spread Option will generally be less than that for a Capped Purchase Put Option with the same Protection Level and Cap Level, and depending on the parameters of the Protection Level, Cap Level and Floor Level, the Initial Option Fee may be zero.

WHAT ARE THE KEY RISKS OF A CAPPED PUT SPREAD OPTION?

- > You are not protected against decreases in value in the Parcel or Basket below the Floor Level;
- > Any gain made on the sale of a Parcel or Basket or the proceeds from a Cash Settlement may be less than the Initial Option Fee;
- > The Initial Option Fee is payable even if the Option expires unexercised;
- > If the Closing Price on the Maturity Date exceeds the agreed Cap Level you will be required to pay to us an amount equal to the amount by which the Closing Price of the Parcel or Basket on the Maturity Date exceeds the Cap Level (Variable Premium Amount), which means that you will forego gains on your Parcel or Basket above the Cap Level;
- > If you are a Non-SMSF Investor, you must grant a Security Interest to us over the underlying Parcel or Basket and appoint ANZ Securities as Sponsoring Participant for that Parcel or Basket. You will not be permitted to trade or sell those Securities subject to the Security Interest. If you Default under the Capped Put Spread Option, we may exercise our rights as secured party and take possession of and sell the Securities in the Parcel or Basket to satisfy your obligations under the Option;
- > If you are a SMSF Investor you must transfer your Securities to the Nominee (if not already held by the Nominee) to be held on the terms of the Trust Deed and give the Nominee an irrevocable direction regarding the relevant Securities. You will not be permitted to trade or sell the Securities held by the Nominee.
- > If the Capped Put Spread Option is terminated prior to its scheduled Maturity Date you may be required to pay an Early Termination Amount;
- > Entry into a Capped Put Spread Option may impact upon your entitlement to franking credits on distributions in relation to the underlying Securities; and
- > Settlement of an exercised Option may give rise to a taxable gain.

SECTION 3: USING OPTIONS UNDER ANZ COBALT

SECTION 3.8: TERMINATION OF AN OPTION BEFORE ITS MATURITY

If you want to terminate an Option prior to its Maturity Date, you should contact us to make an Early Termination Request. If we are prepared to allow your Early Termination Request, we will give you an "Early Termination Quote" setting out our estimate of the Early Termination Amount that will be payable by you or to you under the proposed Early Termination. If you wish to proceed with the Early Termination, you will need to notify us that you accept the terms of our Early Termination Quote. Following your notification we will then notify you of the new Maturity Date and the other terms of your Early Termination, including the Early Termination Amount payable by you or to you. On the date we specify you must pay to us on the new Maturity Date any Early Termination Amount you owe us.

If we owe you the Early Termination Amount we will pay you that amount on the date specified.

SECTION 3.9: OPTIONS OVER AN INDEX

We may allow you enter into Option Transactions over certain Indices we approve from time to time. An Index Option gives you exposure to the performance of the relevant Index over the relevant Term. Index Option Transactions are limited to Purchase Put Options, Purchase Call Options and Put Spread Options. For each of these categories of Option Transaction, the descriptions above in relation to Option Transactions over Securities is broadly applicable to Index Options. However:

- > While there are no actual securities for an index Option Transaction, the number of "Securities" in the "Parcel" for an Index Option Transaction will be deemed to be the number determined by dividing the notional amount for the Option Transaction by the Index Level we determine at the Issue Time. This will be specified in your Confirmation Letter. For example, if you enter into Purchase Call Option over the S&P/ASX 200 Index with a notional value of \$100,000 and at the Issue Time the Index level is 5,000, this will be treated as entering into a Purchase Call Option over a parcel of 20 Index "Securities" ($100,000 \div 5,000$);
- > The Strike Price (for a Purchase Call Option), the Protection Level (for a Purchase Put Option or Put Spread Option) and the Floor Level for a Put Spread Option will be determined by reference to a specified level of the relevant Index, as set out in your Confirmation Letter, multiplied by \$1;
- > The Cash Settlement amount at Maturity will be calculated by reference to a comparison of the Closing Level of the relevant Index on the Maturity Date (multiplied by \$1) against the Strike Price, Protection Level or Floor Level for the relevant Index Option, as applicable, multiplied by the number of Index Securities in the Parcel; and
- > Physical Settlement will not be available.

AN EXAMPLE OF A PURCHASE PUT OPTION OVER AN INDEX

John would like to purchase a Purchase Put Option over ABC Index. John chooses a notional amount for the Purchase Put Option of \$500,000. The ABC Index level at the Issue Time (as determined by us) is 10,000 points (therefore John's Parcel is

deemed to comprise 50 Index "Securities"). John would like to set the Protection Level at an index level of 9,000 points or \$9,000. Assume no Adviser Option Payment is payable by John in connection with the Transaction. The Purchase Put Option has a Term of 1 year. John pays us the Initial Option Fee of \$20,000. On the Maturity Date of the Purchase Put Option, if:

> the Closing Level of ABC Index is 8,000 (i.e. below the Protection Level)

- > the Purchase Put Option is automatically exercised; and
- > John will receive a Cash Settlement amount of \$50,000 (calculated as $(\$9,000 - \$8,000) \times 50$ (the number of Index Securities in the Parcel)).

John's net profit from purchasing the Purchase Put Option is \$30,000 being the Cash Settlement amount of \$50,000 less the Initial Option Fee of \$20,000.

> the Closing Price of XYZ shares is 12,000 (i.e. above the Protection Level)

- > the Purchase Put Option expires automatically, all obligations under the Purchase Put Option end and no further payments are due by either party.

In this example, John makes a loss by purchasing the Purchase Put Option equal to \$20,000 being the Initial Option Fee.

SECTION 4: INTERNATIONAL SECURITIES

You can enter into Transactions over International Securities. For example, you can utilise a Loan to fund the purchase of International Securities or to borrow against any International Securities that you already own (not available to SMSF Investors). You can also enter into any of the Option strategies detailed in Section 3 over International Securities.

WHAT ALTERNATIVES DO I HAVE FOR MANAGING THE CURRENCY EXPOSURE?

For Options, the currency in which your Option is denominated is referred to as your “Option Currency”. For all Options other than Purchase Put Options (including Capped Purchase Put Options) entered into in connection with a Loan, the Option Currency must be the same as the currency in which your International Securities are denominated.

When you enter into a Loan and Purchase Put Option over International Securities, you can choose one of two alternatives for managing your foreign currency position in relation to the Transaction. You make that choice by selecting whether the currency in which your Purchase Put Option is denominated (the Option Currency) is either:

- > the same as the currency in which your International Securities are denominated; or
- > different to the currency of your International Securities (generally the Option Currency would be Australian dollars).

For a Loan Transaction your Purchase Put Option and Loan must be denominated in the same currency (ie the Option Currency). For example, if the Securities for a Loan Transaction are denominated in US dollars then you can elect either:

- > to enter into a Purchase Put Option denominated in US dollars and a Loan denominated in US dollars; or,
- > to enter into a Purchase Put Option denominated in Australian dollars and a Loan denominated in Australian dollars.

If you enter into a Transaction over a Basket of International Securities, each International Security in the Basket must be denominated in the same currency.

WHAT IF MY INTERNATIONAL SECURITIES ARE IN THE SAME CURRENCY AS MY OPTION CURRENCY (EG THE CURRENCY FOR MY LOAN AND PURCHASE PUT OPTION)?

For a Transaction over International Securities where the Option Currency is the same as the currency in which the International Securities are denominated, the descriptions in Sections 2 and 3 above concerning Loan Transactions and Option Transactions over Australian Securities will apply, except:

- > in relation to the holding arrangements and Security Interest arrangements for International Securities described below;
- > the Dividend Give-Up Facility is not available for Loans over International Securities; and
- > you will face foreign currency risk in relation to movements between the Australian dollar and the currency in which your International Securities are denominated (if you hold Australian dollars as your ‘natural’ currency and all your investments are valued in Australian dollars).

You will have no currency hedge for Transaction in International Securities where the Securities are denominated in the same currency as the Option Currency.

There is a risk that the foreign currency in which the International Securities are denominated will depreciate against the Australian dollar over the Term which will decrease the Australian dollar value of the relevant International Securities (assuming all other factors are equal). Different categories of Option Transactions will be subject to different foreign exchange rate risks.

WHAT IF MY INTERNATIONAL SECURITIES ARE IN A DIFFERENT CURRENCY TO MY OPTION CURRENCY (EG THE CURRENCY OF MY LOAN AND PURCHASE PUT OPTION)?

You can only elect for the Option Currency to be different to the currency of your International Securities if you are entering into a Loan and Purchase Put Option. In this case, if you select a currency for your Loan and Purchase Put Option that is different to the currency of the International Securities, the exchange rate between these two currencies as it affects your Transaction will be “fixed” at the time you enter into the Transaction. This “fixed” exchange rate, referred to as the “Fixed FX Rate” for your Transaction, will be our determination of the rate we consider that we are able to exchange the two currencies at or near the Issue Time.

In assessing the performance of your International Securities for the purposes of your Purchase Put Option the Closing Price at Maturity of the International Securities will be converted to the Option Currency at the Fixed FX Rate. This converted Closing Price will then be compared to the Protection Level and Cap Level (if applicable) for your Purchase Put Option to determine if the Option is “in-the-money” and, if so, the Cash Settlement amount or Variable Premium amount payable to you or by you (these amounts will always be payable in the Option Currency).

In addition, the FX Adjustment Amount mechanism will have the effect of fixing the rate (at the Fixed FX Rate) at which the value of your International Securities will be converted at Maturity to your Option Currency. This feature reduces (but does not eliminate) the impact of foreign exchange rate movements over the Term between the currency of your International Securities and your Option Currency. The FX Adjustment Amount is calculated as the Fixed FX Value minus the Floating FX Value. If the FX Adjustment Amount is:

- > positive, we will pay you, or give you the benefit of, that amount, either:
 - > in cash, if you choose Cash Settlement; or
 - > if you choose Physical Settlement, by purchasing your Securities for an amount, in the Option Currency that exceeds the amount that would be calculated using the Prevailing FX Rate; or
- > negative, you must pay us, or give us the benefit of, that amount, either:
 - > in cash, if you choose cash settlement; or
 - > if you choose Physical Settlement, by selling your Securities to us for an amount, in the Option Currency that is less than the amount that would be calculated using the Prevailing FX Rate.

If you choose Cash Settlement, the FX Adjustment Amount has the effect of adjusting the value of the underlying Securities that you will continue to hold (converted to the Option

SECTION 4: INTERNATIONAL SECURITIES

Currency at the Prevailing FX Rate) such that the value of the Securities (converted to the Option Currency at the Prevailing FX Rate) plus the FX Adjustment Amount will be equal to the value of the Securities when converted at the Fixed FX Rate. That is:

Fixed FX Value = Floating FX Value + FX Adjustment Amount

The Fixed FX Value is the Closing Price of the Securities in your Parcel which is calculated as the closing value of the Securities at Maturity converted to the Option Currency at the Fixed FX Rate. The Floating FX Value is calculated as the closing value of the Securities at Maturity converted to the Option Currency at the Prevailing FX Rate we select at Maturity.

The Fixed FX Rate feature of International Securities Transactions (where the Option Currency is different to the currency of the International Securities) only applies at Maturity. If you terminate a Transaction over International Securities before Maturity you will be subject to foreign exchange risks (you will also incur Break Costs and may be liable to pay us an Early Termination Amount). The Fixed FX Rate feature does not hedge your foreign exchange exposure in relation to dividends or distributions you receive on your International Securities.

If the FX Adjustment Amount is negative and you choose Cash Settlement, you will be required to pay to us the FX Adjustment Amount, irrespective of the performance of your International Securities.

The FX Adjustment Amount feature may have adverse tax consequences for you as described in Section 7.

Cash Settlement of Purchase Put Options and Loans

At Maturity, if you elect Cash Settlement:

- > and the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) is below the Protection Level, you will receive a Cash Settlement amount equal to the difference between those amounts;
- > and the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) is above the Cap Level, you must pay us the Variable Premium Amount equal to the difference between those amounts; and
- > you either will receive from us the FX Adjustment Amount (if it is positive), or will be required to pay to us the FX Adjustment Amount (if it is negative).

You will also be required to repay your Loan and any other Amount Outstanding in connection with your Loan.

Physical Settlement of Purchase Put Options and Loans

At Maturity, if you elect Physical Settlement:

- > if the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) is less than the Protection Level, you will sell us your Securities at the Protection Level (which is denominated in the Option Currency); or
- > if the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) is above the Protection Level but below the Cap Level, you will sell us your International Securities at the Closing Price (after conversion to Option Currency at the Fixed

FX Rate); or

- > If the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) is above the Cap Level, you will sell us your International Securities at the Closing Price (after conversion to Option Currency at the Fixed FX Rate) and the sale proceeds will be applied to pay us the Variable Premium Amount (calculated as Closing Price (as converted to the Option Currency) less the Cap Level).

The proceeds from Physical Settlement will first be applied to repayment of your Loan (and any other Amount Outstanding in connection with your Loan) with the balance paid to you.

WHO HOLDS MY INTERNATIONAL SECURITIES?

As with Loan Transactions entered into by SMSF Investors, for all:

- > Loan Transactions;
- > Capped Purchase Put Options;
- > Sold Call Options; and
- > Capped Put Spread Options

over International Securities, your International Securities will be held on your behalf by the Nominee (through a sub-custodian) on the terms of the Trust Deed and subject to the Security Interest granted by the Nominee to us to secure performance of your obligations under the Transaction.

To borrow against International Securities you already hold (not available for SMSF Investors), you must transfer them to the sub-custodian specified by the Nominee in your Quote Sheet. If you cash settle a Transaction and retain your International Securities, we will require you to make arrangements to take delivery of legal title to your International Securities from the sub-custodian within a short period after Maturity.

WORKED EXAMPLES OF LOANS AND CAPPED PURCHASE PUT OPTIONS OVER INTERNATIONAL SECURITIES

Assumptions

- > **International Securities:** shares in XYZ Inc (listed on the New York Stock Exchange)
- > **Number of shares:** 100,000
- > **Option Currency** (ie currency for your Purchase Put Option and your Loan): Australian dollars
- > **Initial share price:** USD30.00
- > **Fixed FX Rate** (which is the AUD USD exchange rate for your Transaction set at the time you enter into the Transaction): 0.75
- > **Initial AUD share price** (converted at the Fixed FX Rate): AUD40.00
- > **Assume that no brokerage or Taxes** are incurred either in the acquisition or disposal of your International Securities.
- > **Protection Level:** AUD36.00 (90% of Initial AUD share price)
- > **Loan Amount:** AUD 3,600,000
- > **Cap Level:** AUD48.00 (120% of Initial AUD share price)
- > **Interest Rate:** 10.00% (Initial Option Fee is included in interest rate)

SECTION 4: INTERNATIONAL SECURITIES

Scenario One: Closing Price at Maturity below Protection Level and Australian dollar appreciates against US dollar

USD Closing Price: USD25.00

Fixed FX Rate: 0.75

Prevailing FX Rate at Maturity: 0.80

AUD Closing Price: AUD33.33 (converted at the Fixed FX Rate)

Floating FX Value: $\text{USD}25.00 / 0.80 = \text{AUD}31.25 \times 100,000 = \text{AUD}3,125,000$

Fixed FX Value: $\text{USD}25.00 / 0.75 = \text{AUD}33.33 \times 100,000 = \text{AUD}3,333,000$

FX Adjustment Amount = $\text{AUD}3,333,000 - \text{AUD}3,125,000 =$ positive $\text{AUD}208,000$

Given that the Australian dollar has appreciated against the US dollar over the term, the Floating FX Value is lower than the Fixed FX Value. As such, the positive FX Adjustment Amount will compensate the investor for the fact the AUD value of the USD denominated Parcel has decreased due to the fact that the Australian dollar has appreciated. As the investor has fixed the FX Rate they are protected from this risk until Maturity.

If you choose Cash Settlement we will pay you the sum of:

- > the Cash Settlement amount under your Purchase Put Option = $(\text{AUD}36.00 - \text{AUD}33.33) \times 100,000 = \text{AUD}267,000$, plus
- > the positive FX Adjustment Amount of $\text{AUD}208,000$ which equals $\text{AUD}475,000$ in total.

If you choose Physical Settlement, you must sell your shares to us at the Protection Level ($\text{AUD}36.00 \times 100,000 = \text{AUD}3,600,000$).

Scenario Two: Closing Price at Maturity above Protection Level but below Cap Level and Australian dollar depreciates against US dollar

USD Closing Price: USD32.00

Fixed FX Rate: 0.75

Prevailing FX Rate: 0.70

AUD Closing Price: AUD42.67 (converted at the Fixed FX Rate)

Floating FX Value: $\text{USD}32.00 / 0.70 = \text{AUD}45.71 \times 100,000 = \text{AUD}4,571,000$

Fixed FX Value: $\text{USD}32.00 / 0.75 = \text{AUD}42.67 \times 100,000 = \text{AUD}4,267,000$

FX Adjustment Amount = $\text{AUD}4,267,000 - \text{AUD}4,571,000 =$ negative $\text{AUD}304,000$

Given that the Australian dollar has depreciated against the US dollar over the term, the Floating FX Value is higher than the Fixed FX Value. As such, the negative FX Adjustment Amount offsets the investor's gain on the underlying Parcel as a result of the AUD value of the USD denominated Parcel increasing due to the fact the Australian dollar has depreciated. As the investor has fixed the FX rate they do not benefit from this movement in the FX Rate.

If you choose Cash Settlement you will be required to pay the FX Adjustment Amount of $\text{AUD}304,000$ at Maturity (there is no Cash Settlement amount under your Purchase Put Option as the AUD Closing Price (converted at the Fixed FX Rate) is above the Protection Level).

If you choose Physical Settlement you will sell us your shares at AUD Closing Price (converted to AUD at the Fixed FX Rate) = $\text{AUD}42.67 \times 100,000 = \text{AUD}4,267,000$

Scenario Three: Closing Price at Maturity above Cap Level and Australian dollar appreciates against US dollar

USD Closing Price: USD40.00

Fixed FX Rate: 0.75

Prevailing FX Rate: 0.85

AUD Closing Price: AUD53.33 (converted at the Fixed FX Rate):

Floating FX Value: $\text{USD}40.00 / 0.85 = \text{AUD}47.06 \times 100,000 = \text{AUD}4,706,000$

Fixed FX Value: $\text{USD}40.00 / 0.75 = 53.33 \times 100,000 = \text{AUD}5,333,000$

FX Adjustment Amount = $\text{AUD}5,333,000 - \text{AUD}4,706,000 =$ positive $\text{AUD}627,000$

Given that the Australian dollar has appreciated against the US dollar over the term, the Floating FX Value is lower than the Fixed FX Value. As such, the positive FX Adjustment Amount will compensate the investor for the fact the AUD value of the USD denominated Parcel has decreased due to the fact that the Australian dollar has appreciated. As the investor has fixed the FX Rate they are protected from this risk.

If you choose **Cash Settlement** we will pay you the difference between:

- > the positive FX Adjustment Amount of $\text{AUD}627,000$; and
- > the Variable Premium Amount, being the difference between the AUD Closing Price (converted at the Fixed FX Rate) and the Cap Level or $(\text{AUD}53.33 - \text{AUD}48.00) \times 100,000 = \text{AUD}533,000$ which equals $\text{AUD}94,000$ in total.

If you choose **Physical Settlement**, you:

- > sell your XYZ shares to us at their AUD Closing Price (converted to AUD at the Fixed FX Rate) = $\text{AUD}53.33 \times 100,000 = \text{AUD}5,333,000$; and
- > must pay to us the Variable Premium Amount under your Capped Purchase Put Option = $(\text{AUD}53.33 - \text{AUD}48.00) \times 100,000 = \text{AUD}533,000$

So the net amount we pay you is $\text{AUD}4,800,000$.

Each of the preceding examples is included for illustrative purposes only and is not tax advice and is not intended as an indicator of likely share price performance or Initial Option Fees.

You should seek your own independent tax advice on the tax consequences of your International Securities Transaction.

SECTION 5: BENEFITS AND RISKS

SECTION 5.1: BENEFITS

BORROW UP TO 100% OF THE CAPITAL TO INVEST

We may lend you up to 100% of the value of your Securities acquired with a Loan.

POTENTIAL CAPITAL PROTECTION WITH UPSIDE PARTICIPATION

Provided that you hold until Maturity, using Loans or certain Options strategies can protect you from any fall in the value of your Securities below your nominated Protection Level, whilst allowing you to benefit from any upside.

NO MARGIN CALLS

There are no margin calls in connection with Loans or Options if there is a fall in the value of any of your Securities. However, you will still be required to pay interest and any other applicable fees and charges (including the FX Adjustment Amount).

TAX

Your upfront and annual costs of investing in Australian Securities may be offset by access to franked dividends (depending on your circumstances) and interest deductions (up to a maximum limit), potentially delivering you a lower after-tax cost of investing. Refer to the Taxation Opinion in Section 7. You should seek your own independent tax advice on the tax consequences of your Transactions.

ACCESS TO DIVIDENDS AND CAPITAL APPRECIATION

If you own the underlying Securities in connection with an Option or Loan Transaction, unless you have entered in to the Dividend Give Up Facility, you receive the benefits of share ownership such as receipt of ordinary dividends and capital growth although the access to capital growth will be limited if you have entered in to a Capped Purchase Put Option, Sold Call Option or Capped Put Spread Option. You should also note that in relation to International Shares any dividends may be subject to withholding or other taxes.

INVEST IN A RANGE OF AUSTRALIAN AND INTERNATIONAL COMPANIES AND FUNDS

ANZ Cobalt allows you to invest in:

- > Australian listed companies and funds (eg exchange traded funds, listed property funds and listed infrastructure funds);
- > ASX quoted Chess Depository Interests (CDIs) over international securities; and
- > International Securities listed on exchanges we may approve from time to time.

LOANS ARE HIGHLY FLEXIBLE

Loans are highly flexible, providing you with:

- > A choice of loan Term – from 3 months to 5 years (although note you must hold until the Maturity of the original term);
- > Flexible interest – you have the ability to fix your interest rate for the Term of your investment or to reset it periodically (usually annually);
- > A Capped Purchase Put Option – you have the ability to reduce your overall interest costs by limiting the amount of gains in the

value of your underlying Securities and/or by varying the amount of downside protection you need; and

- > The ability to borrow against your existing Securities to make further investments (not available for SMSF Investors).

ACCESS MULTIPLE LOAN AND OPTION FEATURES TO ENHANCE YOUR INVESTMENT OUTCOMES

If a Parcel or Basket increases in value, you can:

- > Lock-in capital growth; or
- > Access capital growth for further investments.

USING OPTIONS TO POTENTIALLY ENHANCE YOUR INVESTMENT OUTCOMES

ANZ Cobalt also allows you to:

- > Generate income – by selling a Sold Call Option over your existing Securities;
- > Protect your Securities – by buying a Purchase Put Option or a Put Spread Option over Securities; and
- > Gain exposure to Securities – by buying a Purchase Call Option.

SECTION 5.2: RISKS

This outline of risks does not purport to disclose all of the risks or other relevant considerations relating to the use of ANZ Cobalt. We consider that ANZ Cobalt is only suitable for investors who understand and accept the risks involved. We recommend that you obtain independent tax, legal and financial advice before entering into or requesting a Transaction under ANZ Cobalt.

LEVERAGE RISK

A Loan under ANZ Cobalt is a geared investment. Gearing can magnify gains but also magnify losses.

For example, assume you enter into a 2 year Loan for an amount of \$500,000 relating to a Parcel of Securities with a value at the Issue Time of \$500,000. Assume your interest rate is a fixed at 14% per annum and no Adviser Option Payment and no brokerage is payable. Assume also that no ordinary dividends are paid on the Securities over the Term and that the Securities do not appreciate in price over the two year Term of the Loan (i.e. their Closing Price at Maturity is \$500,000). In this example, you will not receive a payment at Maturity, following repayment of the Amount Outstanding. You will make a loss on your investment of \$140,000.

Compare this with a \$500,000 direct unleveraged investment in the Parcel of Securities over a 2 year period. If the price of the Securities remains unchanged at the end of the period and so you receive your \$500,000 back (less any transaction costs) when you sell the Securities after 2 years.

In addition, an Interest Assistance Loan may further increase your leverage risk and the costs of your investment.

FULL RECOURSE LOANS

If you are a Non-SMSF Investor, our recourse against you for a Loan or Interest Assistance Loan Transaction is unlimited at and before Maturity (Protection at Maturity relating to a Loan is provided through the Purchase Put Option you are required to enter into with your Loan). This extends to the Loan and

SECTION 5: BENEFITS AND RISKS

Interest Assistance Loan principal amounts as well as any other amounts owing in respect of Transactions under ANZ Cobalt, such as interest, Break Costs, Early Termination Amounts payable, fees or Taxes. Refer to clause 8 of the Terms in Section 10. In addition, if we fail to perform our obligations in relation to a Transaction (for example, if we are insolvent), you will still be obliged to repay the Loan and Interest Assistance Loan. This would mean that your Purchase Put Option might be worthless and you would need to be repay the full amount of the Loan and Interest Assistance Loan, even if the Closing Price of the Securities at Maturity is less than the Protection Level.

If you are a SMSF Investor, your obligation to repay the principal of the Loan remains a limited recourse obligation – that is, our recourse remains limited to the relevant Securities and other Secured Property. However, we will be able to call on any Guarantee for the Amount Outstanding, which includes Break Costs or any Early Termination Amount payable, regardless of the value of the relevant Securities.

CONSEQUENCES OF DEFAULT – ENFORCEMENT OF OUR SECURITY INTEREST

You are required to grant to us a Security Interest to secure your obligations under certain Transactions. The property subject to the Security Interest includes the Securities in each Parcel and (subject to exceptions in the case of a SMSF Investor) any funds, new Securities or rights received as a result of an Adjustment Event. Upon the occurrence of a Default, we may exercise our rights as secured party and take possession of and sell the Secured Property to satisfy your obligations under the Transaction. Default events are set out in clause 15.1 of the Terms in Section 10. Defaulting under a Transaction could cause you to be in default under other agreements, ie under “cross-default” provisions.

GUARANTEE

If your payments and obligations are guaranteed by a Guarantor, each Guarantor is liable for your payments and obligations under each Transaction. This means that if you do not pay to us any amount when due under this Agreement, the Guarantor must immediately upon our demand pay that amount to us as if it was the principal obligor.

DOWNSIDE EXPOSURE PRIOR TO THE MATURITY DATE

Certain Transactions under ANZ Cobalt may protect your Securities against a fall in the Security price below the Protection Level on the Maturity Date. However, you are only protected at the Protection Level on the Maturity Date. You will not be protected at any time before the Maturity Date.

CONTRIBUTION

If your Loan and Protection Level is set below the purchase price of your Parcel or Basket, you will be required to contribute some of your own funds to the purchase price. In this event, you will be exposed to a fall in the value of your Securities over the Term to the Protection Level. This means you may lose some or all of your invested funds.

LOAN AMOUNT GREATER THAN PROTECTION LEVEL

If your Loan is greater than your Protection Level, we will have full recourse to you and your Guarantor for amounts in excess of the Protection Level.

OUR RIGHT OF EARLY TERMINATION

We have the right to terminate a Transaction in the event of an Adjustment Event and upon a Default, in accordance with clauses 11 and 15 of the Terms in Section 10. In these circumstances you may have to pay Break Costs or Early Termination Amounts and other amounts (including the Loan and Interest Assistance Loan) as described in the Terms. We will have full recourse against you to recover payment of any of these amounts (unless you are a SMSF Investor, in which case we may call on your Guarantor).

LIMITING POTENTIAL UPSIDE

By using a Capped Purchase Put Option, a Capped Put Spread Option or selling a Sold Call Option, you are limiting your participation in any increase in the value of the Securities to the Cap Level.

LIMITING PROTECTION

By entering into the Put Spread Option or the Capped Put Spread Option, you are agreeing to give up any downside protection if the market value of the Securities falls below the Floor Level.

MARKET RISK

Your investment in a Loan under ANZ Cobalt will be exposed to equity market risk, time value of money risk, dividend risk and interest rate risk.

GENERAL RISKS RELATING TO SECURITIES

The following is a list of some of the significant risks associated with an investment in Securities or Indices that are calculated by reference to Securities:

- > prices of Securities will be influenced by political, economic, financial, market and other factors. It is impossible to predict what effect these factors will have on the prices of the Securities and thus the return on the Loan or Option Transaction;
- > markets are subject to temporary distortions, extreme price variations and other disruptions due to, among other things, conditions of illiquidity in the markets, the participation of speculators, government regulation and intervention; and
- > prices of Securities are subject to volatile price movements over short periods of time and are affected by numerous factors, including, among other things, the structure of and confidence in the global monetary system, expectations of the future rate of inflation, the relative strength of the relevant currencies, interest rates and borrowing and lending rates relating to such commodity, global and regional economic, global industrial demand, financial, political, regulatory, judicial and other events, war (or the cessation thereof), development of substitute products, terrorism, weather, epidemics, supply, price levels, global energy levels, production levels and production costs, delivery costs and lending, sales and purchases by central banks and other governmental and international institutions. Such political, economic and other developments that affect the Securities may also affect the return on the Loan or Option Transaction.

ADDITIONAL RISKS SPECIFIC TO ETFS

Where the Securities are interests in an exchange traded fund (“ETF”) the nature of the ETF gives rise to specific risks which

SECTION 5: BENEFITS AND RISKS

might not be associated with the underlying index or reference indicator that the ETF seeks to track. These include:

- > tracking error: there is a risk that the ETF will not absolutely track the performance of the underlying index reference indicator which it seeks to replicate.
- > early closure: an ETF may terminate or other Adjustment Events may occur in respect of an ETF prior to the Maturity Date which do not occur in relation to the underlying index or reference indicator. See Sections 2.1 and 9.4 of this PDS for further information on the consequences of an Adjustment Event in respect of your Loan or Option Transaction.

ADDITIONAL RISKS SPECIFIC TO DEPOSITARY RECEIPTS

Where the investment is in a “depository receipt” (such as an American Depositary Receipts (“ADR”) or Global Depositary Receipts (“GDR”) or other quoted certificates tied to treasury stock of an issuer (together, “Depository Receipts”)), due to the potentially differing rights as between a Depository Receipt holder and a holder of the underlying stock (including dividend rights) a Depository Receipt may perform differently to the underlying stock, which may have an effect on the return on the Loan or Option Transactions.

ADDITIONAL RISKS SPECIFIC TO INDICES

Indices comprise a synthetic portfolio of shares or other assets and, as such, the performance of an Index is dependent upon the macroeconomic factors relating to the shares or other components that comprise such Index, which may include interest rates and price levels on the capital markets, currency developments, political factors and (in the case of shares) company-specific factors such as earnings position, market position, risk situation, shareholder structure and distribution policy.

The return payable where the Security is an Index may not reflect the return an investor would realise if he or she actually owned the relevant items comprising the components of the Index. For example, if the components of the Indices are shares, investors will not receive any dividends paid on those shares and will not participate in the return on those dividends unless the relevant Index takes such dividends into account for purposes of calculating the relevant Index level. Similarly, investors will not have any voting rights in the underlying equities or any other assets which may comprise the components of the relevant Index. Accordingly, investors may receive a lower payment upon settlement or redemption a Transaction linked to an Index than such investor would have received if he or she had invested in transactions linked to the individual components of the Index.

CORPORATE ACTIONS

Certain corporate actions affecting Securities may affect your investment in a Loan or Option Transaction. We have broad rights designed to protect our interests in the event of a corporate action. We may exercise these discretions in a way that may not be favourable to your circumstances and may cause you to suffer financial loss.

CASH FLOW

You need to make sure you can fund your obligations under your Loan and Interest Assistance Loan, taking account of

timing differences between any dividend income and any potential tax savings.

SECURITY INTEREST

We will have a Security Interest over your Securities for the Term of each Loan and certain Option Transactions under ANZ Cobalt. If you do not meet your obligations under the terms of the Loan, Interest Assistance Loan or certain Option Transactions, we may exercise our rights under the Security interest and take possession of the Securities and/or sell the Parcel to satisfy those obligations.

IRREVOCABLE DIRECTION TO SELL

If you are a SMSF investor and have entered into a Sold Call Option, Capped Purchase Put Option or a Capped Purchase Put Spread Option note that under the terms of the Trust Deed you irrevocably direct the Nominee to sell the Securities if you fail to pay amounts to us. This will affect your ability to deal with the securities during the Term.

CONFLICT OF INTERESTS

We and our related bodies corporate will conduct transactions, including undertaking hedging strategies, as both principal and agent with various securities, including the Securities, which may affect the trading price of those Securities.

EXECUTION RISK

Markets may move in the time between providing you with a Quote Sheet and accepting your Transaction Request.

OPERATIONAL RISKS

An investment in a Transaction will be subject to operational risk, that is, the risk of a breakdown or failure to comply with our internal systems, processes or procedures. You must make your own assessment of our ability to meet our obligations.

ADJUSTMENT EVENTS

Under the Terms, we are vested with broad discretions to deal with Adjustment Events, as described in Section 9.4. You should also be aware that Adjustment Events may have tax implications and you should therefore obtain your own independent taxation advice in respect of these implications. The Taxation Opinion in Section 7 does not cover the tax consequences of Adjustment Events.

In response to certain Adjustment Events (including New Rights issues and special dividends) we may require that you transfer the Securities to the Nominee. This could have taxation impacts for you.

TAX CONSIDERATIONS

Australian taxation law is complex and the impact of taxation law on you may vary according to your personal circumstances. Further, tax law and practice (including tax law relating to stamp duties and other government charges) may vary over time, possibly with retrospective application.

The Taxation Opinion in Section 7 discusses generally the indicative tax treatment for certain ANZ Cobalt investors. The Taxation Opinion does not cover all of the tax implications for all investors. Accordingly, you should seek your own independent professional taxation advice in relation to your

SECTION 5: BENEFITS AND RISKS

Transaction having regard to your own particular circumstances to determine whether Australian tax law may adversely affect your investment.

The Taxation Opinion in Section 7 assumes for Transactions which require the Securities to be held by a Nominee (or sub-custodian of the Nominee) and which do not qualify for look-through treatment under the new instalment warrants provisions recently introduced into Australian tax law, that the ATO will accept tax returns lodged by investors on the basis that the investor is to be treated as holding the Securities directly, even though those Securities are held by the Nominee on trust for that investor. In these circumstances, ANZ has received confirmation from the ATO that it will not seek to disturb the current practice of essentially ignoring the nominee arrangement for most income tax purposes and therefore treating investors as if they are holding the Securities directly.

LIMIT ON TAX DEDUCTION FOR INTEREST

As more fully explained in the Taxation Opinion in Section 7, a deduction for interest costs on a Loan in the relevant year may be limited. If the interest costs associated with your Loan are greater than a prescribed rate (the RBA Indicator Variable Rate for standard housing loans plus 100 basis points) then the amount of interest in excess of this prescribed rate will not be deductible. However this non-deductible interest should be included in the cost base of the Purchase Put Option granted under ANZ Cobalt. Please refer to the Taxation Opinion in Section 7 for more details.

RISK OF NON-PERFORMANCE

The value of each Transaction that you enter into depends on our ability to perform our obligations under the Terms. Failure to comply with such obligations may result in the investment being worth less than it may otherwise have been worth. Our obligations are unsecured contractual obligations which will rank equally with our other unsecured contractual obligations and debt except any liabilities mandatorily preferred by law. You should make your own assessment of our ability to meet our obligations under any Transaction and our general credit worthiness. Section 9.15 of this PDS provides further information about us.

RISK OF NEGATIVE RETURN

There is a risk that you may not receive any return from your investment, as capital gains (if any), dividends, and tax benefits may be less than the interest, fees, premiums and costs that you pay for a Transaction.

LEGISLATION AND REGULATORY RISKS

Changes to laws or their interpretation in Australia, including taxation, superannuation and corporate regulatory laws could adversely affect investments in Transactions under ANZ Cobalt. You should ensure that your investment under ANZ Cobalt is permitted under relevant laws and that you will continue to comply with relevant laws after making the investment.

VALUE OF SECURITIES

The value of the Securities is determined by reference to the Closing Price, which may not be the same as the official price at the close of trading on ASX or Relevant Exchange for the

Security. For example, we may determine the value by reference to price at which we could execute a sale or purchase of Securities for the purposes of our hedging activities. In any case, the price may be higher or lower than the price you would expect to receive if you were able to purchase or sell the Securities on-market.

FOREIGN EXCHANGE RISK FOR INTERNATIONAL SECURITIES

For Transactions in International Securities where:

- > the Securities are denominated in the same currency as the Option Currency, your foreign currency risk will be unhedged. There is a risk that the foreign currency in which the International Securities are denominated will depreciate against the Australian dollar over the Term which will decrease the Australian dollar value of the relevant International Securities (assuming all other factors are equal). Different categories of Option Transactions will be subject to different foreign exchange rate risks.
- > the Option Currency is different to the currency of the International Securities (only available for Purchase Put Options when utilised with a Loan), the currency hedge provided through the Fixed FX Rate feature only applies at Maturity. If you terminate the Transaction before Maturity you will be subject to unhedged foreign exchange exposure (you will also incur Break Costs and may be liable to pay an Early Termination Amount). The Fixed FX Rate feature does not hedge your foreign exchange exposure in relation to dividends or distributions you receive on your International Securities.

SECTION 6: COSTS AND CHARGES

INTEREST

Interest is payable on each Loan as described in Section 2.

ADVISER OPTION PAYMENT

If you agree to pay your adviser an amount (“**Adviser Option Payment**”) in connection with entering into a Transaction under ANZ Cobalt, you may request to use the “**Adviser Option Payment Facility**” as a simple way to make that payment.

Under the Adviser Option Payment Facility, you appoint us as your agent to pay to your adviser on your behalf your specified Adviser Option Payment amount. You must set out in your Transaction Request the dollar amount of the Adviser Option Payment as well as your adviser’s payment details. You will be required to pay to us, with your Initial Option Fee (for an Option Transaction), or with your first interest payment (for a Loan Transaction), an amount equal to your agreed Adviser Option Payment, which we will on-pay to your adviser on your behalf. Where you sell us a Sold Call Option, you may direct us to deduct from the Initial Option Fee we pay you the Adviser Option Payment amount and to pay that amount to your adviser on your behalf.

We may refuse your request to use the Adviser Option Payment Facility in respect of any Transaction.

For example, assume you purchase a Purchase Put Option in respect of a Parcel with an aggregate market value at the Issue Time of \$500,000 and an Initial Option Fee of \$50,000. You agree with your adviser an Adviser Option Payment of \$5,500 for your Transaction. In your Transaction Request you request to use the Adviser Option Payment Facility to make the Adviser Option Payment; you specify to us the amount of the Adviser Option Payment and provide payment details for your adviser. The aggregate amount you will be required to pay us to enter into the Transaction is \$55,500 (comprising \$50,000 Initial Option Fee and \$5,500 Adviser Option Payment). If we accept your Transaction Request, we will pay the \$5,500 Adviser Option Payment to your adviser on your behalf. Pending payment of this amount, we will hold the \$5,500 on trust for you in accordance with the client money rules of the Corporations Act (we will keep any interest earned on such amount). We will retain the balance of your payment (\$50,000) as the Initial Option Fee.

This example is included for illustrative purposes only. It is not intended as an indication of the likely amount of any Adviser Option Payment. We will not be involved in the calculation of any Adviser Option Payment amount; this is for you to agree with your adviser.

INITIAL OPTION FEE

An Initial Option Fee is payable by you when you enter into a Purchase Put Option, Purchase Call Option or Put Spread Option and may be payable if you enter into a Capped Purchase Put Option or a Capped Put Spread Option. The factors that will affect our calculation of the Initial Option Fee for each of these categories of Options are described in Sections 3.2 – 3.7 above.

BROKERAGE AND TAXES

The Broker may charge you a fee for providing you Introducer Services (referred to as “brokerage”) in connection with any

Transaction in Securities that are quoted on an Australian Stock Exchange. If charged, brokerage will normally be charged at a rate the Broker determines up to a maximum rate of 1.1% of the transaction value, unless otherwise agreed. The Broker will determine the brokerage charge percentage by reference to its assessment of market standard brokerage rates at the time of the transaction. The brokerage rate (if any) will be specified in your Quote Sheet.

Circumstances in which the Broker might charge you brokerage include in connection with:

- > the acquisition of Securities the subject of a Loan or an Option Transaction, or if you otherwise instruct the Broker to arrange for the acquisition of Securities. Where you acquire the Securities the subject of a Transaction independently of us and the Broker, you may incur brokerage charges from your executing stockbroker; and
- > the disposal of Securities at Maturity of a Transaction. However, you will not be charged brokerage in connection with a transfer of Securities to us on Physical Settlement of an Option.

For example, if you request the Broker to arrange for the purchase of Securities worth \$1,000,000 and the brokerage charge the Broker determines is 1.1% of the transaction value, you must pay \$11,000 ($\$1,000,000 \times 1.1\%$) in brokerage to the Broker. You will be informed whether the brokerage will be payable at or before the time of the relevant sale. Any brokerage charge may be payable to the executing broker who will reimburse the Broker.

You are liable for any Taxes that are payable in relation to any Transaction. Please refer to the Taxation Opinion in Section 7 of this PDS in respect of Taxes that may be payable on Transactions in Securities that are quoted on an Australian stock exchange.

International Securities

If you enter into a Loan Transaction and/or an Option Transaction over International Securities and we are required to transact in International Securities on your behalf, we will require you to pay us an amount equal to the brokerage charge we incur or the Nominee incurs.

For example, if you request a Loan (with Protection comprising a Purchase Put Option) over 10,000 shares in ABC Inc, a company listed on the New York Stock Exchange, the Nominee (through one or more sub-custodians) will purchase, on your behalf, the 10,000 ABC shares and hold them for you, on the terms of the Trust Deed. If the Nominee or sub-custodian is charged brokerage of USD100, we will require you to pay us this amount or an amount equal to the AUD equivalent (calculated by applying an exchange rate determined by us) of that brokerage amount. This amount will be specified in your Confirmation Letter and must be paid by you with your initial interest payment or Initial Option Fee.

You will be required to reimburse us for brokerage costs the Nominee or sub-custodian incurs in selling the shares at the Maturity or termination of the Transaction (either to you, or to a third party).

Similarly, if we or the Nominee or sub-custodian incur any Taxes (eg stamp duty) in transacting in any International Securities on your behalf, we will require you to pay us an amount equal to the Taxes incurred.

SECTION 6: COSTS AND CHARGES

We may register our Security Interests on the Personal Property Securities Register. For Non-SMSF Investors we may require you to pay us charges associated with such registration. The fee for registration as at the date of this PDS is \$130.

TRUST DEED REVIEW FEE

If you are a trustee applicant and you do not provide us a solicitor's certificate as described in the Application Form, we may require your trust deed to be reviewed prior to entering in to a transaction. If this is the case we may charge you a fee of up to a maximum of \$500 for this review.

EARLY TERMINATION

If an Option is terminated prior to the Maturity Date you will be entitled to receive from us or will be required to pay to us the Early Termination Amount that we calculate for the Option. The Early Termination Amount will reflect our calculation of the fair value of your rights under the Option minus the fair value our rights under the Option and taking into account any costs, losses or expenses which we may incur in relation to the termination or closing out of your Option, administrative costs and the costs of unwinding any hedge which we put in place. If the amount is greater than zero, we will be required to pay that Early Termination Amount to you. If the amount is less than zero, you will be required to pay to us the amount of that Early Termination Amount.

The below table outlines the impact of various factors on the Early Termination Amount of the Option. For:

- > Purchase Put Options (other than Capped Purchase Put Options), Purchase Call Options and Put Spread Options (other than Capped Put Spread Options), you will be entitled to receive from us the Early Termination Amount;
- > Sold Call Options you will be required to pay to us the Early Termination Amount; and
- > Capped Purchase Put Options and Capped Put Spread Options, you may be required to pay to us, or entitled to receive from us, the Early Termination Amount depending on the movement of the various factors and the relative dominance of the factors.

The table below identifies the main factors that will impact on our calculation of the Early Termination Amount in respect of an Early Termination. For each factor for each category of Option the table identifies the expected impact of a specified change in the factor on your net position on Early Termination. Where a change in a factor is described as improving your net position this means that the change will either increase the Early Termination Amount to which you are entitled or decrease the Early Termination Amount which you must pay to us, as applicable (and vice versa).

| FACTOR | AMOUNT / CHANGE IN FACTOR FROM START DATE | IMPACT ON YOUR NET POSITION | | | | | |
|--|---|-----------------------------|----------------------------|----------------------|------------------|-------------------|--------------------------|
| | | Purchase Put Option | Capped Purchase Put Option | Purchase Call Option | Sold Call Option | Put Spread Option | Capped Put Spread Option |
| Option Strategy | | | | | | | |
| Time to Maturity | Decrease | Worsen | Uncertain | Worsen | Improve | Worsen | Uncertain |
| Price of Security | Increase | Worsen | Worsen | Improve | Worsen | Worsen | Worsen |
| Volatility of price of Security | Increase | Improve | Uncertain | Improve | Worsen | Uncertain | Uncertain |
| Interest Rates | Increase | Worsen | Worsen | Improve | Worsen | Worsen | Worsen |
| Forecast Dividends | Increase | Improve | Improve | Worsen | Improve | Improve | Improve |
| Cost for ANZ to unwind hedge positions | Increase | Worsen | Worsen | Worsen | Worsen | Worsen | Worsen |

The impact of each of the factors as set out in the table above assumes all other factors remain constant. In practice the effect of each individual factor on our calculation of the Early Termination Amount will vary each time a calculation is performed, and some factors will have a greater influence on the calculation of the Early Termination Amount than others. There also may be factors other than those outlined above which may have an influence on the Early Termination Amount. It is very unlikely that any one single factor will solely influence the Early Termination Amount and it is impossible to predict

which factors may have the most significant impact on the calculation of an Early Termination Amount at the time of early termination.

For Capped Purchase Put Options, Put Spread Options and Capped Put Spread Options, each of which has more than one feature, the impact on your net position of a change in a factor might be uncertain. This is because the change in the factor might improve your position in respect of one feature of the

SECTION 6: COSTS AND CHARGES

Option, while worsening your position in respect of another feature of the Option. Which impact will dominate might be determined by the specific terms of your Option and the change in the factor.

Before any Early Termination Request is processed, we will provide you with an Early Termination Quote which will set out an estimate of the Early Termination Amount to which you will be entitled, or which you will be required to pay to us. The Early Termination Amount may be a significant amount.

BREAK COSTS

If a Loan or Interest Assistance Loan is terminated prior to the Maturity Date you will have to pay any Break Costs associated with terminating the Loan or Interest Assistance Loan early. If you have an Interest Assistance Loan related to your Loan then that Interest Assistance Loan will become repayable if the Loan is terminated which may also attract Break Costs. Break Costs include any costs, losses or expenses which we may incur in relation to the termination or closing out of your Loan or Interest Assistance Loan, administrative costs and the costs of unwinding any hedge which we put in place. If you elect to pay for your Purchase Put Option as a component of the interest rate payable on your Loan, the Break Costs will also include any unpaid portion of the Initial Option Fee associated with your Purchase Put Option. Break Costs will be deducted from any Early Termination Amount to which you are entitled and added to any Early Termination Amount you are required to pay to us.

The below table outlines the impact of various factors on the Break Costs payable when a Loan is terminated prior to the Maturity Date. The table shows the impact of the movement in each factor on the Break Costs, assuming all other factors remain constant.

| FACTOR | CHANGE IN FACTOR | IMPACT ON BREAK COSTS |
|---|--|-----------------------|
| Time to Maturity | Decrease | Increase or decrease |
| Market interest rates in the currency in which the Loan is denominated | Increase (since the time the interest rate was calculated) | Decrease |
| Unpaid interest attributable to unpaid Initial Option Fee associated with the Purchase Put Option | Increase | Increase |
| Costs, losses or expenses incurred in relation to termination of Loan or Interest Assistance Loan | Increase | Increase |

The impact of each of the above factors as set out in the table above assumes all other factors remain constant. In practice the effect of each individual factor on the Break Costs will vary each time a calculation is performed, and some factors will have a greater influence on the calculation of the Break Costs than others. There also may be factors other than those outlined above which may have an influence on the Break Costs. It is very unlikely that any one single factor will solely influence the Break Costs and it is impossible to predict which factors may have the most significant impact on the calculation of the Break Costs at the time of early termination.

Before any Early Termination Request in respect of your Loan or Interest Assistance Loan is processed, we will provide you with an Early Termination Quote which will set out an estimate of the Break Costs. Break Costs may be a significant amount.

PROTECTION LEVEL INCREASE FEE

A Protection Level Increase Fee is payable when you increase your Protection Level under a Purchase Put Option. The Protection Level Increase Fee you are charged will vary according to market factors prevailing at the time you use the facility and will also vary according to the terms of your Loan. The fee reflects the cost of increasing the Protection Level on your Purchase Put Option. The factors that will affect our calculation of the Protection Level Increase Fee are the same as the factors that will affect our calculation of the Initial Option Fee for the relevant category of Purchase Put Option as described in Section 3 above.

Assuming all other factors are equal, the greater the increase in the Protection Level the greater the Protection Level Increase Fee.

Before we accept any request to increase your Protection Level, we will provide you an estimate of the Protection Level Increase Fee associated with the Transaction. This fee may be a significant amount.

VARIABLE PREMIUM AMOUNTS

If you enter into a Capped Purchase Put Option or a Capped Put Spread Option, you must pay to us the Variable Premium Amount at Maturity. The Variable Premium Amount for a Capped Purchase Put Option or a Capped Put Spread Option is the amount (if any) by which the Closing Price of the Parcel or Basket (as applicable) on the Maturity Date exceeds the Cap Level.

CASH SETTLEMENT OF SOLD CALL OPTIONS

If you enter into a Sold Call Option and elect Cash Settlement, you must pay to us the amount by which the Closing Price of the Parcel or Basket (as applicable) on the Maturity Date exceeds the Cap Level.

ANZ PROFITS

We may profit from our ability to manage the underlying risk associated with our responsibilities of issuing ANZ Cobalt and Transactions under it.

ADDITIONAL FEE DISCLOSURE FOR LOANS IN RELATION TO UNITS IN MANAGED INVESTMENT SCHEMES

A Loan in respect of Securities that are, or include, Units in a managed investment scheme (a "Fund") may constitute a managed investment product. Because a Loan Transaction could be a managed investment product, this PDS is required to include the following information regarding the fees, charges and deductions relevant to an such a Loan.

The following information relates only to the fees, costs and deductions applicable to the Units in each Fund. **It does not take into consideration the fees and charges applicable to ANZ Cobalt.** The fees, costs and deductions charged to a Fund will reduce the value of the Units in that Fund and will also reduce the value of your investment in a Loan in relation to those Units.

SECTION 6: COSTS AND CHARGES

Consumer advisory warning

The consumer advisory information below is required by law. The fees and other costs associated with investing in Units in the relevant Fund are described in this section.

DID YOU KNOW?

Small differences in both investment performance and fees and charges can have a substantial impact on your long term returns.

For example, total annual fees and charges of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and charges.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

Fees and other costs

This document shows fees and other costs that you may be charged. These fees and charges may be deducted from your money, from the returns on your investment or from the relevant Fund's assets as a whole.

Information on tax appears in Section 7 of this PDS.

You should read all of the information about fees and charges because it is important to understand their impact on your investment.

Unless otherwise stated, all amounts specified in this Section include the net effect of GST (i.e. inclusive of any GST less any reduced input tax credits to which the relevant Fund is entitled).

| TYPE OF FEE OR COST | AMOUNT | HOW AND WHEN PAID |
|--|--|---|
| FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE RELEVANT FUND | | |
| Establishment fee | Nil | Not applicable |
| The fee to open your investment. | | |
| Contribution fee | Nil * | Not applicable |
| The fee on each amount contributed to your investment. | | |
| Withdrawal fee | Nil ** | Not applicable |
| The fee on each amount you take out of your investment. | | |
| Termination fee | Nil | Not applicable |
| The fee to close your investment. | | |
| MANAGEMENT COSTS | | |
| The fees and charges for managing your investment | The management costs for a Fund will be specified in the product disclosure statement for the Fund as well continuous disclosure filings | See the product disclosure statement and continuous disclosure filings for the Fund |
| SERVICE FEES | | |
| Investment switching fee | Nil | Not applicable. |
| The fee for changing investment options. | | |

* This table does not take into consideration the fees and charges applicable to ANZ Cobalt. The following amounts are payable in connection with entry into a Loan: (i) interest on the Loan; (ii) an Adviser Option Payment; (iii) the Initial Option Fee in connection with your Purchase Put Option, unless it is paid as a component of your interest rate (see above); and (iv) any brokerage charged by the Broker.

** If you withdraw your investment prior to the Maturity Date, you may be liable to pay Break Costs or Early Termination Amounts (see Section 6).

Additional explanation of fees and charges

The management costs for a Fund incorporate certain costs borne by the Fund, eg the management fee, responsible entity fee (if any) and expense recovery costs (other than abnormal or extraordinary costs and transaction costs). In addition to the management costs, the responsible entity of a Fund is generally entitled to be reimbursed from the Fund for costs and expenses not generally incurred during the day to day operations of the Fund (for example, the cost of running a unitholder meeting).

SECTION 6: COSTS AND CHARGES

The maximum responsible entity fee that may be charged to each Fund is set out in its constitution.

The investment manager and/or the responsible entity of a Fund may agree with investors who are wholesale clients (as defined in the Corporations Act 2001 (Cth)) to rebate some of the fees costs on a case by case basis.

Each Fund may also incur transaction costs when transacting to meet investor objectives, for example ordinary brokerage and transaction fees; the amount of such costs are dependent on a number of different variables, including the level of trading undertaken by the Fund.

The fees and charges of each Fund can change. We will not give you any notice of any proposed increase to the fees and charges.

Example of annual fees and charges for investment in Units in a Fund - SPDR S&P/ASX 200 Fund

The table below gives an example of how the fees and charges for a Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

| | | |
|---------------------------------|--|---|
| Example – SPDR S&P/ASX 200 Fund | Nil | Balance of \$50,000 with a contribution of \$5,000 during year For every additional \$5,000 you put in you will not be charged a contribution fee. |
| PLUS Management Costs | 0.286% p.a. (being the management costs charged to SPDR S&P/ASX 200 Fund as at the date of this PDS) | For every \$50,000 you have in the fund, you will be charged \$143 each year. |
| EQUALS Cost of Fund | | If you put in \$5,000 during a year and your balance was \$50,000, then for that year you will be charged fees of: \$143* What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser. |

*Additional fees may apply. For illustrative purposes, the above example assumes that the Management Costs were calculated on a balance of \$50,000. It does not take into account Management Costs that would be charged on the additional \$5,000 contributed during the year.

The example above does not include any extraordinary expenses that may be recovered by the responsible entity of the Fund during the year.

The example refers only to the annual fees and charges that relate to the investment in the Units in the relevant Fund, it does not include the fees and charges relating to your Loan. Such fees and charges are summarised in Section 6 of this PDS.

SECTION 7: TAXATION OPINION

We do not provide taxation advice. Taxation law is complex and will vary depending on individual circumstances. We have obtained a tax opinion from King & Wood Mallesons, which discusses generally the indicative tax treatment for certain ANZ Cobalt investors generally. King & Wood Mallesons have consented to the Taxation Opinion being included in this PDS in the form and context in which it has been included, and this consent has not been withdrawn before the date of this PDS. You should read the Taxation Opinion carefully and seek independent taxation advice when determining whether an investment in ANZ Cobalt is suitable for you.

We have obtained a Product Ruling from the ATO to confirm the tax implications of certain aspects of an investment in ANZ Cobalt. The Product Ruling is available free of charge on the ATO's website at www.ato.gov.au.

You should visit the ATO website to view changes to the tax law and the ATO's interpretation of the tax law. You would then consider the tax consequences and whether these make an investment in ANZ Cobalt suitable for you in light of any possible changes.

1 April 2016

The Directors
Australia and New Zealand Banking Group Limited
Level 14
100 Queen Street
MELBOURNE VIC 3000

Dear Directors

**ANZ Cobalt
Tax Opinion**

The following is our opinion ("**Opinion**") on the Australian taxation consequences for certain investors ("**Investors**") who borrow funds ("**Loan**") to invest in approved securities listed on the Australian Securities Exchange ("**ASX**") ("**Securities**") or on an exchange outside of Australia ("**International Securities**") (collectively the "**Securities**") or acquire various options ("**Options**") under ANZ Cobalt from Australia and New Zealand Banking Group Limited ("**ANZ**") as described in this Product Disclosure Statement ("**PDS**").

An Investor can use ANZ Cobalt to:

- borrow money to buy Securities ("**Cash Applicants**");
- borrow money against Securities that the Investor already holds ("**Securityholder Applicants**"); and/or;
and
- acquire various Options in relation to Securities.

Unless otherwise indicated, references to section numbers and other statutory provisions are to provisions in the *Income Tax Assessment Act 1997* ("**1997 Act**") or the *Income Tax Assessment Act 1936* ("**1936 Act**"). Unless otherwise indicated, all capitalised terms have the same meanings as provided in the PDS.

1 Scope

This Opinion is based on the Australian taxation laws in effect or proposed at the date of this document, the interpretation of such laws by the courts and relevant administrative practices. These are subject to change, possibly with retrospective effect, and should be treated with appropriate caution.

As at the date of this opinion, ANZ has received a Product Ruling from the Australian Taxation Office ("**ATO**") in relation to the tax treatment of certain aspects of the product for Investors (PR 2016/2 dated 30 March 2016). This Opinion is consistent with the issues that are covered by the Product Ruling and assumes that any conditions

set out in the Product Ruling are met. It is noted that the rollover of Securities into a new facility on maturity of an existing facility is not dealt with by the Product Ruling however it is separately noted in this Opinion.

Investors should note that by issuing the Product Ruling the ATO does not sanction or guarantee the Investment. Investors should also seek the advice of their professional advisor on the application of the Product Ruling to their circumstances before relying on that ruling.

This Opinion is not, and is not intended to be exhaustive and does not deal with the position of all taxpayers who enter into the ANZ Cobalt facility. In particular, this Opinion only deals with the taxation consequences for a person who:

- is an Australian resident taxpayer including individuals, companies, trusts and complying superannuation funds;
- holds their interest in the Securities on capital account and does not, for example, consider an Investor who holds their interest in the Securities in the course of a business that involves trading in financial instruments or securities;
- holds the Options on capital account and does not, for example, consider an Investor who holds the Options in the course of a business that involves trading in Options;
- does not acquire interests in the Securities as part of an employee share scheme arrangement. That is, the Opinion does not cover Investors who have requested a Loan under the Vested Employee Option facility;
- enters into the ANZ Cobalt facility and acquires the Securities for the purposes of deriving assessable income that exceeds the total expenses incurred. In this regard, it is expected that assessable dividends and/or trust distributions will be received by Investors in relation to the Securities;
- may at maturity rollover Securities acquired under a prior ANZ Cobalt facility and enter into a new facility to refinance those Securities (dealt with separately in this Opinion when referenced as a "Rollover");
- acquires the Securities that are units in a trust in circumstances where the trust has at least 300 beneficiaries and is a widely held unit trust as defined in section 272-105 in Schedule 2F of the ITAA 1936; and
- (if that person is an SMSF Investor) is a "regulated superannuation fund" for the purposes of Subdivision 235-1 of the 1997 Act.

This Opinion does not constitute legal or taxation advice to any Investor and is of a general nature only. Any Investor who is considering entering into the ANZ Cobalt facility should therefore obtain independent legal and taxation advice relevant to their particular circumstances from time to time.

2 Summary of conclusions

Subject to the general principles regarding the deductibility of interest and the rules regarding capital protected borrowings (both of which are discussed below), as well as the more detailed comments in respect of the ANZ Cobalt product (also outlined below), the main expected tax consequences of entering into the ANZ Cobalt facility may be summarised broadly as follows.

2.1 **Deductibility of interest**

- To the extent that an Investor uses the Loan to acquire property (such as the Securities) for the purpose of producing assessable income (or otherwise uses the Loan for that purpose), the interest on the Loan, reduced by the amount reasonably attributable to the cost of capital protection in respect of the Loan (where the Initial Option Fee in relation to the Purchase Put Option is paid as a component of the interest rate payable on the Loan), should be deductible for Investors. Interest for these purposes includes all interest amounts, whether payable monthly or annually in advance, on the Loan ("**Interest**").
- The amount reasonably attributable to the cost of capital protection will effectively reduce the amount of Interest which would otherwise be deductible for Investors.
- The remaining Interest amount which is prepaid by an Investor in respect of a period no greater than 12 months should be deductible when paid, as long as the Investor is either an individual that does not incur the interest in carrying on a business or a small business entity taxpayer for the relevant year of income who does not elect for the deduction to be apportioned.
- Any remaining Interest amount which is prepaid by any other Investor should be deductible for that Investor, but the deduction should be apportioned over the relevant interest period on a pro-rata basis.
- The interest payable on the Interest Assistance Loan should be deductible to Investors to the same extent that interest on the Loan is deductible (however, Division 247 should not apply to deny the deductibility of the interest payable on the Interest Assistance Loan).
- Where a Rollover occurs the above analysis should equally apply to the interest under the facility used to re-finance the Securities.

2.2 **Distributions**

- Broadly, any distributions on the Securities should be included in the Investor's assessable income as if those Securities were held directly by the Investor.
- Investors should generally be entitled to any associated tax benefits such as franking credits (subject to satisfaction of the usual "qualified person" rules).
- Investors will be entitled to claim a foreign income tax offset (foreign tax credit) for foreign tax paid or which is deemed to have been paid by the Investor in relation to assessable income derived in relation to the International Securities (subject to the foreign tax offset limit).

2.3 **Capital Gains Tax ("CGT")**

- A Cash Applicant should acquire the Securities for CGT purposes following the acceptance of their application by ANZ (or in the case of a Rollover at the time of their acceptance of their first facility).

- A Securityholder Applicant neither acquires nor disposes of their Securities for CGT purposes in connection with the entry into the ANZ Cobalt facility (as the Investor will previously have acquired the Securities to which the Loan relates, and will be treated as continuing to hold those Securities).
- The repayment of the Loan and the receipt of the Securities from the Nominee should have no CGT consequences for the Investor in relation to those Securities, as the Investor will be treated as already owning the Securities.
- If the Closing Price of the Securities on the Maturity Date is below the Protection Level, the Purchase Put Option will be automatically exercised (irrespective of whether there is a failure by an Investor to repay the Loan). In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor with respect to the disposal of those Securities. In circumstances where there is a Cash Settlement, a CGT event will occur in respect of the exercise of the Purchase Put Option for the Investor. This may result in a capital gain or a capital loss to the Investor with respect to the Purchase Put Option.
- The Purchase Put Option should be regarded as having expired in circumstances where it remains unexercised after the Maturity Date. The expiry should give rise to a capital loss to the Investor for CGT purposes, equal to the reduced cost base of the Purchase Put Option. The CGT implications are discussed in more detailed below.
- The tax outcomes for the Purchase Put Option also apply for the Capped Purchase Put Option (unless otherwise specified, and described in further detail below).

2.4 Options under ANZ Cobalt

- The tax consequences for an Investor arising in connection with an Option will depend upon:
 - the type of Option acquired by the Investor (e.g. if it is a Purchase Put Option, Capped Purchase Put Option, Purchase Call Option, Sold Call Option, Put Spread Option or Capped Put Spread Option); and
 - whether the Option is exercised or lapses; and
 - whether the Investor elects a Physical Settlement or a Cash Settlement.
- In each case, there may be tax consequences for the Investor under the CGT regime.

2.5 Securities held by a Nominee

The income tax law has recently been amended to confirm the practice of treating the investor in a qualifying instalment warrant over a security as the owner of that security for most income tax purposes. In our view, in circumstances where the Securities are held by a Nominee on trust for an Investor (e.g. in respect of SMSF Investors, International Securities, or under the Dividend Give-Up Facility) the Securities should be treated as being the Investor's asset (instead of an asset of the trust) for tax purposes (other than for certain withholding tax purposes). We have set out in further detail the impact of these changes on Investors below.

3 Look through treatment for Securities held by a Nominee

The income tax law has recently been amended such that, in circumstances where an investor has a beneficial interest in an "instalment trust asset" under an "instalment trust", the asset is treated as being directly owned by the investor for income tax purposes (other than for certain withholding tax purposes).

For the purposes of these provisions a trust is an instalment trust if the following requirements are met:

- For Investors that are not trustees of a "regulated superannuation fund" (as defined in the Superannuation Industry (Supervision) Act 1993 ("**SIS Act**")):
 - under an arrangement, an entity makes a borrowing or is provided with credit;
 - to secure the borrowing or provision of credit, the trustee of the trust acquires an asset (the underlying investment);
 - the investor has a beneficial interest in the underlying investment as the sole beneficiary of the trust;
 - for a provision of credit, the credit was provided to the investor to acquire the asset, or one of the assets, that comprises the underlying investment;
 - the investor is entitled to the benefit of all income from the underlying investment;
 - the investor is entitled to acquire legal ownership of the underlying investment on discharging its obligations relating to the borrowing or provision of credit;
 - the Securities are shares or units in a trust or a stapled security which are listed for quotation on the official list of an approved stock exchange or which meet the widely held requirements; and
 - the Securities are not subject to any charge, security or other encumbrance, other than a charge securing the obligations relating to the borrowing.
- For Investors that are trustees of a "regulated superannuation fund" (as defined in the SIS Act):
 - under an arrangement, an asset or assets (the underlying investment) is acquired by the trustee of the trust for the benefit of a trustee of a regulated superannuation fund to secure a borrowing; and
 - until the borrowing is repaid, the arrangement is covered by the exception in section 67A(1) of the SIS Act (which is about limited recourse borrowings).

In our view, these provisions should apply in circumstances where the Securities are held by the Nominee on trust for an Investor (e.g. in respect of SMSF Investors, International Securities, or under the Dividend Give-Up Facility) and the Securities are shares or units in a listed or widely held company or trust (as required by the provisions).

This is because for Investors that are not "regulated superannuation funds" within the meaning of that term:

- the Loan should be regarded as a borrowing;
- where the Securities are held by the Nominee, the Nominee will hold those Securities on trust for the Investor only (and for no other beneficiary). That is, a separate trust will be established for the benefit of each Investor;

- the Nominee acquires the Securities to secure the Loan;
- the Investor is entitled to the benefit of all of the income from the Securities. This is irrespective of whether the Investor has entered into the Dividend Give-Up Facility because in those circumstances, the Investor should be taken to have received the distributions on the Securities and merely directed the application of that income to the payment of Interest on the Loan. In addition, the Nominee must pay the Investor any income derived from the Securities except if an Adjustment Event occurs, in which case, ANZ may direct the Investor to use the income in any way it determines (but the Investor will still be entitled to the benefit of the income);
- if the Investor discharges all of their obligations under the Loan, then the Security Interest is discharged and the Investor can elect for Physical Settlement or Cash Settlement or for ANZ to purchase or sell the Investor's Securities. That is, the Investor is entitled to acquire legal ownership of the underlying investment on discharging its obligations relating to the borrowing (if the Investor elects to do so); and
- security will be granted over the Secured Property in respect of all obligations and payments under the Agreement. As such, security is granted to secure obligations under the Loan, and obligations relating to the Loan (such as under the Options, which are interdependent on entry into the Loan and therefore, in our view, are "related to" the Loan for the purposes of these provisions).

Similarly, for Investors that are "regulated superannuation funds" within the meaning of that term, these provisions should also apply because:

- the Loan should be regarded as a borrowing; and
- for the purposes of section 67A of the SIS Act, we have provided our opinion at Section 8 of this PDS that a borrowing by an SMSF trustee under the ANZ Cobalt terms will satisfy the conditions for a limited recourse borrowing arrangement under section 67A of the SIS Act.

On the basis of the above, the tax treatment outlined in this opinion assumes that in all cases where the Securities are held by a Nominee on trust for an Investor, the Investor will be treated as holding the Securities directly. Investors should seek their own advice on the applicability of the above mentioned provisions to their specific circumstances.

4 Interest on ANZ Cobalt

4.1 *Deductibility of Interest on Loan and Interest Assistance Loan*

To the extent that an Investor uses the Loan to acquire property (such as the Securities) for the purpose of producing assessable income (or otherwise uses the Loan for that purpose – eg to refinance the Securities under a Rollover), the Interest on the Loan, reduced by the amount reasonably attributable to the cost of capital protection under Division 247 of the 1997 Act (dealing with capital protected borrowings) in respect of the Loan (where the Initial Option Fee in relation to the Purchase Put Option is paid as a component of the interest rate payable on the Loan), should be deductible under section 8-1 of that Act.

The amount reasonably attributable to the cost of capital protection for an income year under Division 247 of the 1997 Act in respect of the Loan should be equal to the excess (if any) of:

- (a) the Interest on the Loan for that income year (e.g. where payable annually in advance);

over,

- (b) an amount (the “**Benchmark Amount**”) calculated by multiplying the Loan amount by an “adjusted loan rate”. The “adjusted loan rate” is currently the Reserve Bank of Australia’s Indicator Lending Rate for Standard Variable Housing Loans, plus 100 basis points (for January 2016, adding to, 6.65%).

The rules are very specific and also involve a different methodology for fixed rate, compared to variable rate, loans. In determining which methodology to apply, an Investor under either the Fixed Rate or Annually Resetting Rate option should assume that an ANZ Cobalt facility involves a fixed rate for the period of up to one year (and not a variable rate for either the whole or any part of the term of the Loan).

However, based on the above, Investors should be entitled to a deduction for the Interest (reduced by the amount reasonably attributable to the cost of capital protection as outlined above) to the extent that the Loan is applied for the purpose of deriving assessable income (excluding capital gains) from:

- the Securities (for Cash Applicants); or
- other property or transactions where the Investor borrows against Securities that the Investor already holds (for Securityholder Applicants).

The purpose for which the ANZ Cobalt facility is entered into by an Investor can only be conclusively determined in light of all of the evidence as to that Investor’s individual facts and circumstances. To the extent that any part of the Loan is applied for non-assessable income producing purposes or to acquire the Securities or other property for the sole purpose of deriving capital gains, the amount of Interest which is incurred by Investors may not be deductible either in full or in part. Further, a change in an Investor’s purpose or use of the Loan could result in a loss of interest deductions.

It is possible that the Interest on the Loan may exceed the Benchmark Amount even in circumstances where the Investor has paid the Initial Option Fee as an upfront lump sum. However, these circumstances are expected to be very limited. If these circumstances were to arise, then any amount reasonably attributable to the cost of capital protection in respect of that excess should be treated in the same way as the excess which may arise where the Initial Option Fee is paid as a component of the interest rate payable on the Loan (e.g. be treated as being non-deductible and included in the cost base of the Purchase Put Option).

In respect of the interest payable on an Interest Assistance Loan (if applicable), this interest should be deductible to Investors under section 8-1. In our view, Division 247 should not apply to deny the deductibility of the interest payable on the Interest Assistance Loan because it can only be taken out by an Investor on a full recourse basis and there is no element of capital protection connected with this type of loan.

For completeness, we note that the deductibility of interest on the Loan or the Interest Assistance Loan should not be affected by the fact that an Investor chooses to acquire International Securities under ANZ Cobalt or that the Securities in a Parcel or Basket include units in a cash trust (where the majority of securities constitute non-cash trust securities and the purpose of choosing the cash securities is to minimise the volatility effect of the non-cash securities).

Investors should obtain independent legal and taxation advice in relation to the deductibility of the Interest on the Loan and the Interest Assistance Loan which takes into account the relevant Investor’s individual facts and circumstances.

4.2 Timing of deductions

Any deduction for Interest that is prepaid by the Investor on the Loan should be allowed in the income year in which the Interest is incurred if the Interest is less than \$1,000, or if all of the following conditions are satisfied:

- the Investor is either a small business entity (being an entity that carries on business and has a turnover of less than \$2 million per annum) who does not elect for the deduction to be apportioned, or an individual who incurs the interest otherwise than in the course of carrying on a business; and
- the interest period is 12 months or less and ends before the end of the following income year (which, relevantly, should be the case where the Interest is payable annually in advance).

Investors who satisfy the above conditions will be able to claim an immediate deduction for the Interest incurred.

In all other circumstances (including an Investor who is a small business entity and who makes an election for the deduction to be apportioned), a deduction for the pre-paid Interest would generally need to be apportioned on a straight line basis over the relevant interest period. An Investor who is a superannuation entity would also not ordinarily be able to claim an immediate deduction for the prepaid Interest incurred.

Investors should obtain independent legal and taxation advice in relation to the timing of any deduction for Interest which takes into account the relevant Investor's individual facts and circumstances.

5 Holding Securities

Broadly, all of the distributions in respect of the Securities should be considered to have been received by the Investor (even if held by the Nominee in respect of SMSF Investors or International Securities), as if the Investor held the Securities directly, and notwithstanding that they may be applied to reduce the principal balance of the Loan or applied at the Investor's direction to fund part of the interest cost on the Loan (e.g. under the Dividend Give-Up Facility). Specific issues are outlined below. The exact consequences depend on whether the Securities comprise shares in a company or units in a trust.

5.1 Dividends

Where the Securities are shares, distributions will be in the form of a dividend or other distributions in respect of the shares.

Where a dividend or other distribution is franked, the Investor should include in their assessable income the amount of the dividend and the franking credit attaching to the dividend. An Investor should generally be allowed a tax offset equal to the franking credit. This offset should reduce the tax liability of the Investor to the extent that the Investor has such a liability. Investors who are resident individuals or complying superannuation entities and who receive franking tax offsets in excess of their tax liability should be entitled to a refund of those excess tax offsets. Investors who are companies will not be entitled to a refund of any excess franking tax offsets, but may be entitled, in effect, to convert any excess tax offsets into tax losses.

However, the entitlement to franking credits is subject to legislative restrictions, in particular the satisfaction of the "qualified person" or holding period rule. Investors may be denied the franking credits in respect of distributions received where the Investor has not held their interest in the underlying securities "at risk" for a continuous period of 45 days (or 90 days if the shares are preference shares) over the prescribed period (ignoring the day of acquisition and disposal). When determining the number of days in the holding period in which an Investor has held their

shares "at risk", the days on which the entity has materially diminished risks of loss or opportunities for gain in respect of the shares are excluded. An Investor will have materially diminished risks of loss or opportunities for gain in respect of shares if the Investor's net position (determined using the financial concept, delta) in relation to the shares has less than 30% of those risks or opportunities. For completeness, the limited recourse nature of the Loan for SMSF Investors should not, of itself, result in the relevant Securities not being held "at risk".

Investors should seek their own taxation advice in relation to the potential application of those provisions to their own particular circumstances from year to year.

5.2 Distributions from public trading trusts or corporate unit trusts

Where the Securities are units in a trust that is a public trading trust or a corporate unit trust for the purposes of the tax law, distributions should be treated for tax purposes as if they were dividends or other distributions in respect of shares (that is, as described under the heading "Dividends" immediately above).

We note that draft legislation has been released which proposes to repeal Division 6B of the Income Tax Assessment Act 1936 (which relates to corporate unit trusts). The development of this legislation should be closely monitored, but we do not expect it to have an adverse impact on Investors.

5.3 Distributions from trusts that are not public trading trusts or corporate unit trusts

Where the Securities are units in a trust other than a public trading trust or a corporate unit trust, the tax treatment of the distribution of income or capital will depend on the character of the amount in the trustee's hands before it was distributed to the Investor.

If the distribution represents an amount that was dividend income in the trustee's hands, the tax consequences for the Investor of receiving the distribution should be the same as if the distribution were a dividend (see under the heading "Dividends" above). However, the application of the "qualified person" rules is more complex than where the Securities are shares.

If the distribution of income represents an amount that was a capital gain in the trustee's hands, broadly, the distribution should be treated as a capital gain for the Investor. The capital gain may be offset against revenue or capital losses of the Investor. Where the CGT discount has been applied by the trustee to the capital gain before distribution, the Investor will be required to gross up the discounted capital gain for the purposes of offsetting any capital losses, before applying the CGT discount itself.

If the distribution represents an amount that was not included in the taxable income of the trust (for example, an amount that was capital in the trustee's hands or that represents tax deductions available to the trust and which is typically referred to as a "tax deferred distribution"), the distribution will reduce the cost base of the Investor's units in the trust. However, once the cost base has been reduced to zero, any excess distribution is assessable in full as a capital gain (but may be eligible for the CGT discount – discussed below).

6 CGT considerations in relation to the Loan

The CGT provisions apply if a "CGT event" occurs.

A capital gain will arise for a taxpayer if the "capital proceeds" received in respect of the occurrence of a relevant CGT event are greater than the "cost base" of the asset which is the subject of the CGT event. A capital loss will arise if the "reduced cost base" exceeds the "capital proceeds".

Investors who are individuals or which are trusts or complying superannuation funds that make a capital gain in relation to the disposal of their Securities may be eligible for the CGT discount (discussed further below).

Generally the Rollover of Securities will not be regarded as a CGT event as there has been no change in ownership of the Securities for CGT purposes.

6.1 Entry into ANZ Cobalt

A Cash Applicant should acquire (i.e. be treated as the owner of) the Securities for CGT purposes following the acceptance of their application by ANZ (or in the case of a Rollover – at the time of their initial application).

A Securityholder Applicant neither acquires nor disposes of their Securities for CGT purposes in connection with the entry into the ANZ Cobalt facility (as the Investor will previously have acquired the Securities to which the Loan relates, and will be treated as continuing to hold those Securities).

The beneficial ownership of the Securities which is held by Investors should not be affected by any Security Interest which is granted by Investors in favour of ANZ over the relevant Securities.

6.2 Payment to acquire the Purchase Put Option

If the Investor pays an Initial Option Fee for the acquisition of the Purchase Put Option (either as an upfront lump sum or as a component of the interest rate payable on the Loan), the Investor should include in the cost base and reduced cost base of the Purchase Put Option at the time of acquisition:

- the total Initial Option Fee (where paid as an upfront lump sum); or
- the amount of Interest reasonably attributable to the cost of capital protection that is determined for the purposes of Division 247 of the 1997 Act (where paid as a component of the interest rate payable on the Loan).

6.3 Repayment of the Loan - Closing Price of Securities is above or equal to the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is above or equal to the Protection Level, the Purchase Put Option should expire unexercised.

Underlying Securities

The repayment of the Loan and the release of the Security Interest should have no CGT consequences for the Investor in relation to those Securities, as the Investor will be treated as already owning the Securities (as noted above).

In circumstances where there is a Physical Settlement, a disposal of the Securities will occur for the Investor. This may result in a capital gain or a capital loss to the Investor with respect to the disposal of those Securities.

A capital gain will arise for an Investor if the capital proceeds received in respect of the disposal are greater than the cost base of the Securities. A capital loss will arise if the reduced cost base exceeds the capital proceeds.

Investors who are individuals or which are trusts or complying superannuation funds that make a capital gain in relation to the disposal of their Securities may be eligible for the CGT discount.

The Rollover of Securities at repayment of the Loan will not constitute a disposal but instead the Investor will be regarded as continuing to hold the securities which then become subject to the new facility.

Purchase Put Option

If the Closing Price of the Securities is above the Protection Level and the Purchase Put Option expires unexercised, the Investor should realise a capital loss equal to the Investor's reduced cost base in the Purchase Put Option (as outlined above).

6.4 Repayment of the Loan - Closing Price of Securities is below the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below the Protection Level, then the Purchase Put Option will be automatically exercised (irrespective of whether there is a failure by an Investor to repay their Loan on the Maturity Date).

Physical Settlement – Underlying Securities and Purchase Put Option

In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor with respect to the disposal of those Securities.

Under the Purchase Put Option, ANZ grants the Investor the right to require ANZ to purchase the Securities on the Maturity Date. Accordingly, the purchase price for the Securities at Maturity will be for an amount equal to the Protection Level.

A capital gain will arise for an Investor if the capital proceeds received in respect of the disposal are greater than the cost base of the Securities. A capital loss will arise if the reduced cost base exceeds the capital proceeds.

Investors who are individuals or which are trusts or complying superannuation funds that make a capital gain in relation to the disposal of their Securities may be eligible for the CGT discount.

Any capital gain or capital loss on exercise of the Purchase Put Option should be disregarded.

If there is a Rollover of the Securities at repayment of the Loan (whereby ANZ allows the investor to continue to hold the Securities without disposal and apply them to a new facility), then this will not constitute a disposal but instead the Investor will be regarded as continuing to hold the Securities which then become subject to the new facility.

Cash Settlement – Underlying Securities and Purchase Put Option

In circumstances where there is a Cash Settlement, a CGT event should occur in respect of the Purchase Put Option. This may result in a capital gain or a capital loss to the Investor with respect to the exercise of the Purchase Put Option. The capital proceeds will generally equal the amount received by the Investor from ANZ in respect of the exercise of the Purchase Put Option (which should be the difference between Closing Price of the Securities and the Protection Level).

No CGT event will occur in respect of the Securities (as there will be no disposal of the Securities) and the Investor will hold the Securities going forward.

Where there is a Rollover of the Securities at repayment of the Loan into a new facility, this will not constitute a disposal but instead the Investor will be regarded as continuing to hold the Securities which then become subject to the new facility.

6.5 Failure to repay the Loan

Underlying Securities

If an Investor fails to repay the Loan and ANZ exercises its power of sale pursuant to its Security Interest to cause the sale of the Securities, the sale will constitute a disposal by the Investor of the Securities. This may result in a capital gain or a capital loss to the Investor with respect to the disposal of the Securities.

A capital gain will arise for an Investor if the capital proceeds received in respect of the disposal are greater than the cost base of the Securities. A capital loss will arise if the reduced cost base exceeds the capital proceeds.

Investors who are individuals or which are trusts or complying superannuation funds that make a capital gain in relation to the disposal of their Securities may be eligible for the CGT discount.

Purchase Put Option

The failure by an Investor to repay their Loan may also result in the termination of the Investor's Purchase Put Option. The Investor would realise a capital loss equal to the Investor's reduced cost base in the Purchase Put Option in connection with the termination.

6.6 Availability of the CGT discount

Investors who are individuals or which are trusts or complying superannuation funds that make a capital gain in relation to the disposal of their Securities may be eligible for the CGT discount. The CGT discount is not available to an Investor that is a company.

To be entitled to the CGT discount, the Investor must have held their relevant Securities for at least 12 months before the CGT event happened (excluding the acquisition and disposal dates).

If the CGT discount concession applies, the Investor must offset available capital losses against the capital gains then multiply the result by the relevant discount percentage to calculate to amount of their capital gain. The discount percentage is 50% for individuals and trusts and 33 $\frac{1}{3}$ % for complying superannuation funds.

6.7 CGT cost bases

Purchase Put Option

The Investor should include in the cost base of the Purchase Put Option at the time of acquiring the option:

- the Initial Option Fee paid by the Investor (where paid as an upfront lump sum payment); or
- the amount of Interest reasonably attributable to the cost of capital protection that is determined for the purposes of Division 247 of the 1997 Act (where the Initial Option Fee in relation to the Purchase Put Option is paid as a component of the interest rate payable on the Loan).

Cash Applicant

For the purposes of calculating any capital gain or capital loss in connection with the disposal of the Securities on the Maturity Date (under the Physical Settlement option), the Cash Applicant's cost base and reduced cost base in the Securities should be broadly equal to the sum of:

- the amount of the Loan from ANZ (where the Securities are fully funded by the Loan), plus the amount contributed out of their own capital (where the Securities are only partially funded by the Loan); and
- if the Purchase Put Option is exercised, the cost base of the Purchase Put Option (as outlined above).

Where the Security consists of a unit in a trust, the cost base of the unit may be reduced by "tax deferred distributions" received by the Investor in respect of the unit (as outlined above).

Where the Securities are the subject of Rollover the cost base analysis will be based on the above amounts entered into at the time of the original facility together with any additional costs arising out of the Rollover.

Securityholder Applicant

For the purposes of calculating any capital gain or capital loss in connection with the disposal of the Securities on the Maturity Date (under the Physical Settlement option), the Securityholder Applicant's cost base and reduced cost base in the Securities should be broadly equal to the sum of:

- whatever the Investor originally paid or gave to acquire the Securities; and
- if the Purchase Put Option is exercised, the cost base of the Purchase Put Option (as outlined above).

Where the Security consists of a unit in a trust, the cost base of the unit may be reduced by "tax deferred distributions" received by the Investor in respect of the unit (as outlined above).

7 Features of ANZ Cobalt

7.1 Capped Purchase Put Option

If the Investor elects to acquire a Capped Purchase Put Option (instead of an ordinary Purchase Put Option), the tax consequences for the Investor should be as that outlined above for a Purchase Put Option where the Closing Price of the Parcel or Basket of Securities on the Maturity Date is equal to or below the Cap Level.

Where the Closing Price of the Parcel or Basket of Securities on the Maturity Date is above the Cap Level, the Investor will be required to pay a Variable Premium Amount and the Capped Purchase Put Option will expire unexercised.

In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal:

- the cost base or reduced cost base of the Securities should include the amount paid by the Investor to acquire the Securities;
- where the Security consists of a unit in a trust, the cost base of the unit may be reduced by "tax deferred distributions" received by the Investor in respect of the unit (as outlined above); and
- the capital proceeds will generally be the amount received by the Investor from ANZ for the disposal.

A CGT event will also arise for the Investor in respect of the expiry of the Capped Purchase Put Option. As the Investor will not receive any capital proceeds in respect of the expiry of the Capped Purchase Put Option, a capital loss will likely be made by the Investor in this regard, equal to the Investor's reduced cost base in the Capped Purchase Put Option at that time. The reduced cost base of the Capped Purchase Put Option will generally be the sum of:

- the Initial Option Fee (where the Initial Option Fee in relation to the Purchase Put Option is paid as an upfront lump sum payment); or
- the amount of Interest reasonably attributable to the cost of capital protection that is determined for the purposes of Division 247 of the 1997 Act (where the Initial Option Fee in relation to the Purchase Put Option is paid as a component of the interest rate payable on the Loan); plus
- any Protection Level Increase Fee paid by the Investor; plus
- the Variable Premium Amount.

In circumstances where there is a Cash Settlement, a CGT event will also arise for the Investor in respect of the expiry of the Capped Purchase Put Option. The Investor will likely make a capital loss, equal to the Investor's reduced cost base in the Capped Purchase Put Option at that time, as the Investor will not receive any capital proceeds in respect of the expiry of the Capped Purchase Put Option.

In this regard, the Investor's reduced cost base for the Capped Purchase Put Option under section 110-55 of the 1997 Act will generally be the sum of the amounts outlined above.

No CGT event will occur in respect of the Securities where there is a Cash Settlement (as there will be no disposal of the Securities) and the Investor will hold the Securities going forward.

7.2 Protection Level Increase feature

When an Investor elects to use the Protection Level Increase feature, any fee payable by the Investor for this feature (e.g. Protection Level Increase Fee) will not be deductible but will instead form part of the cost base or reduced cost base of the Purchase Put Option.

7.3 Increasing the Loan Amount during the Term

To the extent that an Investor increases the Loan Amount during the Term for the purpose of producing assessable income, the Interest on the additional Loan, reduced by the amount reasonably attributable to the cost of capital protection in respect of that Loan, should also be deductible for the Investor (consistent with the treatment of Interest under the Loan as outlined discussed above).

7.4 Dividend Give-Up Facility

The transfer of the Securities to the Nominee (which will be held by the Nominee on trust for the Investor) should not have any practical CGT consequences for the Investor in relation to those Securities. This is because the Investor should continue to be treated as holding the Securities.

As outlined above, an Investor's entitlement to franking credits attached to dividends paid in respect of the Securities is subject to legislative restrictions, in particular, the satisfaction of the "qualified person" or "holding period" rule. Use of the Dividend Give-Up Facility should not, of itself, adversely affect an Investor's tax treatment in respect of dividends on the Securities or their entitlement to franking credits.

7.5 Interest Assistance Loan

In respect of the interest payable on an Interest Assistance Loan (if applicable), this interest should be deductible to Investors to the same extent that interest on the Loan is deductible (and subject to the same qualifications as discussed above in respect of the Loan).

7.6 Other events and fees

A number of other events may occur for Investors in connection with their investment (e.g. Early Termination or Adjustment Events). These events may result in Break Costs being incurred by Investors.

Investors should seek their own independent professional advice in relation to the tax consequences of these other events or fees based on their own individual facts and circumstances.

8 Options under ANZ Cobalt

Below is a summary of the Australian income tax consequences for an Investor where the Investor enters into an Option Transaction with ANZ under ANZ Cobalt (without obtaining a Loan). The Product Ruling does not cover the tax consequences in respect of such arrangements.

We note that, in addition to the tax consequences discussed below, entry into an Option Transaction in respect of Securities held by an Investor may affect the availability of franking credits attached to any dividends paid on those Securities. In particular, an Option Transaction may affect whether the Investor is a "qualified person" in relation to those Securities (i.e. whether the Investor holds those Securities "at risk" for the required period of time). Further, if an Investor makes a capital gain from the disposal of a Security or Option in circumstances where the Security or Option has been held for at least 12 months before the CGT event happened, the Investor may be able to claim the discount capital gains concession, which reduces the nominal capital gain by 50% for individuals and trusts and by 33⅓% for complying superannuation entities.

Investors should obtain independent legal and taxation advice which takes into account the relevant Investor's individual facts and circumstances.

8.1 Purchase Put Option

When an Investor acquires a Purchase Put Option on capital account, the income tax consequences for the Investor will be determined in accordance with the CGT provisions.

At the time the Initial Option Fee is paid, the Investor should include the Initial Option Fee in the cost base of the Purchase Put Option.

Closing Price of Securities is equal to or above the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is equal to or above the Protection Level and the Purchase Put Option expires unexercised, the Investor will generally realise a capital loss at this time, equal to the reduced cost base of the Purchase Put Option. This will generally equal the Initial Option Fee paid by the Investor plus any incidental costs.

Closing Price of Securities is below the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below the Protection Level such that the Purchase Put Option is automatically exercised:

- In circumstances where there is a Physical Settlement, a disposal of the relevant Parcel or Basket by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal:
 - the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Securities; and
 - the capital proceeds will generally be the amount (equal to the Protection Level) received by the Investor from ANZ.

Any capital gain or capital loss in respect of the Purchase Put Option should be disregarded.

- In circumstances where there is a Cash Settlement, a capital gain or a capital loss may arise to the Investor in respect of the exercise of the Purchase Put Option. In determining whether the Investor makes a capital gain or a capital loss in this respect:

- the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base and reduced cost base of the Purchase Put Option; and
- the capital proceeds will generally be the amount (equal to the difference between the Protection Level and Closing Price of the relevant Parcel or Basket on the Maturity Date) received by the Investor from ANZ.

No CGT event will occur in respect of the Securities (as there will be no disposal of the Securities) and the Investor will hold the Securities going forward.

8.2 Capped Purchase Put Option

When an Investor acquires a Capped Purchase Put Option on capital account, the income tax consequences for the Investor will be determined in accordance with the CGT provisions.

At the time the Initial Option Fee is paid to acquire the Capped Purchase Put Option, the Investor should include the Initial Option Fee in the cost base of the Capped Purchase Put Option.

Closing Price of Securities is above the Cap Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is above the Cap Level and the Capped Purchase Put Option expires unexercised, the Investor is required to pay a Variable Premium Amount to ANZ.

In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal:

- the cost base or reduced cost base of the Securities should include the amount paid by the Investor to acquire the Securities;
- where the Security consists of a unit in a trust, the cost base of the unit may be reduced by "tax deferred distributions" received by the Investor in respect of the unit (as outlined above); and
- the capital proceeds will generally be the amount received by the Investor from ANZ for the disposal.

A CGT event will also arise for the Investor in respect of the expiry of the Capped Purchase Put Option. As the Investor will not receive any capital proceeds in respect of the expiry of the Capped Purchase Put Option, a capital loss will likely be made by the Investor in this regard, equal to the Investor's reduced cost base in the Capped Purchase Put Option at that time. The reduced cost base of the Capped Purchase Put Option will generally be the sum of:

- the Initial Option Fee; and
- the Variable Premium Amount.

In circumstances where there is a Cash Settlement, a CGT event will also arise for the Investor in respect of the expiry of the Capped Purchase Put Option. The Investor will likely make a capital loss, equal to the Investor's reduced cost base in the Capped Purchase Put Option at that time, as the Investor will not receive any capital proceeds in respect of the expiry of the Capped Purchase Put Option.

The Investor's reduced cost base for the Capped Purchase Put Option under section 110-55 of the 1997 Act will be as outlined above.

No CGT event will occur in respect of the Securities (as there will be no disposal of the Securities) and the Investor will hold the Securities going forward.

Closing Price of Securities is equal to or above the Protection Level but below or equal to the Cap Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is equal to or above the Protection Level but below or equal to the Cap Level and the Capped Purchase Put Option expires unexercised, the Investor will generally realise a capital loss at this time, equal to the reduced cost base of the Capped Purchase Put Option. This will generally equal the Initial Option Fee paid by the Investor for the Capped Purchase Put Option plus any incidental costs.

Closing Price of Securities is below the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below the Protection Level such that the Capped Purchase Put Option is automatically exercised:

- In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal of those Securities:
 - the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Securities disposed of; and
 - the capital proceeds will generally be the amount (equal to the Protection Level) received by the Investor from ANZ.

Any capital gain or capital loss in respect of the Variable Premium Purchase Put Option should be disregarded.

- In circumstances where there is a Cash Settlement, a capital gain or a capital loss may arise to the Investor in respect of the exercise of the Purchase Put Option. In determining whether the Investor makes a capital gain or a capital loss in this respect:
 - Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Capped Purchase Put Option; and
 - the capital proceeds will generally be the amount (equal to the difference between the Protection Level and the Closing Price of the relevant Parcel or Basket on the Maturity Date) received by the Investor from ANZ.

No CGT event will occur in respect of the Securities (as there will be no disposal of the Securities) and the Investor will hold the Securities going forward.

8.3 **Purchase Call Option**

When an Investor acquires a Purchase Call Option on capital account, the income tax consequences for the Investor will generally be determined in accordance with the CGT provisions.

At the time the Initial Option Fee is paid to acquire the Purchase Call Option, the Investor should include the Initial Option Fee in the cost base of the Purchase Call Option.

Closing Price of Securities is equal to or below the Strike Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is equal to or below the Strike Level and the Purchase Call Option lapses without being exercised, the Investor will generally realise a capital loss at this time, equal to the reduced cost base of the Purchase Call Option. This will generally equal the Initial Option Fee paid by the Investor plus any incidental costs.

Closing Price of Securities is above the Strike Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is above the Strike Level such that the Purchase Call Option is automatically exercised:

- In circumstances where there is a Physical Settlement, the Initial Option Fee and an amount equal to the Strike Level should be included in the cost base and reduced cost base of the Securities acquired by the Investor. Any capital gain or capital loss in respect of the Purchase Call Option should be disregarded.
- In circumstances where there is a Cash Settlement, a CGT event will occur in respect of the exercise of the Purchase Call Option. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss in this regard:
 - the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Purchase Call Option; and
 - the capital proceeds will generally be the amount (equal to the difference between the Strike Level and Closing Price of the relevant Parcel or Basket on the Maturity Date) received by the Investor from ANZ.

8.4 **Sold Call Option**

When an Investor sells a Sold Call Option to ANZ under ANZ Cobalt on capital account, the income tax consequences for the Investor will generally be determined in accordance with the CGT provisions.

The Initial Option Fee received by the Investor (less any incidental costs that form part of the cost base of the Sold Call Option) will generally give rise to a capital gain for the Investor.

Closing Price of Securities is equal to or below the Cap Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is equal to or below the Cap Level and the Sold Call Option lapses without being exercised, there are generally no further Australian income tax consequences for the Investor in respect of the expiry of the Sold Call Option.

Closing Price of Securities is above the Cap Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is above the Cap Level such that the Sold Call Option is automatically exercised:

- In circumstances where there is a Physical Settlement, the Initial Option Fee and the proceeds from the sale of the Securities should be treated as a single transaction and the capital gain made by the Investor from the initial receipt of the Initial Option Fee should be disregarded. This may have practical implications for the Investor where the Initial Option Fee and sale proceeds are received in different income years. The Investor may make a capital gain or a capital loss from the disposal of the Securities. In determining whether the Investor makes a capital gain or a capital loss, the capital proceeds taken to be received by Investor for CGT purposes will generally include the Initial Option Fee and the proceeds from the sale of the Securities.
- In circumstances where there is a Cash Settlement, the ATO has accepted in past rulings it has issued in relation to similar options that the payment made by the Investor to ANZ (equal to the difference between the Cap Level and the Closing Price of the relevant Parcel or Basket on the Maturity Date) can be included in the cost base of the Securities.

8.5 Put Spread Option

When an Investor acquires a Put Spread Option on capital account, the income tax consequences for the Investor will generally be determined in accordance with the CGT provisions.

At the time the Initial Option Fee is paid, the Investor should include the Initial Option Fee in the cost base of the Put Spread Option.

Closing Price of Securities is equal to or above the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is equal to or above the Protection Level and the Put Spread Option expires unexercised, the Investor will generally realise a capital loss at this time, equal to the reduced cost base of the Put Spread Option. This will generally equal the Initial Option Fee paid by the Investor plus any incidental costs.

Closing Price of Securities is below the Protection Level but above or equal to the Floor Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below the Protection Level but above or equal to the Floor Level such that the Put Spread Option is automatically exercised:

- In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal of the Securities:
- the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Securities; and
- the capital proceeds will generally be the amount (equal to the Protection Level) received by the Investor from ANZ.

Any capital gain or capital loss in respect of the Put Spread Option should be disregarded.

- In circumstances where there is a Cash Settlement, a CGT event will occur in respect of the exercise of the Put Spread Option. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss in this regard:
 - the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Put Spread Option; and
 - the capital proceeds will generally be the amount (equal to the difference between the Protection Level and the Closing Price of the relevant Parcel or Basket on the Maturity Date) received by the Investor from ANZ.

Closing Price of Securities is below the Floor Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below the Floor Level such that the Put Spread Option is automatically exercised:

- In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal of the Securities:
 - the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Securities; and
 - the capital proceeds will generally be the amount (equal to the Net Physical Settlement Payment) received by the Investor from ANZ.

Any capital gain or capital loss in respect of the Put Spread Option should be disregarded.

- In circumstances where there is a Cash Settlement, a CGT event will occur in respect of the exercise of the Put Spread Option. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss in this regard:
 - the Investor should include the Initial Option Fee (plus any incidental costs) in the cost base of the Put Spread Option; and
 - the capital proceeds will generally be the amount (equal to the difference between the Protection Level and the Floor Level) received by the Investor from ANZ.

8.6 Capped Put Spread Option

When an Investor acquires a Capped Put Spread Option on capital account, the income tax consequences for the Investor will generally be determined in accordance with the CGT provisions.

At the time the Initial Option Fee is paid, the Investor should include the Initial Option Fee in the cost base of the Capped Put Spread Option.

Closing Price of Securities is above the Cap Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is above the Cap Level and the Capped Put Spread Option expires unexercised, the Investor is required to pay a Variable Premium Amount to ANZ.

In circumstances where there is a Physical Settlement, a disposal of the Securities by the Investor will occur. This may result in a capital gain or a capital loss to the Investor. In determining whether the Investor makes a capital gain or a capital loss with respect to the disposal of those Securities:

- the cost base or reduced cost base of the Securities should include the amount paid by the Investor to acquire the Securities; and
- the capital proceeds will generally be the amount (equal to the Cap Level) received by the Investor from ANZ.

A CGT event will also arise for the Investor in respect of the expiry of the Capped Put Spread Option. As the Investor will not receive any capital proceeds in respect of the expiry of the Capped Put Spread Option, a capital loss will likely be made by the Investor in this regard, equal to the Investor's reduced cost base in the Capped Put Spread Option at that time. The reduced cost base of the Capped Put Spread Option will generally be the sum of:

- the Initial Option Fee; and
- the Variable Premium Amount.

Closing Price of Securities is below or equal to the Cap Level but above or equal to the Protection Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below or equal to the Cap Level but above or equal to the Protection Level and the Capped Put Spread Option expires unexercised, the Investor will generally realise a capital loss at this time, equal to the reduced cost base of the Capped Put Spread Option. This will generally equal the Initial Option Fee paid by the Investor plus any incidental costs.

Closing Price of Securities is below the Protection Level but above or equal to the Floor Level

If the Closing Price of the Parcel or Basket of Securities on the Maturity Date is below the Protection Level but above or equal to the Floor Level such that the Capped Put Spread Option is automatically exercised, the tax consequences are the same as those outlined above under the "Put Spread Option".

Closing Price of Securities is below the Floor Level

If the Closing Price of Securities is below the Floor Level such that the Capped Put Spread Option is automatically exercised, the tax consequences are the same as those outlined above under the "Put Spread Option".

9 International Securities

Foreign currency gains and losses

Foreign currency gains and losses arising from entering into a foreign currency denominated Loan, Purchase Put Option or Capped Purchase Put Option, as well as investing in International Securities may give rise to Australian tax implications for Investors.

Certain forex realisation events under Division 775 of the 1997 Act will occur for Investors in relation to an ANZ Cobalt facility involving a foreign currency denominated Loan, Purchase Put Option, Capped Purchase Put Option and International Securities.

For example, if an Investor obtains a Loan or Capped Purchase Put Option that is denominated in a foreign currency and has a term of more than 12 months, forex realisation event 4 under section 775-55 of the 1997 Act will happen for the Investor when the Investor makes principal repayments to ANZ under the Loan or pays the Variable Premium Amount (if any) under the Capped Purchase Put Option.

If an Investor obtains a Loan or Capped Purchase Put Option that is denominated in a foreign currency and has a term of 12 months or less:

- any forex realisation gain realised by the Investor as a result of repaying the principal on the Loan, or paying the Variable Premium Amount (if any) under the Capped Purchase Put Option, will not be included in their assessable income, and both the cost base and the reduced cost base of the International Securities and Capped Purchase Put Option (as applicable) should be reduced, respectively, by an amount equal to the forex realisation gain.
- similarly, any forex realisation loss realised by the Investor as a result of repaying the principal on the Loan, or paying the Variable Premium Amount (if any) under the Capped Purchase Put Option, will not be deductible, and both the cost base and the reduced cost base of the International Securities and Capped Purchase Put Option (as applicable) should be increased, respectively, by an amount equal to the forex realisation loss.

As mentioned above, the tax law has recently been amended to confirm the practice of treating the investor in qualifying instalment warrants over a listed security as the owner of that security for income tax purposes.

Other forex realisation events will also apply, and forex realisation gains and losses may arise where timing differences occur between certain rights to receive, or obligations to pay, foreign currency, and the actual payment of the foreign currency to which those rights and obligations relate. However, generally speaking, where the amount of a forex gain or loss would be taken into account under the CGT provisions, the forex gain or loss should not be recognised under Division 775 of the 1997 Act (assuming no choice under section 775-80 of that Act has been made by an Investor). CGT event K10 or K11 may also arise for Investors in certain circumstances.

As the consequences of those events will depend on each Investor's individual facts and circumstances, Investors should seek independent professional tax advice regarding the treatment of their foreign currency gains or losses.

On the basis that the forex and retranslation treatment for Investors will depend on each Investor's individual facts and circumstances, the treatment of a foreign denominated Purchase Call Option, Sold Call Option, Put Spread Option and Capped Put Spread Option has not been set out in this Opinion. Investors should seek independent professional tax advice regarding the forex and retranslation treatment of those Options.

Foreign currency translation rules

There are also certain tax translation rules which specify how and when an Investor should translate (convert) foreign currency denominated amounts that are relevant to taxation (including interest expenses, foreign dividend income, and the cost base of foreign CGT assets) into equivalent Australian dollar amounts. For present purposes, we note that foreign currency translation rules will apply to determine, for example, the appropriate retranslated Australian dollars ("**AUD**") value of:

- the cost base held by Investors in their International Securities, their Purchase Put Option or their Capped Purchase Put Option (where the Option Currency of those options is not in AUD).
- any non-AUD capital proceeds received or receivable by Investors in relation to a transaction affecting their International Securities (e.g. on disposal), their Purchase Put Option or their Capped Purchase Put Option (where the Option Currency is not in AUD).
- the Interest payable on any non-AUD Loan.
- any assessable dividend income received on the International Securities.

Foreign income tax offsets

Investors will be entitled to claim a foreign income tax offset (foreign tax credit) for foreign tax paid or which is deemed to have been paid by the Investor in relation to assessable income derived in relation to the International Securities (subject to the foreign tax offset limit). Where an Investor's foreign income tax offset claim for an income year does not exceed \$1,000, then no limitation on their foreign income tax offset claims should apply.

Australia's foreign accruals regimes

An investment in International Securities could become subject to Australia's current or proposed foreign accruals tax regimes.

However, there has been a number changes to Australia's foreign accruals tax regimes to simplify those regimes and narrow the circumstances of when they will apply.

To the extent the Investor holds International Securities relating to an investment in foreign entities, Investors are no longer exposed to accruals taxation, provided the Investor holds a non-controlling interest in those foreign entities.

In this regard, the former Government previously announced a proposal to amend the controlled foreign company rules and introduce a specific anti-avoidance rule (commonly referred to as the anti-roll up fund rule, or the foreign accumulation fund rule). However, the former Government subsequently announced on 14 December 2013 that it will not proceed with the proposed changes to modernise Australia's controlled foreign company rules to ensure Australian residents cannot accumulate income in offshore entities and thereby defer, or even avoid Australian tax. Investors should monitor any developments in this area.

As the taxation implications for each Investor may be different, each prospective investor should obtain their own independent professional taxation advice on the full range of taxation implications applicable to the International Securities with regard to their own individual facts and circumstances.

10 Taxation of Financial Arrangements ("TOFA") Regime

The TOFA regime is contained in Division 230 of the 1997 Act. The TOFA regime defines a "financial arrangement" and sets out the methods under which gains and losses from financial arrangements will be brought to account for tax purposes.

One of the main features of the TOFA regime is to tax gains from financial arrangements on a revenue basis and in some cases on an accruals basis over the term of the arrangement.

However, the TOFA regime should not apply to ANZ Cobalt or the related investment in Securities by:

- individual Investors;
- a superannuation entity, management investment scheme or an entity substantially similar to a managed investment scheme under foreign law with assets of less than \$100 million;
- certain financial entities with a turnover of less than \$20 million; or
- other entities with a turnover of less than \$100 million, financial assets of less than \$100 million and assets of less than \$300 million;

A potential Investor should seek their own taxation advice in relation to the application of the TOFA regime to their investment.

11 General anti-avoidance rules of Part IVA

Part IVA of the 1936 Act contains general anti-avoidance provisions which are capable of broad application and should be considered carefully in relation to any investment decision. In general terms, Part IVA may apply to schemes where a taxpayer obtains a "tax benefit" (in the form of the availability of tax deductions or non-inclusion of assessable income) as a consequence of entering into or carrying out the scheme, whether devised by the taxpayer or by somebody else, and the purpose of one or more of the parties who entered into or carried out the scheme was to secure the obtaining of the tax benefit for the taxpayer. The general anti-avoidance provisions in Part IVA of the 1936 Act may allow the ATO to cancel a "tax benefit" obtained by a taxpayer under any such scheme.

To date, the ATO has not publicly sought to assert that a product which is similar to ANZ Cobalt may confer a tax benefit of one kind or another on the Investor which may be affected by Part IVA.

However, the application of Part IVA to any particular Investor can only be conclusively determined in light of all of the evidence as to that Investor's individual facts and circumstances. Investors should therefore seek their own independent professional advice on the potential for Part IVA to be applied to them on the basis of their own individual facts and circumstances.

12 Goods and Services Tax ("GST")

The Australian GST applies at the rate of 10% of the consideration payable in respect of any supplies that are "taxable supplies" for GST purposes.

The following payments should not attract GST for either ANZ or the Investors on the basis of being either "input taxed" or not amounting to consideration for a "taxable supply":

- the provision, repayment and discharge of the Loan;
- the provision of a Security Interest over the Securities and rights under ANZ Cobalt;
- the provision of a Guarantee in support of obligations under the Loan;
- fees relation to options entered into in respect of the Loan (such as the Initial Option Fee, Variable Premium Amount, Cash Settlement of Sold Call Options or Protection Level Increase Fees);
- break funding charges related to the Loan (such as the Early Termination Amounts or Loan Break Costs);
- the payment of Interest;
- the acquisition and disposal of the Securities; and
- the payment of distributions in relation to the Securities.

The following payments, however, are likely to amount to consideration for “taxable supplies”. As such, the following payments are likely to attract GST:

- adviser option fees payable in respect of the Loan and/or the Securities (such as the Advisor Option Payment); and
- brokerage fees.

The general rule is that the supplier of the relevant services to which the above payments relate (rather than the Investors) will be statutorily liable to pay the GST charged. The suppliers may, however, recover any GST liability from the Investors by way of written agreement.

An Investor may not be entitled to claim any “input tax credits”, including “reduced input tax credits”, for GST that it has paid to third party suppliers for services associated with their investment. The availability of credits will depend on:

- whether the Investor:
 - is registered for GST;
 - has acquired the service in the course or furtherance of its enterprise;
 - provided or was liable to provide the consideration for the service; and
 - holds a valid tax invoice for the service; and
- whether the service:
 - relates to the making of input taxed supplies (including the acquisition of Securities); and
 - qualifies for reduced input tax credits.

Investors should seek their own advice about the availability of input tax credits in their particular circumstances.

13 Tax File Number ("TFN")

Investors may be requested to provide their TFN or ABN (if applicable) or claim an exemption in relation to their investment. It should be noted that there is no obligation to provide a TFN, however, Investors who do not provide their TFN or ABN or claim an exemption may have tax deducted from distributions at the highest marginal rate.

14 Common Reporting Standards and FATCA

In March 2010, the United States enacted the Foreign Account Tax Compliance Act ("**FATCA**") that requires non-United States banks and other financial institutions to provide information on United States account holders to the United States Federal tax authority, the Internal Revenue Service ("**IRS**"). The United States has entered into intergovernmental agreements (IGAs) with a number of jurisdictions (including Australia), which generally require such jurisdictions to enact legislation or other binding rules pursuant to which local financial institutions and branches provide such information to their non-United States local revenue authority to forward to the IRS.

In the Mid-year Economic and Fiscal Outlook 2014-15, the Australian Government announced that it will implement the OECD Common Reporting Standard for the automatic exchange of financial account information. The Standard will require banks and other financial institutions to collect and report to the Australian Taxation Office financial account information on non-residents, who may exchange this information with foreign tax authorities. Conversely, the Australian Taxation office will also receive financial account information on Australian residents from other countries' tax authorities. Investors should be aware that ANZ may be required to disclose information about Investors to the Australian Taxation Office as part of these arrangements.

15 Tax reform

Investors should also note that significant reforms of the Australian trust income tax provisions have been proposed which may impact on their investment. Prospective investors should similarly monitor developments in this area.

Yours faithfully



Richard Snowden
Partner
King & Wood Mallesons

SECTION 8: SMSF OPINION

We have obtained the following opinion from King & Wood Mallesons regarding compliance of various strategies under ANZ Cobalt with the SIS Act. King & Wood Mallesons have consented to the SMSF Opinion being included in this PDS in the form and context in which it has been included, and this consent has not been withdrawn before the date of this PDS. You should read the SMSF Opinion carefully and seek independent legal and investment advice. It is your responsibility to ensure that you are complying with your ongoing legal obligations. For example, you should ensure that the trust deed which constitutes the SMSF gives the power to borrow and to enter into derivatives.

1 April 2016

The Directors
Australia and New Zealand Banking Group Limited
Level 14 100 Queen Street
Melbourne VIC 3000

Dear Directors

ANZ Cobalt: SMSF Investors

This letter sets out our opinion on whether trustees of self-managed superannuation funds (**SMSFs**) may borrow money, and/or enter into options, under arrangements collectively called "**ANZ Cobalt**" without breaching the borrowing and charging restrictions in the Superannuation Industry (Supervision) Act 1993 (Cth) (**SIS Act**) and the Superannuation Industry (Supervision) Regulations 1994 (Cth) (**SIS Regulations**). The terms governing the ANZ Cobalt loans and options are contained in the Product Disclosure Statement and Security Trust Deed.

In our opinion, a borrowing by an SMSF trustee under the ANZ Cobalt terms will satisfy the conditions for a limited recourse borrowing arrangement under section 67A of the SIS Act. Section 67A provides an exception to the prohibition in section 67 on a trustee borrowing money.

Further, in our opinion neither a borrowing by an SMSF trustee under the ANZ Cobalt terms, nor the acquisition or exercise of an option under those terms, will contravene the anti-charging rule in regulation 13.14 of the SIS Regulations.

In providing our opinion we note that particular aspects and terms of the AMP Cobalt arrangements will not apply to SMSF trustees and we assume that these will be complied with. Our opinion is provided on the basis of the Product Disclosure Statement to be dated 1 March 2016.

This opinion may be relied on only by Australia and New Zealand Banking Group Limited.

Yours sincerely

Nathan Hodge
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SECTION 9: OTHER INFORMATION

9.1 HOW DO I INVEST?

STEP 1: DETERMINE YOUR INVESTMENT OBJECTIVES

ANZ Cobalt gives you the flexibility to tailor the structure of your Transactions to suit your investment objectives. You should consult with your private banker, financial adviser and/or tax adviser to determine your investment objectives and the taxation consequences of any resulting investment recommendations.

STEP 2: COMPLETE THE APPLICATION FORM

After considering the product and taking appropriate advice, if you decide to apply for ANZ Cobalt you need to complete the Application Form contained at the back of this PDS.

STEP 3: CHOOSE YOUR DESIRED SECURITIES AND STRATEGIES AND CONTACT US

Select your desired Securities and the terms of the Loan and/or Option Transactions you would like to enter into. The minimum initial value of each Parcel in connection with an Option or Loan Transaction is \$100,000, and the minimum Loan amount of \$500,000 (unless we agree otherwise). Please contact us on the Contact Details set out in Section 1 to confirm if your desired Securities can be utilised within ANZ Cobalt.

STEP 4: WE WILL PROVIDE YOU A QUOTE SHEET FOR THE TRANSACTION YOU ARE CONSIDERING

Once we've established your ANZ Cobalt facility and you have contacted us (orally or in writing) to describe the kind of Transaction you are considering, we will prepare a Quote Sheet based on your specified parameters, which will specify:

If you want to enter into a Loan Transaction:

- > the amount of the Loan;
- > whether the interest rate is to be fixed for the Term of the Loan or to be reset periodically (usually annually);
- > whether you would like to utilise an Interest Assistance Loan;
- > the Term of the Loan and Purchase Put Option;
- > the notional value, number (approximate), denomination and type of Securities or International Securities forming each Parcel or Basket;
- > whether they are existing Securities or new Securities;
- > the Protection Level, and Cap Level (if applicable) for the Purchase Put Option;
- > the terms of any Automatic Lock-In Facility (if applicable);
- > the Adviser Option Payment you have requested (if any);
- > the brokerage (if any) payable to the Broker; and
- > any conditions precedent we will require.

If you want to enter into an Option Transaction:

- > the type and Term of the Option;
- > the notional value, number, denomination and type of Securities forming each Parcel or Basket;
- > whether they are existing Securities or new Securities;
- > the Protection Level, the Floor Level, the Strike Level and the Cap Level (if applicable);
- > the terms of any Automatic Lock-In Facility (if applicable);

- > the Adviser Option Payment you have requested (if any);
- > the brokerage (if any) payable to the Broker; and
- > any conditions precedent we will require.

For some of the factors, you can request us to provide a number of alternatives so you can see how the change in one factor impacts the other terms of your Transaction.

STEP 5: PROVIDE US WITH A TRANSACTION REQUEST

If you wish to proceed with a Loan Transaction and/or an Option Transaction on the terms set out in the Quote Sheet, you must provide us a Transaction Request, under which you irrevocably offer to enter into the Transaction(s) on the terms specified in the Quote Sheet. You can provide us a Transaction Request either orally or in writing.

The terms set out in your Quote Sheet are indicative only and are subject to change until the Issue Time. Any change in the terms is a risk that you will bear. However, if a change occurs to the Quote Sheet that we think is materially adverse to you, we will generally issue to you a revised Quote Sheet before accepting a Transaction Request for the relevant Transaction.

STEP 6: CONDITIONS PRECEDENT

Before we will enter into a Transaction with you, we might require you to satisfy certain conditions precedent, some of which may be specified in the Quote Sheet. These might include (without limitation):

- > if you have existing Securities that are to form the subject of a Loan:
 - > you must send us a CHES Instruction Form to transfer your Securities to a CHES account sponsored by the Sponsoring Participant (if they are not already sponsored by the Sponsoring Participant) or for International Securities, transfer the Securities to the Nominee;
 - > if the Securities are encumbered, provide a deed of release and evidence of the removal of any financing statement registered in respect of a Security Interest over those Securities;
- > if we require a Guarantee, ensure the Guarantor has properly executed the Guarantee;
- > pay us your Contribution (if any) together with any interest for the first interest period (for a Loan Transaction), any Initial Option Fee payable, any Adviser Option Payment any brokerage and other payments or fees we require (we might not require payment of these amounts to be a condition precedent to entering into the Transaction); and
- > provide to us any other approval, document or information which we reasonably request and meet any additional conditions to our satisfaction, in particular, we might require this if the Transaction relates to International Securities.

STEP 7: THE RELEVANT TRANSACTION COMMENCES

When the indicative terms of a Transaction are taken to be agreed between you and us we will endeavour to execute the Transaction. The Transaction commences at the Issue Time, which is when we execute the Transaction.

SECTION 9: OTHER INFORMATION

STEP 8: CONFIRMATION

Once we have executed the Transaction, we will send you a Confirmation Letter setting out the final terms of the Transaction.

The Confirmation Letter will set out:

For a Loan Transaction:

- > the amount of the Loan;
- > the interest rate for the first interest period (or, for a fixed rate loan, for the Term) and whether it is fixed for the Term or reset periodically;
- > the Term of the Loan and Purchase Put Option, the Maturity Date and Interest Payment Dates;
- > the terms of any Interest Assistance Loan including the amount of the Interest Assistance Loan, the interest rate and the repayment schedule;
- > the number, denomination and type of Securities or International Securities forming each Parcel or Basket;
- > the Protection Level and Cap Level (if applicable);
- > the terms of any Automatic Lock-In Facility (if applicable);
- > for a Loan and Purchase Put Option over International Securities, where the Option Currency is different to the currency of the International Securities, the Fixed FX Rate;
- > the Adviser Option Payment (if any);
- > the brokerage (if any) payable to the Broker; and
- > the terms of any Dividend Give-Up Facility including the Upfront Interest Amount, the Dividend Interest Amount and the date the Dividend Interest Amount is due for payment.

For an Option Transaction:

- > the type and Term of the Option, including the Maturity Date;
- > the number, denomination and type of Securities forming each Parcel or Basket;
- > the Protection Level, the Floor Level, the Strike Level and any Cap Level (if applicable);
- > the terms of any Automatic Lock-In Facility (if applicable);
- > the Initial Option Fee;
- > the brokerage (if any) payable to the Broker; and
- > the Adviser Option Payment (if any).

9.2 CLIENT MONIES

We are required to hold any money received from you in a trust account until payment is due from you. We will retain any interest payable on that trust account.

9.3 WHAT COMMUNICATIONS WILL I RECEIVE?

We are committed to providing you with regular communication in relation to ANZ Cobalt facility and Transactions under it. You will receive the following communications from us in relation to ANZ Cobalt and Transactions under it.

> Confirmation Letter

If we have agreed a Quote Sheet with you and accept your Transaction Request, we will send you a Confirmation Letter once we have executed the Transaction. The Confirmation Letter will include the information described under Step 8 in Section 9.1 above.

> Interest reminder statements – Loans only

Prior to any interest payment date we will send you a reminder notice confirming:

- > your outstanding Loan amount and the interest due;
- > if you select the Dividend Give-Up Facility, the Upfront Interest Amount, the Dividend Interest Amount and the date the Dividend Interest Amount is due for payment for the forthcoming interest period; and
- > the date the interest is due.

> Annual statements – Loans only

We will send statements on your Loans annually. They will include:

- > Loan summary;
- > Interest rate;
- > if you use the Dividend Give-Up Facility, the Dividend Interest Amount and the actual dividends and distributions received on your Securities and the balancing payment; and
- > confirmation and revaluation of the Securities in your Parcel or Basket.

> Information regarding Adjustment Events

If an Adjustment Event occurs, we will send you a notice of Adjustment Event outlining the effect of the Adjustment Event on your Transaction.

> Information about Australia and New Zealand Banking Group Limited

ANZ is listed on the ASX. Our continuous disclosure obligations under the ASX Listing Rules require us to disclose to the ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of its ordinary shares. The ASX Listing Rules provide some exceptions to this requirement.

Copies of the information disclosed to the ASX can be viewed on the public file at the ASX for ANZ.

Information about ANZ, including documents such as financial statements and annual reports, or any documents sent to the ASX to fulfil our continuous disclosure obligations can be provided free of charge to anyone who requests these documents.

If you would like copies of these documents, please write to:

Investor Relations Department
Australia and New Zealand Banking Group Limited
Level 9
833 Collins Street
Docklands VIC 3000

You should obtain independent advice in respect to the nature of the business activities in which we participate and to the prospects of those business activities.

SECTION 9: OTHER INFORMATION

> Information about Securities

Your Securities in respect of a Transaction will be listed on a stock exchange or will be an Index comprised of Securities that are listed on a stock exchange. Listed entities are usually required to disclose market sensitive information on a "continuous disclosure" basis in accordance with the listing rules of the relevant stock exchange, subject to certain exceptions. Historical information in relation to prices and trading histories in Securities is generally available from various sources, including the ASX (for Australian listed Securities) or the Relevant Exchange, a broker or investment advisers, newspapers and from the website of each listed entity. We have not made any independent investigations of the information contained in those websites and do not accept responsibility if information on those websites is incorrect, incomplete, or misleading by omission or commission.

9.4 ADJUSTMENT EVENTS

Adjustment Events include events which affect the capital structure of a company, such as bonus issues, takeovers, special dividends and share buy-backs. Adjustments may have the effect of diluting the market value of the company's Securities. An Adjustment Event can therefore affect the value of your Securities and the value of the Secured Property. Adjustment Events also include things like our inability to hedge our exposure to your Transactions to our satisfaction.

Under the Terms, we have the right upon the occurrence of an Adjustment Event to take any action we consider necessary or desirable in our absolute discretion. This includes transferring your Securities to the Nominee, changing the terms of your Transaction, requiring you to sell or dispose of your Securities, using the proceeds of a distribution in a manner we determine and/or terminating or closing out your Transactions. If an Adjustment Event occurs, we will send a notice of Adjustment Event setting out the details of the Adjustment Event and any actions we have taken or will be taking.

Some examples of Adjustment Events and their potential effect are summarised below:

- > Return of capital: Under a return of capital (which may be in the form of a special dividend), a company usually returns to its shareholders a cash payment per share held. In effect, the company becomes smaller because it has reduced its capital by giving capital back to shareholders. The effect of a return of capital on Securities the subject of a Transaction is a fall in the value of the relevant Securities. One of the options we have in this circumstance is to use the returned capital to purchase additional Securities on your behalf or to repay a portion of your Loan. We may require that you transfer your Securities to the Nominee so that the Nominee receives the return of capital and applies it towards repayment of the Loan or purchase of new Securities. This may have taxation implications for you. The terms of your option may also be adjusted.
- > Rights issues: Under a rights issue the company may offer shareholders the opportunity to buy new Securities at a discount to the current market price. The company's aim is to raise additional finance while offering existing shareholders the opportunity to maintain the same proportion of ownership of the company. In the case of a rights issue, we may realise the value of the rights and purchase additional Securities on your

behalf or repay a portion of your Loan. We may require that you transfer your Securities to the Nominee so that the Nominee receives the rights issue and applies it towards repayment of the Loan or purchase of new Securities. This may have taxation implications for you. The terms of your option may also be adjusted.

- > Takeovers: When a takeover offer is announced, the offer can be in the form of cash, Securities or a combination of the two. If a takeover offer is made, we may terminate your Transaction or transfer your investment from the target company to the offer company. Upon the termination of an Option Transaction subsequent to an Adjustment Event you will be entitled to receive or required to pay an Early Termination Amount. Upon the termination of a Loan or Interest Assistance Loan, Break Costs may be payable.
- > Bonus issues: When a bonus issue is announced, a company gives to its shareholders a certain number of new Securities at no additional cost. Bonus Securities will also form part of the Secured Property (restrictions apply if you are a SMSF Investor). The terms of your option may also be adjusted.
- > Inability to hedge: We are unable to hedge our exposure to your Transaction to our satisfaction. This may include a total inability to hedge or even an increased cost of hedging. Under the Terms, we are entitled to terminate or close-out, in whole or in part, your Transaction.
- > Index Adjustment Events: For Index Option Transactions, the Index sponsor not calculating or publishing the Index or making a material change in the method of calculating the Index or the financial products that make up a material portion of the Index being suspended or restricted from trading. Under the Terms, we are entitled to terminate your Transaction.
- > Fund Adjustment Events: For Transactions over Securities that are interest in a Fund, a material change to the terms of the Fund (eg the investment objective or currency of denomination), the net asset value not being calculated or announced within required time periods or restrictions on redemptions. Under the Terms, we are entitled to terminate your Transaction.

SMSF INVESTORS

The treatment of the proceeds from certain corporate actions may differ depending on whether you are a SMSF Investor or a Non-SMSF Investor. For many types of corporate actions, it is likely that we will nominate that all or part of any Loan or Interest Assistance Loan must be repaid early. If all or part of your Loan or Interest Assistance Loan is repaid early, you may have to pay Break Costs.

9.5 SPONSORING PARTICIPANT AND NOMINEE ARRANGEMENTS

If we have agreed to provide you with a Loan, or you have granted us a Sold Call Option or entered into a Capped Purchase Put Option or Capped Put Spread Option, or your Confirmation Letter otherwise requires, then:

- > If you a Non-SMSF Investor, the Sponsoring Participant for your Parcels of ASX listed Securities will be ANZ Securities Limited for the purposes of CHESS. ANZ Securities Limited will obtain our consent prior to following your instructions;

SECTION 9: OTHER INFORMATION

You will remain the legal and beneficial owner of any Securities for which ANZ Securities Limited is the Sponsoring Participant for you in respect of ANZ Cobalt. As these Securities will remain registered in your name you will continue to receive all the benefits of owning securities, such as receiving all ordinary dividends and distributions (other than special dividends) and, depending on your circumstances, any associated franking credits (subject to you satisfying any taxation requirements). You should consult your independent tax adviser in relation to your specific tax position.

In some cases, we may require you to transfer your Securities for a Transaction to the Nominee. For example:

- (a) if an Adjustment Event occurs we may need to transfer the Securities to the Nominee in order to facilitate the adjustment; or
- (b) if you have elected Dividend Give-up Facility to apply, in order for us to receive the dividends or distributions on your Securities.

If we do so, then you will no longer be the legal owner of the Securities for the period during which they are held by the Nominee, but you will retain beneficial ownership (subject to the Security Interest). The Nominee will generally act on your instructions but will not deal with the Securities unless we have given our prior written consent.

- > If you a SMSF Investor, your Parcels of Securities will be held by the Nominee on the terms of the Trust Deed; and
- > Any International Securities will be held by the Nominee or a sub-custodian of the Nominee on the terms of the Trust Deed.

9.6 VARIATION AND EARLY TERMINATION

If you want to vary the Maturity Date or terminate your Transaction prior to the Maturity Date, you should contact us to make an Early Termination Request. If we are prepared to allow your Early Termination Request, we will give you an "Early Termination Quote" setting out our estimate of the Break Costs (if any) you will incur and the Early Termination Amount payable by you or to you under the proposed Early Termination. If you wish to proceed with the Early Termination, you will need to notify us that you accept the terms of our Early Termination Quote. We will specify the new Maturity Date and the other terms of your Early Termination, including the Break Costs (if any) you will be charged and the Early Termination Amount payable by you or receivable by you. You must repay to us on the date which we specify all amounts owing to us in respect of the Loan and Interest Assistance Loan together with any Break Costs and any Early Termination Amount you owe us.

We will generally refund to you any prepaid interest (net of Break Costs) if you terminate a Loan early. The Product Ruling does not address the tax consequences of variation or Early Termination of any Transaction. You should seek your own independent tax advice on the tax consequences of varying or terminating your Transaction prior to the Maturity Date.

9.7 OPENING AN ANZ COBALT FACILITY

Having read the PDS and taken appropriate advice, if you wish to apply for ANZ Cobalt, please carefully complete and sign the relevant sections of the Application Form that is attached to or accompanying this PDS.

9.8 JOINT ACCOUNTS

Where a Transaction is entered into with one or more persons, the following shall apply:

- > We can send notices, statements or other documents including changes to the terms and conditions of ANZ Cobalt or any Transaction under it by mailing them to anyone of the joint transacting parties at their address shown in our records;
- > if we give a notice to any one of the joint transacting parties, it will be considered to have been received by all transacting parties; and
- > if a joint transacting party dies, we will treat the balance of the investment as owned by the surviving transacting party(ies).

9.9 ANTI-MONEY LAUNDERING

We may delay, block or refuse to process any Transaction (and will incur no liability to you if we do so) if we suspect that making a payment may breach any law in Australia or any other country, or the Transaction involves any person (natural, corporate or governmental) that is 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 other country or 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 agree to provide all information to us which we reasonably require in order to manage our money-laundering, terrorism financing or economic and trade sanctions risk or to comply with any laws in Australia or other country. You agree that we may disclose information which you provide to us to any law enforcement, regulatory agency or court where required by any law or regulation in Australia or any other country. 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 this agreement. You declare and undertake to us that the payment of monies in accordance with your instructions by us will not breach any laws in Australia or any other country.

9.10 FATCA

In 2010, the United States of America enacted the Foreign Account Tax Compliance Act ("FATCA"), which requires participating foreign financial institutions ("Participating FFIs") to provide certain information to the United States Internal Revenue Service ("IRS") about financial accounts held (directly or indirectly) by US persons and may require Participating FFIs to withhold certain amounts and pay them to the IRS ("FATCA withholding"). A FATCA withholding may be required if (i) an investor does not provide information sufficient for the Participating FFI or any other foreign financial institution ("FFI") through which payments are made to determine whether the investor is subject to FATCA withholding or (ii) an FFI to or

SECTION 9: OTHER INFORMATION

through which payments are made is a “non-participating FFI”. Australia and the United States signed an intergovernmental agreement (“Australian IGA”) in respect of FATCA on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the Australian IGA (“Australian IGA Legislation”).

Australian financial institutions which are Reporting Australian Financial Institutions under the Australian IGA must comply with specific due diligence procedures to identify their account holders and provide the Australian Taxation Office (“ATO”) with information on financial accounts held by US persons and recalcitrant account holders and on payments made to non-participating FFIs. The ATO is required to provide such information to the IRS. Consequently, you may be requested to provide certain information and certifications to ANZ and to any other financial institutions through which payments under the Transactions are made in order for ANZ and such other financial institutions to comply with their FATCA obligations.

Under the Australian IGA Legislation, Australian FFIs will generally be able to be treated as “deemed compliant” with FATCA. A Reporting Australian Financial Institution that complies with its obligations under the Australian IGA will not generally be subject to FATCA withholding on amounts it receives, and will not generally be required to deduct FATCA withholding from payments it makes, other than in certain prescribed circumstances.

As FATCA and the Australian IGA Legislation will affect us, when you apply to invest you agree, when requested, to provide us with identification and other information we require to comply with our obligations under FATCA, including obligations under any agreement with the IRS and/or under the Australian IGA Legislation. If you fail to provide us with information we request on a timely basis, you acknowledge that we may be required to deduct FATCA withholding from payments we make to you.

In the event that any amount is required to be withheld or deducted from a payment to you as a result of FATCA, pursuant to the terms and conditions, we will pay no additional amounts as a result of the deduction or withholding.

9.11 COMMON REPORTING STANDARDS

In the Mid-year Economic and Fiscal Outlook 2014-15, the Australian Government announced that it will implement the OECD Common Reporting Standard for the automatic exchange of financial account information. The Standard will require banks and other financial institutions to collect and report to the Australian Taxation Office, financial account information on non-residents, which may exchange this information with foreign tax authorities. Conversely, the Australian Taxation Office will receive financial account information on Australian residents from various foreign tax authorities. Investors should be aware that ANZ may be required to disclose information about investors to the Australian Taxation Office as part of these arrangements.

9.12 CONSENTS

King & Wood Mallesons (“KWM”) has given, and not withdrawn, its written consent to being named as having acted as our legal adviser in connection with the issue of ANZ Cobalt pursuant to this PDS. It has, in that capacity, provided the Taxation Opinion in Section 7 of this PDS and the SMSF Opinion in section 8 of this PDS. KWM otherwise takes no responsibility for this PDS. KWM does not make any statement in this PDS nor does any statement in this PDS purport to be based on a statement made by KWM except for Sections 7 and 8. KWM has not authorised or caused the issue of this PDS.

9.13 EXPERTS AND ADVISER’S INTERESTS

Except as set out in this paragraph, no expert and no firm in which an expert is a partner, has at the date of this PDS any material interest in connection with the formation or promotion of either ANZ or ANZ Cobalt. King & Wood Mallesons will receive legal fees for their professional services in connection with this PDS as tax and legal advisers to ANZ.

9.14 PRIVACY STATEMENT

ANZ will only collect personal information necessary for the products or services you request. The information we collect from you or other people during the course of managing ANZ Cobalt is required to process your Application Form, manage your investment and comply with relevant laws. Please refer to the “Privacy and Disclosure” provision set out in clause 33.19 of the Terms set out in Section 10 of this PDS. ANZ’s Privacy Policy (available at anz.com/privacy) contains further information about ANZ’s privacy practices.

9.15 COMPLAINT RESOLUTION SYSTEM

If you have a complaint about any of our products or services, Australia and New Zealand Banking Group Limited has established complaint resolution procedures that aim to deal with and resolve your complaint within 5 Business Days.

For the fastest possible resolution to your complaint:

- > call or email us on the phone number provided in the Contact details in Section 1 this PDS; or
- > contact the ANZ Complaint Resolution Centre via:
Mail: Locked Bag 4050, South Melbourne Victoria 3205
Email: YourFeedback@anz.com
Phone: 1800 805 154

If you are not satisfied with the resolution offered by our Complaint Resolution Centre, you can have your complaint reviewed by ANZ’s Customer Advocate who provides a free, independent review of your complaint.

FINANCIAL OMBUDSMAN SERVICE

If you are not satisfied with the steps taken by ANZ to resolve the complaint, or with the result of Australia and New Zealand Banking Group Limited’s investigation, you may wish to contact the Financial Ombudsman’s Service Limited (“FOS”).

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FOS is an independent dispute resolution scheme for consumers to help resolve complaints relating to financial service providers. FOS can be contacted at:

Financial Ombudsman Service Limited
Address: GPO Box 3 Melbourne,
Victoria 3001
Telephone: 1300 780 808
Email: info@fos.org.au
Internet: www.fos.org.au

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Alternatively, the Australian Securities and Investments Commission ("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
Email: infoline@asic.gov.au
Internet: www.asic.gov.au

9.16 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's world headquarters is located in Melbourne. It first opened as the Bank of Australasia in Sydney in 1835 and in Melbourne in 1838.

The ordinary shares of ANZ are listed on the ASX. Full details of the share capital and net assets of ANZ are contained in the financial statements that are available on the ANZ website at www.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.

9.17 COOLING OFF

You have no cooling off rights in respect of Transactions under ANZ Cobalt.

SECTION 10: TERMS AND CONDITIONS

PART A – ANZ COBALT AND HOW IT WORKS

1. ANZ COBALT

1.1 ESTABLISHING YOUR FACILITY

- (a) You may request that we make an ANZ Cobalt facility (**Facility**) available to you by submitting to us a duly completed and signed:
- (i) Application Form; and
 - (ii) Authorised Representative Certificate (provided the identity of each Authorised Representative has been verified to our satisfaction in order to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth)),
- in accordance with the terms of this PDS. We may accept or reject your application for a Facility in our absolute discretion (even if you submit all of the items referred to in this clause 1.1(a)), and will notify you accordingly.
- (b) We will be taken to have accepted your request for a Facility when we have established a Facility for you (as conclusively determined by us).
- (c) On our acceptance of your request for a Facility, you are bound by these Terms. These Terms, together with all relevant ANZ Cobalt Documents, form a single agreement between us and you with respect to the Facility and Transactions entered into by you under the Facility. If you are a SMSF Investor, each Loan and related Separate Trust forms a separate limited recourse borrowing arrangement for the purposes of section 67A(1) of the SIS Act.

1.2 HOW TRANSACTIONS ARE ENTERED INTO UNDER YOUR FACILITY

- (a) After we have established your Facility, you may request that we enter into a Transaction with you by requesting a Quote Sheet on a Business Day. We may refuse to provide you with a Quote Sheet in our absolute discretion.
- (b) Delivery of a Quote Sheet to you does not constitute an offer by us to enter into the relevant Transaction and we have the right, in our absolute discretion, to refuse to enter into a Transaction even if a Quote Sheet is delivered to you and you provide us a corresponding Transaction Request.
- (c) When you provide a Transaction Request to us in respect of a Quote Sheet, you are taken to have made an irrevocable offer to enter into the relevant Transaction:
- (i) on the indicative terms set out in the Quote Sheet;
 - (ii) but, on the basis that the final terms of the Transaction may differ as a result of changes to various factors including interest rates and price movements in respect of the relevant Securities the subject of the Transaction. The final terms of a Transaction will be set out in the Confirmation Letter for that Transaction.

If there are any differences between the terms of the Quote Sheet for a Transaction and the terms set out in the Confirmation Letter issued by us for the resulting Transaction, then the terms of the Confirmation Letter prevail.

- (d) The indicative terms of a Transaction as set out in the Quote Sheet will be taken to be agreed between you and us when all of the following requirements are met (as determined by us acting reasonably) unless we, in our absolute discretion, elect to waive any or all of the requirements:
- (i) we have delivered a Quote Sheet to you;
 - (ii) we accept your offer in your Transaction Request to enter into the Transaction on the indicative terms set out in the Quote Sheet;
 - (iii) we have received all amounts required to be paid by you in cleared funds on or prior to the Commencement Date (including, for example, any Initial Option Fee, interest amounts and/or Contributions) and any other costs, fees, Taxes and charges identified in the Quote Sheet, or we agree to receive such amounts at a later time; and
 - (iv) all conditions precedent to entry into the Transaction have been satisfied by you or waived by us, including:
 - (A) if we require a Guarantee, that the Guarantor has duly executed the relevant section in the Application Form;
 - (B) that you have given us any approval, document or information which we reasonably request from you by the time specified;
 - (C) all other conditions specified in these Terms, including that there is no Default subsisting; and
 - (D) you have met any additional conditions to our satisfaction (including any specified in the relevant Quote Sheet).

We agree to promptly notify you (by oral communication, in writing and/or via e-mail) as to whether or not the conditions have been waived by us or satisfied.

- (e) When the indicative terms of a Transaction are taken to be agreed between you and us in accordance with clause 1.2(d), we will endeavour to execute the Transaction, having regard to the terms set out in the Quote Sheet, but subject to clause 1.2(c). We are not liable for any loss that you may suffer as a result of:
- (i) any difference between the indicative terms in the Quote Sheet and the final terms of a Transaction specified in the Confirmation Letter; or
 - (ii) us not entering into a Transaction for any reason.

SECTION 10: TERMS AND CONDITIONS

1.3 CONFIRMATION LETTERS

- (a) As soon as reasonably practicable after a Transaction is entered into, we will send to you a Confirmation Letter setting out the final terms for that Transaction.
- (b) You must examine the terms of each Confirmation Letter immediately upon receipt and, unless within 7 Business Days of the date of receipt (determined in accordance with the provisions of clause 32.2) you notify us of any disputed detail in the Confirmation Letter, you agree that the contents of the Confirmation Letter, in the absence of manifest error, are conclusive evidence of the executed Transaction.
- (c) Unless and until any relevant disputed detail has been resolved to our satisfaction (acting reasonably) and a replacement Confirmation Letter is issued by us, you must continue to satisfy all of your obligations under these Terms and the other ANZ Cobalt Documents in respect of the relevant Transaction as if the details in the relevant Confirmation Letter are correct and not the subject of a dispute.
- (d) Failure by us to provide a Confirmation Letter to you does not affect the validity of a Transaction.

1.4 INTERPRETATION AND CONSOLIDATION

- (a) Unless the relevant Confirmation Letter provides otherwise, in connection with a Transaction:
 - (i) subject to paragraph (ii) below, a single Option is granted in respect of the Parcel relating to that Transaction; or
 - (ii) in the case of a Transaction involving a Basket, a single Option is granted in respect of the Basket relating to that Transaction,and these Terms must be construed accordingly.
- (b) We may for administrative convenience consolidate information in relation to some or all of your Transactions or proposed Transactions or other matters when producing Quote Sheets, Confirmation Letters, statements or other information relating to the Facility.

PART B – LOANS UNDER ANZ COBALT

2. LOANS

2.1 TERMS OF THE LOAN

- (a) Without limiting clause 1, in connection with any Loan, we must be satisfied that:
 - (i) we have agreed the Loan Limit, being an amount that is greater than or equal to A\$500,000 (unless we agree otherwise in writing);
 - (ii) either:
 - (A) we have agreed the terms of a Purchase Put Option to be entered into in connection with the Loan, including the Protection Level for the

Parcel or the Basket (as applicable) under the Purchase Put Option, if the Purchase Put Option is a Capped Purchase Put Option, the Cap Level for the Parcel or the Basket (as applicable), if the Purchase Put Option relates to International Securities, the Option Currency and, if the Option Currency is different to the currency of the International Securities, the Fixed FX Rate, and if we agree for an Automatic Lock-in Facility to apply, the Trigger Price and the Increased Protection Level; or

- (B) if the relevant Parcel or Basket is already the subject of a Purchase Put Option, we have approved the terms of that Purchase Put Option (including the relevant Protection Level and any Cap Level) for the purposes of the Loan;
- (iii) we have agreed the number, denomination and type of Securities constituting each Parcel (subject to the Closing Price of the Parcel (or relevant Basket as a whole, if applicable) on the Commencement Date being at least A\$100,000, unless we agree otherwise);
- (iv) we have agreed a Maturity Date in respect of the Loan;
- (v) you have nominated the type of interest rate to apply to the Loan;
- (vi) in respect of any Security Interest over the Securities constituting each Parcel (if applicable), you have provided us with:
 - (A) a deed of release in respect of that Security Interest; and
 - (B) evidence of the removal of any financing statement registered in respect of the Securities if the Securities constitute all the collateral which is subject to the registration;
- (vii) you have provided us with a duly completed and signed CHESS Instruction Form (if applicable);
- (viii) you provided us with a duly completed and signed Vested Employee Options Declaration (if applicable);
- (ix) where the Loan and Purchase Put Option are in respect of International Securities, you have provided us with an election as to the currency of your Loan and Purchase Put Option. The Loan and Purchase Put Option must be denominated in the same currency; and
- (x) you have met any additional conditions to our satisfaction (this may include the provision of collateral or other Security Interests to our satisfaction).

- (b) We may at any time specify a Facility Limit. If we do so, the total of all Amounts Outstanding under every Loan made under the Facility must not exceed the Facility Limit. You may ask us whether or not we are prepared to increase the Facility Limit. We have absolute discretion as to whether we will increase the Facility Limit and may impose conditions in respect of any such increase.

SECTION 10: TERMS AND CONDITIONS

- (c) Unless we agree otherwise, the minimum Term for a Loan is 3 months from the Commencement Date and the maximum Term for a Loan is 5 years from the Commencement Date.

2.2 MAKING A LOAN AVAILABLE

- (a) If we have agreed to provide you with a Loan we will make available to you on the Commencement Date a Loan in respect of the Parcel or Basket (as applicable) in a total aggregate amount equal to the Loan Limit, to be advanced in a single drawdown or as otherwise agreed by us.
- (b) We may agree to provide you with a Loan in multiple drawdowns at our absolute discretion. If we do so, then you may request that we provide you a further drawdown in respect of that Loan if:
 - (i) you are not in Default;
 - (ii) the amount of the drawdown is at least A\$50,000, or such lesser amount as we may agree; and
 - (iii) following the drawdown, the Amount Outstanding will not exceed the Loan Limit, and the total of all Amounts Outstanding will not exceed any Facility Limit.

Each drawdown of the multiple drawdowns will be at our absolute discretion.

2.3 AUTHORISATION TO PURCHASE

- (a) If we agree to provide you with a Loan to purchase Securities, you irrevocably authorise and direct us to apply the proceeds of each Loan and your Contribution (if any) in respect of the relevant Parcel or Basket (as applicable) to purchase (including on the exercise of Vested Employee Options) the Number of Securities constituting the relevant Parcel or the Basket (as applicable) on the Commencement Date. We will direct the Sponsoring Participant or the Nominee (in the case of SMSF Investors, transactions in respect of International Securities or Securities held under a Dividend Give-Up Facility), as applicable, to acquire (either directly, or through a custodian or sub-custodian) the Securities on your behalf, on the Commencement Date. We may sell you the Securities as principal or the Securities may be acquired from a third party. Upon acquisition the Securities will be held by the Sponsoring Participant or the Nominee or its custodian or sub-custodian (as the case may be) subject to the Terms.
- (b) We are not liable for any loss you may suffer or incur because the price of any Securities you intend to purchase increases or any Securities cease to be available because of the time it takes to lend you money or forward any communications on your behalf.

2.4 USING THE LOAN FOR SECURITIES YOU ALREADY HOLD

If you are a Non-SMSF Investor, we may, in our absolute discretion, agree to provide you with a Loan in respect of Parcels that you already hold. If we agree to do so:

- (a) either:

- (i) for Securities quoted on ASX, the Sponsoring Participant will hold your Parcels in your Holding from the Commencement Date in accordance with your direction in the relevant CHESS Instruction Form; or
- (ii) for International Securities, the Nominee, directly or through a custodian or sub-custodian, will hold your Parcels on the terms of the Trust Deed; and

- (b) you agree to use the proceeds of the Loan wholly or predominantly for business or investment purposes and provide us with the signed business purpose declaration in the Application Form.

You agree to, and irrevocably instruct us to do all things necessary to, complete the transfer of securities under clause 2.4.

2.5 WHERE WE HAVE ALREADY ENTERED INTO OPTIONS WITH YOU

Without limiting our discretion in clause 2.4 or any of the conditions specified in clause 1 or clause 2.1, if you are a Non-SMSF Investor we may agree to provide you with a Loan in respect of Parcels or Baskets that you already hold in circumstances where you and we have already entered into a Purchase Put Option in respect of those Parcels or Baskets and the Options have not expired.

3. INTEREST

3.1 INTEREST ON LOANS

- (a) You must pay interest to us on each Loan at the annual percentage rate specified in the relevant Confirmation Letter or as subsequently notified by us from time to time.
- (b) Interest (including any default interest described in clause 3.1(e)) is calculated on the daily balance of each Loan from and including the Commencement Date. Interest accrues each day and is calculated on the number of days elapsed and on the basis of a 365 day year.
- (c) Unless we agree otherwise, you must pay interest in advance to us on each Interest Payment Date for the relevant Loan. All interest amounts will be notified by us to you at least 5 Business Days prior to the due date, but a failure by us to do so does not prejudice or constitute a waiver by us of your obligation to pay interest in full when due under the Terms.
- (d) If we have agreed that a variable interest rate will apply to your Loan, we will give you written notice of any change in that interest rate in the notice under clause 3.1(c).
- (e) If you fail to pay when due any amount payable under any ANZ Cobalt Documents, then you must pay interest on the unpaid amount from and including the due date to the date of actual payment at the rate of interest equal to the Reserve Bank of Australia Cash Rate from time to time plus 4% per annum.
- (f) If any Amount Outstanding under the ANZ Cobalt Documents is merged in a judgement or court order, you must, as a separate obligation, pay interest on that

SECTION 10: TERMS AND CONDITIONS

amount from the date of judgement or court order until it is paid in full, at the higher of the rate that applies under the judgement or court order and the rate calculated in accordance with clause 3.1(e).

- (g) You may request to use the Dividend Give-Up Facility in respect of interest on the Loan due on a particular Interest Payment Date. If we accept your request to participate in the Dividend Give-Up Facility for interest due on a particular Interest Payment Date, at or before the Interest Payment Date we will determine the Upfront Interest Amount which is payable on the Interest Payment Date in accordance with clause 3.1(a) above. The balance of your interest for that period, being the Dividend Interest Amount, will be specified in your Confirmation Letter or your interest reminder statement along with the Interest Payment Date for payment of such amount. You authorise and direct that ordinary cash dividends or distributions for your Securities that go 'ex-dividend' during the relevant Dividend Collection Period, be applied on your behalf to pay the Dividend Interest Amount to us. If the amount of the actual ordinary cash dividends or distributions received on your Securities that have gone 'ex-dividend' during the relevant Dividend Collection Period and so applied is:
- (i) greater than the Dividend Interest Amount, we will pay the excess amount to you; or
 - (ii) less than the Dividend Interest Amount, we will notify you of the shortfall amount, which you must pay to us within 5 Business Days of receipt of the notice.
- (h) In order for us to receive the dividends or distributions on your Securities under the Dividend Give-Up Facility, you authorise us to complete, on your behalf:
- (i) transfers in registrable form in favour of us, or another person as we may direct, duly executed by the registered holder of the Securities constituting each Parcel subject to the Option; and
 - (ii) any other documents that are required to effect the transfer of the Securities, and we will effect the transfer of the Securities to the Nominee (or another transferee nominated by us), to enable the Securities to be transferred to the Nominee (or another transferee nominated by us).
- (i) We may, if you request, provide you with one blended interest rate that applies to more than one of your Loans. We will notify you of the blended interest rate applicable to your relevant Loans.

4. REPAYMENT OF LOANS

4.1 REPAYMENT ON THE MATURITY DATE

Subject to clauses 8 and 11, you must pay and repay each Loan and any Amount Outstanding in respect of each Loan (and the corresponding Purchase Put Option) to us in full on the Maturity Date and otherwise as required under these Terms.

4.2 NOTIFICATIONS YOU MUST GIVE US

You must notify us at least 3 Business Days prior to the Maturity Date whether you:

- (a) elect for Physical Settlement or Cash Settlement in respect of the Purchase Put Option for your Loan (if it is to be exercised) in accordance with clause 10.4 and 10.5. Any amount payable to you under the Purchase Put Option will be set off against the Amount Outstanding in respect of the Loan under clause 30.2.
- (b) request us to purchase or to arrange for the sale of any Parcels or Basket (as applicable), in which case you agree that we may (as principal) acquire the relevant Parcels or Basket (as applicable) from you directly and/or we may instruct the Broker, the Sponsoring Participant (or, if applicable, the Nominee or any custodian or sub-custodian of the Nominee) on your behalf to sell the Parcel or Basket (as applicable), on the Maturity Date and in either case we or the Sponsoring Participant or Nominee, custodian or sub-custodian will:
 - (i) pay the sale proceeds (net of transaction costs) on your behalf in reduction of the Amount Outstanding in respect of the Loan and Purchase Put Option (including the Variable Premium Amount) and all other amounts owing under this Agreement); and
 - (ii) pay any excess to you.

If you fail to notify us whether you request us to purchase or to arrange for the sale of any Parcels or Basket (as applicable), we may deem you to have made such a request.

If the proceeds under your Purchase Put Option or the sale proceeds (net of transaction costs) under clause 4.2(b) are not sufficient to repay the Amount Outstanding in respect of the Loan, you must pay to us an amount to cover the shortfall, unless you are a SMSF Investor, in which case we may call on your Guarantors.

4.3 DEEMED ELECTION IF YOU DON'T NOTIFY US

If you do not notify us in accordance with clause 4.2(a), then:

- (a) if the Closing Price of the relevant Parcel or Basket (as applicable) on the Maturity Date is less than the Protection Level, you will be deemed to have elected to exercise the Purchase Put Option under clause 10.4, and Physical Settlement will apply unless clause 10.5(b) applies in which case Cash Settlement will apply; or
- (b) if the Closing Price of the relevant Parcel or Basket (as applicable) on the Maturity Date is equal to or greater than the Protection Level, you will be deemed to have elected to have the relevant Parcel or Basket (as applicable) sold, and the sale proceeds will be dealt with, in accordance with clauses 4.2(b).

5 INTEREST ASSISTANCE LOANS

5.1 TERMS OF INTEREST ASSISTANCE LOAN

- (a) Without limiting clause 1, in connection with any Interest Assistance Loan, we must be satisfied that you have

SECTION 10: TERMS AND CONDITIONS

satisfied all applicable conditions precedent for the Loan to which the Interest Assistance Loan relates under Clause 2.

- (b) We will not provide any drawing under an Interest Assistance Loan unless you have completed the drawing under the related Loan.

5.2 MAKING AN INTEREST ASSISTANCE LOAN AVAILABLE

- (a) If we have agreed to provide you with an Interest Assistance Loan, subject to (b) below, we will make available to you, an Interest Assistance Loan in a single drawdown of a total aggregate amount equal to the Interest Assistance Loan Amount.
- (b) You irrevocably authorise and direct us, upon approval by us of your Interest Assistance Loan and without having first notified you of such approval, to draw the Interest Assistance Loan by a single drawdown and apply the proceeds of the drawdown in payment of the interest prepayment due and owing by you under your Loan.

5.3 INTEREST ON INTEREST ASSISTANCE LOAN

- (a) You must pay interest to us on each Interest Assistance Loan at the annual percentage rate specified in the relevant Confirmation Letter or as subsequently notified by us to you from time to time.
- (b) Interest (including any default interest described in clause 3.1(e)) is calculated on the daily balance of each Interest Assistance Loan on each day during an IA Interest Period. Interest accrues each day and is calculated on the number of days elapsed and on the basis of a 365 day year.
- (c) Unless we agree otherwise, you must pay interest in arrears to us in such amounts and on such Interest Assistance Interest Payment Date as are specified in the Confirmation Letter for your Interest Assistance Loan. We will notify you of upcoming interest payment amounts and due dates in advance of the relevant Interest Assistance Interest Payment Date.
- (d) An IA Interest Period will be determined as follows:
 - (i) The first IA Interest Period shall begin on (and include) the date of drawdown of the Interest Assistance Loan and, subject to sub-paragraph (iii), shall end on the first Interest Assistance Interest Payment Date.
 - (ii) Each subsequent IA Interest Period shall begin on (and include) the day after the preceding Interest Assistance Interest Payment Date and, subject to sub-paragraph (iii), shall end on (and include) the following Interest Assistance Interest Payment Date.
 - (iii) Where an IA Interest Period would otherwise end after the date of final repayment of all amounts owing under the related Loan, it shall end on (and include) the day before the Repayment Date.

5.4 REPAYMENT OF LOANS

- (a) Subject to clauses 8 and 11, you must pay and repay interest and principal on each Interest Assistance Loan in

such amounts and on such dates as are specified in the Confirmation Letter for the Interest Assistance Loan.

- (b) You must repay to us the total of an Interest Assistance Loan together with any outstanding interest, fees and charges on the earlier of:
 - (i) the Maturity Date for the Interest Assistance Loan, and
 - (ii) the date on which the Loan to which the Interest Assistance Loan relates is repaid or becomes repayable for any reason.
- (c) If you repay or prepay any part of a Loan, then you must also repay on the same date an equivalent proportion of the principal and interest outstanding on any Interest Assistance Loan to which the Loan relates.

6. INCREASING THE LOAN AMOUNT

6.1 MAKING ADDITIONAL LOANS

- (a) If, on any date during the Term of the Loan, your Protection Level is greater than the Amount Outstanding in respect of a Loan, you may, if you are a Non-SMSF Investor, request an additional Loan up to the amount of the excess. Any such additional Loan will be repayable in full on the date the initial Loan is repayable. The Loan amount for any such additional Loan must be used wholly or predominantly for investment or business purposes (other than investment in residential property).
- (b) We may refuse any such additional Loan request.
- (c) You agree to use any additional Loan proceeds wholly or predominantly for business or investment purposes and, if we request, to provide us with a signed purpose declaration in the form required by us at the time of requesting the additional Loan.
- (d) The proceeds of the additional Loan will be paid to you by depositing that amount into your nominated bank account.

The provisions these terms will apply to any such additional Loan as if it were a new Loan.

7. INCREASING THE PROTECTION LEVEL FOR YOUR PURCHASE PUT OPTION

7.1 INCREASING YOUR PROTECTION LEVEL

- (a) If, on any date during the Term of the Loan, you are not in Default and the Closing Price of a Parcel or Basket (as applicable) has increased by A\$50,000 or more since the Commencement Date (or we waive this requirement) you may request us to increase the Protection Level.
- (b) We may refuse a request under this clause 7.1 in our absolute discretion.
- (c) We will notify you either in writing or via telephone what the new Protection Level for the relevant Parcel or the Basket (as applicable) is to be.

SECTION 10: TERMS AND CONDITIONS

7.2 PROTECTION LEVEL INCREASE FEE

If we accept your request to increase your Protection Level you must pay us the Protection Level Increase Fee within 5 Business Days of the date on which we notify you of the amount of that fee. You may also have to pay or reimburse us on request for any related Taxes that we incur.

On and from the date when we execute an increase in your Protection Level the Purchase Put Option in relation to the Parcel (or the relevant Basket) will be amended and the increased Protection Level will apply.

7.3 AUTOMATIC LOCK-IN FACILITY

When you enter into a Purchase Put Option you can request to use the Automatic Lock-In Facility. If we accept your request to use the Automatic Lock-In Facility we will specify an Increased Protection Level and a Trigger Price in your Confirmation Letter. If on any Business Day during the Term the aggregate last trade price of the Securities in your Parcel or Basket, as applicable, (as published by the Relevant Exchange(s) on which the Securities trade) equals or exceeds the Trigger Price, the Protection Level for your Purchase Put Option will automatically increase to the Increased Protection Level, without any action required on your part.

The Automatic Lock-in Facility is not available in respect of a Purchase Put Option over a Basket of Securities.

8. RECOURSE

8.1 NON-SMSF INVESTORS

In the case of a Non-SMSF Investor we have full recourse against you for your payment obligations to us under the ANZ Cobalt Documents.

8.2 SMSF INVESTORS

In the case of a SMSF Investor:

- (a) we shall only be entitled to enforce our rights to the repayment of the Amount Outstanding by exercising our rights as secured party or attorney in relation to the Parcel and any other Secured Property to which that Loan relates; and
- (b) despite paragraph (a), upon the Maturity of the Loan or in the event of early repayment, if there is an amount outstanding to be paid to us after we have exercised our enforcement rights referred to in paragraph (a), we shall be entitled to recover any and all outstanding amounts from the Guarantor.

8.3 SMSF INVESTORS: PROVISIONS READ DOWN

If a provision of any ANZ Cobalt Document (including the rest of these Terms), or an exercise of a right under any ANZ Cobalt Document (including the rest of these Terms and Conditions), would cause:

- (a) a Loan or Option in relation to a SMSF Investor not to comply with the Relevant SIS Provisions; or
- (b) a Loan and the related Separate Trust not to be a limited recourse borrowing arrangement that satisfies each of the conditions in section 67A(1) of the SIS Act,

then, to that extent, the provision or exercise is of no effect. This clause applies despite any other provision of any ANZ Cobalt Document (including the rest of these Terms).

9. OMITTED

PART C – OPTIONS

10. OPTIONS

10.1 TYPE OF OPTIONS

The following Options are available under the Facility in respect of a Parcel or a Basket:

- (a) Purchase Put Option – being an Option specified as such in the relevant Confirmation Letter and granted under this Agreement which gives you the right, but not the obligation (except upon exercise), to sell to us a Parcel or Basket at the Protection Level on the Maturity Date. Purchase Put Options include Capped Purchase Put Options.
- (b) Purchase Call Option – being an Option specified as such in the relevant Confirmation Letter and granted under this Agreement which gives you the right, but not the obligation (except upon exercise), to purchase a Parcel or Basket from us at the Strike Level on the Maturity Date;
- (c) Sold Call Option – being an Option specified as such in the relevant Confirmation Letter and granted under this Agreement which gives us the right, but not the obligation (except upon exercise), to purchase a Parcel or Basket from you at the Cap Level on the Maturity Date;
- (d) Capped Purchase Put Option – being an Option specified as such in the relevant Confirmation Letter and granted under this Agreement, and which:
 - (i) specifies both a Protection Level and a Cap Level;
 - (ii) gives you the right, but not the obligation (except upon exercise), to sell to us a Parcel or Basket at the Protection Level on the Maturity Date (if the Closing Price of the Parcel or Basket (as applicable) on the Maturity Date is less than the Protection Level for that Parcel or Basket (as applicable)); and
 - (iii) obliges you to pay the Variable Premium Amount (if any) to us on the Settlement Date.
- (e) Put Spread Option – being an Option specified as such in the relevant Confirmation Letter, and which:
 - (i) specifies both a Protection Level and a Floor Level;
 - (ii) gives you the right, but not the obligation (except upon exercise), to sell to us a Parcel or Basket on the Maturity Date in exchange for:
 - (A) where the Closing Price on the Maturity Date is less than the Protection Level, but greater than the Floor Level, for that Parcel or Basket (as applicable) – an amount equal to the Protection Level for that Parcel or Basket (as applicable); or

SECTION 10: TERMS AND CONDITIONS

- (B) where the Closing Price on the Maturity Date is less than the Protection Level, and is also less than the Floor Level, for that Parcel or Basket (as applicable) – an amount equal to the Net Physical Settlement Payment.

Put Spread Options include Capped Put Spread Options.

- (f) Capped Put Spread Option – being an Option specified as such in the relevant Confirmation Letter and granted under this Agreement, and which:
 - (i) specifies a Protection Level, a Cap Level and a Floor Level;
 - (ii) gives you the right, but not the obligation (except upon exercise), to sell to us a Parcel or Basket on the Maturity Date in exchange for:
 - (A) where the Closing Price on the Maturity Date is less than the Protection Level, but greater than the Floor Level, for that Parcel or Basket (as applicable) – an amount equal to the Protection Level for that Parcel or Basket (as applicable); or
 - (B) where the Closing Price on the Maturity Date is less than the Protection Level, and is also less than the Floor Level, for that Parcel or Basket (as applicable) – an amount equal to the Net Physical Settlement Payment;
 - (iii) obliges you to pay the Variable Premium Amount (if any) to us on the Settlement Date; and

10.2 MAKING OPTIONS AVAILABLE

- (a) Subject to this clause 10.2 and the other provisions of these Terms, you may apply to enter into Options under this Agreement by submitting a Transaction Request on a Business Day.
- (b) If you:
 - (i) enter into a Sold Call Option;
 - (ii) enter into a Capped Purchase Put Option; or
 - (iii) enter into a Capped Put Spread Option,then you, or the Nominee (or a custodian or sub-custodian of the Nominee) must own the Securities subject to the Option and you hereby undertake to do all things necessary to transfer the relevant Securities to the Sponsoring Participant or the Nominee or a custodian or sub-custodian of the Nominee (as the case may be).
- (c) You do not need to own the underlying Securities subject to a Purchase Put Option (other than a Capped Purchase Put Option), Put Spread Option (other than a Capped Put Spread Option) or Purchase Call Option.
- (d) Without limiting clause 1, in connection with any Option, we must be satisfied that:
 - (i) we have agreed the number, denomination and type of the Securities constituting each Parcel or Basket (subject to the Closing Price of the Parcel or Basket on the Commencement Date being at least A\$100,000, unless we agree otherwise);

- (ii) we have agreed a Maturity Date in respect of the Option;
 - (iii) you have given us any approval, document or information which we reasonably request from you by the time specified;
 - (iv) in respect of any Security Interest over the Securities constituting each Parcel (if applicable) you have provided us with:
 - (A) a deed of release in respect of that Security Interest; and
 - (B) evidence of the removal of any financing statement registered in respect of the Securities if the Securities constitute all the collateral which is subject to the registration;
 - (v) you have provided us with a duly completed and signed CHES Instruction Form (if applicable) and any other transfer forms necessary to transfer the relevant Securities to the Sponsoring Participant or the Nominee or its custodian or sub-custodian (as the case may be); and
 - (vi) you have met any additional conditions to our satisfaction (this may include the provision of collateral or other Security Interests to our satisfaction).
- (e) We may refuse to enter into an Option in our absolute discretion, even if the conditions in clause 10.2(d) have been satisfied.

10.3 OPTION FEES

- (a) On or prior to the Commencement Date of an Option (or a later date we may specify):
 - (i) if you have entered into a Purchase Put Option (including a Capped Purchase Put Option), a Purchase Call Option or a Put Spread Option (including a Capped Put Spread Option), you must pay to us the Initial Option Fee (if any) in respect of that Option; or
 - (ii) if you have entered into a Sold Call Option, we will pay to you the Initial Option Fee in respect of that Sold Call Option.
- (b) You may request that we allow you to pay the Initial Option Fee for a Purchase Put Option (including a Capped Purchase Put Option) you enter into in connection with a Loan as a component of the interest rate payable on your Loan. If we agree to your request, you will not have to pay a separate Initial Option Fee in connection with your Purchase Put Option. You acknowledge that the amount by which the interest payable on your Loan increases under this arrangement may equate to more than the lump sum Initial Option Fee reflecting the time value of money associated with deferring part of the cost of your Initial Option Fee through interest payments over the Term.
- (c) On the Settlement Date of a Capped Purchase Put Option or a Capped Put Spread Option, where the

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Closing Price of the Parcel or Basket (as applicable) on the Maturity Date is greater than the Cap Level, you must pay to us the Variable Premium Amount in respect of that Option. If you fail to pay us the Variable Premium Amount by the Settlement Date, you irrevocably direct us, the Broker, the Sponsoring Participant, the Nominee and any custodian or sub-custodian of the Nominee to sell the Securities on your behalf and apply the sale proceeds to pay us the Variable Premium Amount.

- (d) If a Variable Premium Amount is due in accordance with this Agreement, we will notify you of the Variable Premium Amount due, however, you acknowledge and agree that:
 - (i) you (and not us) are responsible for monitoring the market prices of the Securities constituting the relevant Parcel or Basket (as applicable); and
 - (ii) any failure to give you notice that a Variable Premium Amount is payable does not affect your obligation to pay the Variable Premium Amount.
- (e) Neither an Initial Option Fee nor a Variable Premium Amount paid in respect of an Option is refundable.

10.4 EXERCISE OF OPTIONS

- (a) An Option may be exercised only on the Maturity Date and notice of exercise may be given by delivery of a duly completed and signed Exercise Notice to us before 3.00pm (Melbourne time) on the day that is 3 Business Days before the Maturity Date.
- (a) Despite clause 10.4(a), if:
 - (i) the Closing Price of the relevant Parcel or Basket (as applicable) on the Maturity Date is:
 - (A) in the case of a Purchase Put Option (including a Capped Purchase Put Option) or a Put Spread Option (including a Capped Put Spread Option), less than the Protection Level for that Parcel or Basket (as applicable);
 - (B) in the case of a Sold Call Option, greater than the Cap Level for that Parcel or Basket (as applicable); and
 - (C) in the case of a Purchase Call Option, greater than the Strike Level for that Parcel or Basket (as applicable); and/or
 - (ii) the Option is over International Securities and the Option Currency is different to the currency in which the International Securities are denominated, the relevant Option will be automatically exercised without any further act or thing to be done.
- (c) Neither partial nor multiple exercise of an Option is permitted and an Option may only be exercised once.

10.5 SETTLEMENT OF OPTIONS

- (a) Subject to clause 10.5(b), you may elect Physical Settlement or Cash Settlement of your Option by nominating your preferred method in the relevant Exercise Notice.
- (b) Despite any other provision of this Agreement, if a Parcel or Basket the subject of an Option comprises ordinary shares in ANZ or an Index, Cash Settlement is the only method of settlement which may apply to that Option.
- (c) If you do not give us a valid Exercise Notice in accordance with this clause, you irrevocably authorise us to effect settlement of your Option by the settlement method we choose in our absolute discretion. For a Purchase Put Option, we will exercise that authority in accordance with clause 4.3.
- (d) When an Option is automatically exercised under clause 10.4(b) without you having nominated Physical Settlement or Cash Settlement as contemplated by clause 10.5(a), then you irrevocably authorise us to effect settlement of your Option by the settlement method we choose in our absolute discretion. For a Purchase Put Option in respect of a Loan, we will exercise that authority in accordance with clause 4.3.

10.6 CASH SETTLEMENT

Payments in respect of the Cash Settlement of Options are determined in accordance with the following table and will be subject to the direction in clause 4.2 (if applicable):

SECTION 10: TERMS AND CONDITIONS

| OPTION | CLOSING PRICE ON THE MATURITY DATE | PAYMENT |
|--|---|---|
| Purchase Put Option other than a Capped Purchase Put Option | Closing Price on the Maturity Date is less than the Protection Level for that Parcel or Basket (as applicable) | We must pay to you on the Settlement Date an amount equal to the amount by which the Protection Level for that Parcel or Basket (as applicable) exceeds the Closing Price of that Parcel or Basket (as applicable) on the Maturity Date |
| Capped Purchase Put Option | Closing Price on the Maturity Date is less than the Protection Level for that Parcel or Basket (as applicable) | We must pay to you on the Settlement Date an amount equal to the amount by which the Protection Level for that Parcel or Basket (as applicable) exceeds the Closing Price of that Parcel or Basket (as applicable) on the Maturity Date |
| | Closing Price on the Maturity Date is greater than the Cap Level for that Parcel or Basket (as applicable) | The applicable Variable Premium Amount is automatically due and payable by you to us and must be paid in accordance with clause 10.3(c) |
| Sold Call Option | Closing Price on the Maturity Date is greater than the Cap Level for that Parcel or Basket (as applicable) | You must pay to us on the Settlement Date an amount equal to the amount by which the Closing Price on the Maturity Date exceeds the Cap Level of that Parcel or Basket (as applicable) |
| Purchase Call Option | Closing Price on the Maturity Date is greater than the Strike Level for that Parcel or Basket (as applicable) | We must pay to you on the Settlement Date an amount equal to the amount by which the Closing Price on the Maturity Date exceeds the Strike Level of that Parcel or Basket (as applicable) |
| Put Spread Option other than a Capped Put Spread Option | Closing Price on the Maturity Date is less than the Protection Level, but greater than or equal to the Floor Level, for that Parcel or Basket (as applicable) | We must pay to you on the Settlement Date an amount equal to the amount by which the Protection Level for that Parcel or Basket (as applicable) exceeds the Closing Price of that Parcel or Basket (as applicable) on the Maturity Date |
| | Closing Price on the Maturity Date is less than the Protection Level, and is also less than the Floor Level, for that Parcel or Basket (as applicable) | We must pay you the Net Cash Settlement Payment on the Settlement Date |
| Capped Put Spread Option | Closing Price on the Maturity Date is less than the Protection Level, but greater than or equal to the Floor Level, for that Parcel or Basket (as applicable) | We must pay to you on the Settlement Date an amount equal to the amount by which the Protection Level for that Parcel or Basket (as applicable) exceeds the Closing Price of that Parcel or Basket (as applicable) on the Maturity Date |
| | Closing Price on the Maturity Date is less than the Protection Level, and is also less than the Floor Level, for that Parcel or Basket (as applicable) | We must pay you the Net Cash Settlement Payment on the Settlement Date |
| | Closing Price on the Maturity Date is greater than the Cap Level for that Parcel or Basket (as applicable) | The applicable Variable Premium Amount is automatically due and payable by you to us and must be paid in accordance with clause 10.3(c) |

Where the Option the subject of the Cash Settlement is over International Securities and the Option Currency is different to the currency in which the International Securities are denominated, and:

- (a) the FX Adjustment Amount is positive, we must pay you the FX Adjustment Amount on the Settlement Date; or
- (b) the FX Adjustment Amount is negative, you must pay us on the Settlement Date an amount equal to the amount by which the FX Adjustment Amount is less than zero.

If you are a SMSF Investor and Cash Settlement applies in respect of a Sold Call Option you enter into and you fail to pay us the Cash Settlement Amount by the Settlement Date, you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to sell the Securities and apply the sale proceeds to pay us the Cash Settlement Amount, the FX Adjustment Amount in respect of the Sold Call Option and any other Amount Outstanding in respect of the Option.

10.7 PHYSICAL SETTLEMENT

In the case of Physical Settlement of Options other than Options over International Securities where the Option Currency is different to the currency in which the International Securities are denominated (which are covered by clause 10.8), on the Settlement Date:

- (a) for Options other than Purchase Call Options, you must deliver us the Securities constituting each Parcel and you authorise us to complete, on your behalf, the following documents (if applicable):
 - (i) transfers in registrable form in favour of us, or another person as we may direct, duly executed by the registered holder of the Securities constituting each Parcel subject to the Option; and
 - (ii) any other documents that are required to effect the transfer of the Securities, and we will procure the transfer of the Securities by or to us (or another entity nominated by us); and

SECTION 10: TERMS AND CONDITIONS

- (b) for Options other than Purchase Call Options, we must pay to you:
- (i) in the case of:
- (A) a Purchase Put Option, including a Capped Purchase Put Option, if the Closing Price of the Parcel or Basket (as applicable) on the Maturity Date is less than the Protection Level for that Parcel or Basket (as applicable); or
- (B) a Put Spread Option, including a Capped Put Spread Option, where the Closing Price on the Maturity Date is less than the Protection Level, but greater than or equal to the Floor Level, for that Parcel or Basket (as applicable),
- an amount equal to the Protection Level for that Parcel or Basket (as applicable);
- (ii) in the case of a Put Spread Option, including a Capped Put Spread Option, where the Closing Price on the Maturity Date is less than the Protection Level, and is also less than the Floor Level, for that Parcel or Basket (as applicable), an amount equal to the Net Physical Settlement Payment,
- in each case, less an amount equal to any costs, expenses and Taxes incurred and after payment of any Amount Outstanding in respect of the Option (including the Amount Outstanding on a Loan to which the Option relates, if applicable), chargeable or imposed in connection with the transfer or delivery of the Parcel or Basket (as applicable) from or to us and/or the exercise of the Option;
- (c) in the case of a Sold Call Option, we must pay you an amount equal to the Cap Level for that Parcel or Basket (as applicable);
- (d) if you are a SMSF Investor, for:
- (i) Capped Purchase Put Options or Capped Put Spread Options you enter into, if the Closing Price of the Parcel or Basket (as applicable) on the Maturity Date is greater than the Cap Level for that Parcel or Basket (as applicable), you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to sell your Parcel or Basket (as applicable) on your behalf and apply the sale proceeds to pay us the Variable Premium Amount and any Amount Outstanding in respect of the Option (including the Amount Outstanding on a Loan to which the Option relates, if applicable); and
- (ii) Sold Call Options you enter into, you irrevocably direct that the Nominee, or its custodian or sub-custodian transfer your Parcel or Basket (as applicable) to us.
- (e) for Purchase Call Options, you must pay to us an amount equal to the Strike Level for that Parcel or Basket (as applicable).

10.8 PHYSICAL SETTLEMENT OF OPTIONS OVER INTERNATIONAL SECURITIES

In the case of Physical Settlement of Purchase Put Options (including Capped Purchase Put Options) over International Securities where the Option Currency is different to the currency in which the International Securities are denominated, on the Settlement Date:

- (a) you must deliver, if applicable, any documents that are required to effect the transfer of the Securities, and we will procure the transfer of the Securities as applicable; and
- (b) we must pay to you:
- (i) if the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) of the Parcel or Basket (as applicable) on the Maturity Date is less than the Protection Level for that Parcel or Basket (as applicable), an amount equal to the Protection Level for that Parcel or Basket (as applicable);
- (ii) if the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) of the Parcel or Basket (as applicable) on the Maturity Date is equal to or greater than the Protection Level for that Parcel or Basket (as applicable) an amount equal to the Closing Price of the International Securities on the Maturity Date (after conversion to the Option Currency at the Fixed FX Rate) minus the Variable Premium Amount, if any,

in each case, less an amount equal to any costs, expenses and Taxes incurred and after payment of any Amount Outstanding on the Option (including a Loan to which the Option relates), chargeable or imposed in connection with the transfer or delivery of the Parcel or Basket (as applicable) from or to us and/or the exercise of the Option; and

- (c) if you are a SMSF Investor, for Capped Purchase Put Options you enter into, if the Closing Price (after conversion to the Option Currency at the Fixed FX Rate) of the Parcel or Basket (as applicable) on the Maturity Date is greater than the Cap Level for that Parcel or Basket (as applicable), you irrevocably direct us, the Nominee and any custodian or sub-custodian of the Nominee to sell your Parcel or Basket (as applicable) on your behalf and apply the sale proceeds to pay us the Variable Premium Amount, FX Adjustment Amount and any other Amount Outstanding in respect of the Option (including the Amount Outstanding on a Loan to which the Option relates, if applicable).

10.9 LAPSING OF OPTIONS

- (a) If an Option is not exercised (automatically or otherwise) on the Maturity Date in accordance with the terms of the Option Transaction, it will automatically lapse.
- (b) We are absolutely entitled to retain the Initial Option Fee despite that the Option has lapsed in accordance with clause 10.9(a). We are not liable to you for any damages, expenses, losses, actions, claim or demands arising out of the lapsed Option or otherwise in connection with the relevant Option other than in accordance with this Agreement.

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- (c) If an Option lapses as contemplated by this clause 10.8, you may request that we facilitate a sale of the relevant Parcel or Basket on your behalf. We may accept or decline that request in our absolute discretion. If we accept your request to facilitate a sale of the relevant Parcel or Basket (as applicable) on your behalf, you agree that we may (as principal) acquire the relevant Parcel or Basket (as applicable) from you directly and/or we may instruct the Sponsoring Participant (or, if applicable, the Nominee) on your behalf to sell the Parcel or Basket (as applicable), and in either the case we or the Sponsoring Participant (or Nominee) will:
- (i) pay the sale proceeds (net of transaction costs) on your behalf in reduction of any amounts owing by you under this Agreement; and
 - (ii) pay any excess to you.

PART D – ADJUSTMENT EVENTS AND MARKET DISRUPTION

11. ADJUSTMENT EVENTS AND MARKET DISRUPTION

11.1 WHAT ARE ADJUSTMENT EVENTS

If, at any time, in connection with a Transaction:

- (a) a Security constituting a Parcel is subdivided, consolidated, or reconstructed;
- (b) the entity that issued a Security constituting a Parcel makes:
 - (i) a bonus issue;
 - (ii) a discount issue;
 - (iii) a distribution by way of return of capital or a rights issue;
 - (iv) a share buy-back;
 - (v) a special distribution (such as a special dividend) or other distribution,or otherwise alters its capital structure;
- (c) the entity that issued a Security is the subject of a takeover or announces that it is to merge or consolidate with another entity or enter into a scheme of arrangement or transfer all or substantially all of its assets to another entity;
- (d) a Security constituting a Parcel is partly paid and the entity that issued the Security constituting a Parcel makes a call on partly paid shares;
- (e) one or more Securities constituting a Parcel are suspended, removed from quotation, there is a material limitation of trading in the Securities constituting a Parcel on the ASX or Relevant Exchange or the issuer of the Securities is delisted;
- (f) the Sponsoring Participant's (or, if applicable, the Nominee's) participation in CHESS is terminated or suspended;

- (g) any event occurs which is a "Corporate Action" within the meaning given to that term in the ASX Settlement Operating Rules;
- (h) there is a failure of a party to deliver, when due, any Securities where such failure to deliver is due to illiquidity in the market for such Securities;
- (i) we are unable to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset we consider necessary or desirable to hedge the risks of entering into and performing our obligations with respect to a Transaction or are otherwise unable to realise, recover or remit the proceeds of any such transaction or asset;
- (j) we would incur an increased (as compared with circumstances existing on the Commencement Date) amount of Tax, expense or fee to acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset we consider necessary or desirable to hedge the risks of entering into and performing our obligations with respect to a Transaction or otherwise to realise, recover or remit the proceeds of any such transaction or asset;
- (k) we are unable to borrow or lend (or maintain a borrowing or lending of) Securities at a rate equal to or less than a reasonable rate conclusively determined by us; or
- (l) in respect of a Security that is an Index:
 - (i) any event which is, or results in, the sponsor not or being unable to calculate or publish the Index;
 - (ii) there is a suspension or material limitation on trading of financial products generally on the relevant market, or in financial products making up a material percentage of the Index, for a period of 24 hours or more;
 - (iii) the sponsor of the Index makes a material change in the formula for or the method of calculating the Index or in any way materially modifies the Index; or
 - (iv) anything which we, acting reasonably, consider is similar or analogous to any of the above occurs; or
- (m) in respect of a Security that is or includes an interest in a fund:
 - (i) a violation or change of any material terms of the fund's offer documents or other constitutional documents;
 - (ii) the main investment objective of the fund changes to a material extent;
 - (iii) any change in the currency or denomination of the net asset value of the relevant class of interests in the fund;
 - (iv) the net asset value of an interest in the fund not being calculated or announced within the time period when we would reasonably and ordinarily expect such net asset value to be available;

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- (v) any restriction or limitation or suspension or deferral of redemptions of or subscription for interests in the fund (including the introduction or increase of any associated fee, cost or expense), or any mandatory redemption of interests in the fund;
 - (vi) a material change in the tax or regulatory environment of the fund, or of the manager, investment manager or investment advisor (each a “**Manager**”) of the fund;
 - (vii) a change in asset allocation by the fund, whether in strategy or choice of Manager(s);
 - (viii) any review or investigation of the activities of the fund or any of its Managers by a relevant regulator, in connection with suspected or alleged wrongdoing or breach of any rule or regulation, or other similar reason, or any disciplinary action taken by such regulator in consequence thereof;
 - (ix) the fund issuer is or becomes the beneficial owner of 25% or more of the interests in the fund or a relevant class of interests in the fund;
 - (x) the fund or any Manager of the fund becomes Insolvent;
 - (xi) any termination or any loss of regulatory approval, license or registration of, any Manager of the fund, or any merger, de-merger, winding-up or liquidation of or affecting the fund;
 - (xii) any arrangement between the issuer of the fund and/or one or more of its Managers, including arrangements relating to subscriptions and redemptions, being changed or terminated; or
 - (xiii) anything which we, acting reasonably, consider is similar or analogous to any of the above occurs; or
 - (n) any other event, circumstance or condition occurs which we determine, in our discretion (acting reasonably), to be similar in effect to any one or more events described in paragraphs (a) to (k),
- (vi) the Trigger Level;
 - (vii) the Increased Protection Level
 - (viii) the Securities constituting the affected Parcel or the composition of the Basket (as applicable); or
 - (ix) any other Term of the affected Transaction;
- (b) terminate or close out all or part of the affected Transaction (in which case clause 15.3 will apply as if you are in Default);
 - (c) direct you to sell, dispose, redeem, exchange or otherwise deal with Securities (whether or not they are affected by the Adjustment Event), including by transferring them to the Nominee to be held on the terms of the Trust Deed;
 - (d) direct you to use the proceeds of any special dividend, return of capital, share buy-back or other distribution in any manner as we determine in our absolute discretion;
 - (e) take any other action we consider necessary or desirable in our absolute discretion.

We are not obliged to do anything referred to in this clause 11.2.

11.3 WHAT IS MARKET DISRUPTION

If, at any time, in connection with a Transaction, there is:

- (a) a suspension of or limitation imposed on trading by the Relevant Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or otherwise relating to any Securities or any futures or options contracts relating to Securities;
- (b) an event that disrupts or impairs (as conclusively determined by us) the ability of market participants in general to effect transactions in, or obtain market values for, any Securities or to effect transactions in, or obtain market values for, futures or options contracts relating to any Securities;
- (c) the closure of a Relevant Exchange prior to its scheduled closing time (as conclusively determined by us); or
- (d) any other event, circumstance or condition that we conclusively determine in our absolute discretion is a market disruption for the purposes of this Agreement,

then, we may, in our absolute discretion but subject to clause 8.3, do any or all of the actions described in clause 11.4.

11.4 WHAT HAPPENS IF THERE IS A MARKET DISRUPTION

- (a) If any Calculation Date is a Disrupted Day then the relevant Calculation Date shall be the first succeeding Business Day that is not a Disrupted Day, unless each of the eight Business Days immediately following the original day is a Disrupted Day, in which case that eighth Business Day shall be deemed to be the Calculation Date and we shall determine our good faith estimate of the value for the relevant Security or other calculation on (as of the relevant time) that eighth Business Day.
- (b) If the Settlement Date in respect of a Transaction to which Physical Settlement applies (or which otherwise contemplates physical delivery of Securities) is a

then, we may, in our absolute discretion but subject to clause 8.3, do any or all of the actions described in clause 11.2.

11.2 WHAT WE MAY DO IF AN ADJUSTMENT EVENT OCCURS

Upon the occurrence of an Adjustment Event, we may, in our discretion acting in a commercially reasonable manner, do any or all of the following (and may give the Sponsoring Participant and/or the Nominee any instructions to do any of the following on your behalf) at your cost (subject to clause 8.3):

- (a) vary, adjust, amend, reset, reverse or otherwise change:
 - (i) the Maturity Date or other date for payment of any amount;
 - (ii) the Cap Level (if any);
 - (iii) the Protection Level;
 - (vi) the Floor Level;
 - (v) the Strike Level;

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Disrupted Day, then the Settlement Date is to be the first succeeding Business Day that is not a Disrupted Day. However, if each of the eight Business Days immediately following the original day is a Disrupted Day then:

- (i) if we determine that the relevant Securities can be delivered in any other commercially reasonable manner, then the Settlement Date will be deemed to be the first Business Day on which we determine that the Securities can be delivered; or
 - (ii) if we determine that the relevant Securities cannot be delivered in any other commercially reasonable manner, then despite any other provision of any ANZ Cobalt Documents, Cash Settlement will instead occur (and no Securities will be delivered except as required under clause 11.5) and the Settlement Date will be the date we reasonably determine for this purpose.
- (c) Nothing in this clause 11.4 affects the operation of clause 11.1 or clause 11.2.

PART E – REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

12. REPRESENTATIONS AND WARRANTIES

12.1 REPRESENTATIONS AND WARRANTIES

You represent and warrant to us that:

- (a) you have full legal capacity and power to enter into this Agreement;
- (b) if you are a company, you have taken all necessary or desirable corporate action to authorise your entry into the relevant Transaction and this Agreement;
- (c) your entry into and performance of the relevant Transaction and this Agreement does not breach any law or any obligation to another person or, if you are a company, your constituent documents;
- (d) your obligations under this Agreement are legal, valid and binding and enforceable against you in accordance with their terms (except to the extent limited by equitable principles and laws affecting creditors' rights generally) and our Security Interest is a first ranking Security Interest over the Secured Property;
- (e) you benefit by entering into the relevant Transaction and this Agreement;
- (f) you are not entering this Agreement as trustee for a trust or as an agent, unless you have provided us with the details of the trust;
- (g) you have good title to the Secured Property and are the sole owner of the Secured Property and no one else has any rights in respect of the Secured Property (including a Security Interest) other than those agreed to in writing by us;
- (h) any Securities forming part of the Secured Property are fully paid up and the transfer is not subject to any

restriction under any constituent documents of the Securities or their issuer or under the ASX Settlement Operating Rules or the ASX Operating Rules or, if applicable, the rules of the Relevant Exchange;

- (i) all the information you have given us is correct and not misleading and you have not withheld any information that might have caused us not to accept your request for the relevant Transaction or enter into this Agreement;
- (j) you will use all of the money lent to you by us under this Agreement wholly or predominantly for business or investment purposes;
- (k) you have not relied on any statements or representations made by us in entering into the relevant Transaction and this Agreement;
- (l) you have taken such independent financial, legal and taxation advice as you think fit prior to entering into this Agreement and you have relied upon your own judgement or that of your financial, legal and taxation advisers in deciding whether to enter into the relevant Transaction;
- (m) any payment you make to us or Securities that form part of the Secured Property are not, and are not obtained through, any criminal or illegal activities;
- (n) you reasonably believe that you do not fall within any of the U.S. Person Categories and believe in good faith that you would not otherwise be deemed to be a "U.S. person" under the Interpretive Guidance;
- (o) you reasonably believe, based upon the relevant guidance in the Interpretive Guidance, including the Affiliate Conduit Factors, that you would not be classified under the Interpretive Guidance as an "affiliate conduit";
- (p) your obligations to us in connection with each Transaction are not supported by any U.S. Guarantee (of which you are aware) other than any U.S. Guarantee provided by a person who you reasonably believe does not fall within any of the U.S. Person Categories and who you believe in good faith would not otherwise be deemed a "U.S. person" under the Interpretive Guidance.
- (q) you have and continue to comply with all relevant requirements of the Corporations Act and any other legislation or law which is relevant to your obligations under this Agreement or your interest in the Securities; and
- (r) neither you or your assets has immunity from the jurisdiction of a court or from legal process.

12.2 IF YOU ARE A TRUSTEE

If you enter this Agreement in your capacity as trustee of a trust, you also represent and warrant that:

- (a) the trust has been duly constituted and is validly existing and the trust deed for the trust is valid and enforceable;
- (b) you are the sole trustee of the trust and no action has been taken or proposed to remove you as trustee or to appoint additional or alternative trustees;

SECTION 10: TERMS AND CONDITIONS

- (c) if you have not provided a Solicitor's Declaration to us, you have given us a true, complete and up-to-date copy of the trust deed and each other document relating to the trust which contain all the terms of the trust;
- (d) all necessary resolutions have been duly passed and all consents, approvals and other procedural matters have been obtained or attended to as required by the trust deed in relation to the execution and performance of the Transaction and this Agreement;
- (e) you have the power and authority to enter into and perform your obligations under this Agreement;
- (f) entry into and performance of the Transaction and this Agreement is for the benefit of the trust and its beneficiaries;
- (g) you have the right to be indemnified out of the trust fund for all of the obligations you incur under this Agreement and the trust fund is sufficient to cover your right of indemnity;
- (h) no action has been taken or proposed to terminate the trust or revoke any of your powers and (so far as you are aware) no one intends to take any such action;
- (i) our rights under this Agreement have priority over the interests of the beneficiaries of the trust;
- (j) no property of the trust has been resettled or transferred to any other trust or trusts;
- (k) any Securities which are purported to be secured to us under the Security Interest in clause 17 are the property of the trust; and
- (l) you have and continue to comply with all relevant requirements of the Corporations Act and any other legislation or law which is relevant to your obligations under this Agreement interest in the Securities.

If you are a SMSF Investor, you also represent and warrant to us that:

- (m) you are not prohibited from entering into a Transaction under the Facility, or any assets acquired with it, under any Australian legislation or the governing rules of the SMSF; and
- (n) for each Loan you enter into the purchase price of Securities in relation to that Loan at the Issue Time will not be more than two thirds of the SMSF's net assets.

12.3 REPETITION OF REPRESENTATIONS AND WARRANTIES

Each of the representations and warranties made by you in this clause 12 are deemed to be repeated on each day on which a Transaction remains open or there remains an Amount Outstanding (in respect of the facts and circumstances then subsisting). You must tell us promptly if anything has happened which prevents you from repeating any one or more of the representations and warranties at any time.

12.4 GUARANTOR REPRESENTATIONS AND WARRANTIES

The Guarantor makes each representation and warranty in clause 12.1 (except for clauses 12.1(g), (h) and (j)) in respect of itself to us on the date of this Agreement and on each day on

which a Transaction remains open or there remains an Amount Outstanding (in respect of the facts and circumstances then subsisting). The Guarantor must tell us promptly if anything has happened which prevents the Guarantor from repeating any one or more of the representations and warranties at any time.

13. UNDERTAKINGS

13.1 GENERAL UNDERTAKINGS

You agree to:

- (a) promptly give us any information or documents that we request;
- (b) promptly give us particulars of all New Rights relating to the Secured Property;
- (c) do everything within your power to remove any Holder Record Lock on any of the Secured Property;
- (d) promptly tell us if there is a Default or if it is reasonably likely that a Default will occur in the foreseeable future;
- (e) promptly tell us if any of the representations and warranties or undertakings made by you become incorrect or misleading or have been breached;
- (f) comply with all laws binding on, or applicable to, you or the Secured Property;
- (g) do everything (such as obtaining consents, finding and producing documents, producing receipts and getting documents completed and signed) to bind you and your successors to this Agreement and use best endeavours to procure other people to bind themselves and others to this Agreement as we may reasonably request;
- (h) tell us of any change of the information contained in the Application Form; and
- (i) not do anything or knowingly permit or cause anything to be done or omitted which could be likely to reduce the value of or prejudicially affect a Parcel or Basket.

13.2 OTHER ACTIONS

If we request you to execute any documents or to do any act in the future, you must do so, if this is for the purpose of further or more perfectly:

- (a) securing the Secured Property to us;
- (b) registering us (or the Nominee) as the registered holder of the Secured Property;
- (c) causing or ensuring the fulfilment of your declarations, undertakings or obligations under this Agreement; or
- (d) granting to us the rights and powers that this Agreement is intended and purports to grant to us.

13.3 UNDERTAKINGS IF YOU ARE A TRUSTEE

If you enter this Agreement in your capacity as trustee of a trust, you also agree to:

- (a) exercise your right of indemnity from the trust fund and beneficiaries if you need to in order to meet your obligations under this Agreement;

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- (a) not do anything that may result in our rights ranking in priority behind any claim by you or a beneficiary of the trust over the Secured Property;
- (a) do everything you have to do as trustee of the trust;
- (a) not do anything which may negatively affect your obligations to us as trustee of the trust; and
- (a) ensure that, to the extent to which it is within your power:
 - (i) the trust is not terminated;
 - (ii) you do not retire or cease to act;
 - (iii) you are not replaced or removed and no new trustee is appointed; and
 - (iv) the terms of the trust deed are not otherwise varied, and to notify us immediately if any of these events does occur,unless we agree in writing

PART F – EARLY TERMINATION AND DEFAULT

14. EARLY TERMINATION

14.1 EARLY TERMINATION REQUESTS

- (a) You may request that the Maturity Date in respect of a Loan or an Option be an earlier date than that originally specified in the relevant Confirmation Letter (**Early Termination Request**). However, subject to clause 8.3 we are under no obligation to agree to your Early Termination Request. For a Loan Transaction, you may not (i) terminate the Purchase Put Option before Maturity without also repaying the Loan or (ii) terminate a Loan without also terminating any associated Interest Assistance Loan.
- (b) If we are willing to offer the requested Early Termination, we will send you a notice (**Early Termination Quote**) within 2 Business Days of receipt of an Early Termination Request from you setting out:
 - (i) the terms on which we offer Early Termination of your Transaction, such as any fees, an estimate of Break Costs payable, an estimate of the Early Termination Amount payable by or to you, and an estimate of any expenses you will have to pay to effect the change; and
 - (ii) the consequences the Early Termination will have on any Amounts Outstanding under this Agreement.

The final terms of the Early Termination may differ from those set out in the Early Termination Quote as a result of changes to various factors including interest rates and price movements in respect of the relevant Securities the subject of the Transaction.

14.2 WHAT HAPPENS IF YOU ACCEPT THE EARLY TERMINATION QUOTE

If you notify us that you accept an Early Termination Quote, then, on the date we specify:

- (a) the Maturity Date of the Loan, Interest Assistance Loan or Option (as applicable) will be varied in accordance with the notice provided under clause 14.1(b);
- (b) you must pay us any Break Costs, any Early Termination Amount payable by you and other amounts that we notify you are payable;
- (c) we will pay you any Early Termination Amount you are entitled to receive; and
- (d) we are under no obligation to refund to you any portion of interest or any Initial Option Fee paid to us, even if interest is paid in advance (but any payment of interest in advance may be taken into account when we are determining the Break Costs).

15. DEFAULT

15.1 EVENTS OF DEFAULT

Subject to clause 15.2, you are in Default if:

- (a) you do not pay when due any amount that is due and payable under this Agreement;
- (b) you or the Guarantor do something which you have agreed not to do, or you or the Guarantor do not do something you have agreed to do under this Agreement;
- (c) any representation, warranty or statement that you or the Guarantor have made or repeated under or in connection with this Agreement is untrue or misleading (whether by omission or otherwise) in a material respect when made or repeated;
- (d) you are unable or are taken to be unable to pay your debts as and when they fall due for payment;
- (e) (if the Guarantor is a natural person) the Guarantor becomes Bankrupt or steps are taken to make the Guarantor so;
- (f) (if you or the Guarantor are a company) you or the Guarantor become Bankrupt or steps are taken to make you or the Guarantor so, or an order is made to wind you or the Guarantor up, or an administrator, liquidator, receiver, controller or similar officer is appointed or you or the Guarantor become subject to any arrangement, assignment or composition;
- (g) you or the Guarantor are in default under any other financial arrangement or a Security Interest in respect of your or the Guarantor's assets becomes enforceable;
- (h) any Security constituting a Parcel is suspended or ceases to be quoted or admitted to trading on the ASX or Relevant Exchange;
- (i) we reasonably believe that your ability to comply with this Agreement has been reduced due to a change in your business, assets or financial position;

SECTION 10: TERMS AND CONDITIONS

- (j) (if you or the Guarantor are a natural person) you or the Guarantor die, become insane or are declared incapable of administering your affairs;
- (k) (if you are a trustee) steps are taken to remove you as trustee of the trust or to appoint another trustee or you commit a breach of trust or a breach of fiduciary duty or the trust terminates, vests or resettles;
- (l) you take any action to limit, to suspend or to terminate the Sponsorship Agreement or the appointment of the Sponsoring Participant or the Nominee;
- (m) this Agreement is or becomes wholly or partly illegal, void, voidable or unenforceable, or is claimed to be so, by either you or anyone on your behalf, other than as a result of our act or omission;
- (n) any event occurs which with the giving of notice, lapse of time or fulfilment of any condition would be likely to become a Default;
- (o) you create, attempt to create or allow to exist any Security Interest over any of the Securities constituting a Parcel without obtaining our prior consent;
- (p) following the occurrence of an Adjustment Event, you fail to immediately comply with any direction or request by us under clause 11.2; or
- (q) it appears to us, acting in a commercially reasonable manner, that you or the Guarantor have engaged in fraud, theft or other similar illegal activities.

15.2 DIVIDEND GIVE-UP FACILITY

You will not be regarded as being in Default merely because under the Dividend Give-Up Facility you fail to pay the Dividend Interest Amount in respect of an interest period by the due date for payment specified in your Confirmation Letter or interest reminder statement because the aggregate cash dividends or distributions on your Securities over the relevant interest period were less than the Dividend Interest Amount. However, if you fail to pay the shortfall amount we specify to you within 5 Business Days of receipt of the notice specifying the shortfall amount, you will be in Default.

15.3 CONSEQUENCES OF DEFAULT

- (a) If you are in Default, we may subject to clause 8.3 do any one or more of the following:
 - (i) notify you that our obligations under the Transaction are terminated, in which case our obligations terminate immediately;
 - (ii) notify you that all Amounts Outstanding are immediately due and payable, in which case all Amounts Outstanding, including any Break Costs specified by us, will become immediately due and payable by you;
 - (iii) exercise any of our rights under this Agreement, including enforcing the Security Interest we hold over the Secured Property;
 - (iv) provide any instruction to the Sponsoring Participant necessary to give effect to any dealings in a relevant Parcel;

- (v) appoint a Receiver in respect of all or any of the Secured Property;
 - (vi) apply the proceeds from any such actions towards the Amount Outstanding; and
 - (vii) in respect of an Option, calculate the Early Termination Amount which will become immediately due and payable.
- (b) If a Default relates or is attributable to a specific Loan or Option we may, in our absolute discretion, exercise our rights under clause 15.3(a) in respect of that Loan or Option only and the related Security Interest and Secured Property.
 - (c) We need not give you, or any other person any notice before we take any of the actions described in this clause 15.3.

PART G – GUARANTEE AND SECURITY INTEREST

16. GUARANTEE

16.1 GUARANTEE PROVISION

The Guarantor irrevocably and unconditionally (and, if there is more than one Guarantor, each Guarantor jointly and severally):

- (a) guarantees to us punctual performance by you of your obligations under this Agreement;
- (b) undertakes to us that whenever you do not pay any amount when due under or in connection with this Agreement (or anything which would have been due if this Agreement or the amount was enforceable, valid and not illegal), the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) indemnifies us immediately on demand against any cost, loss or liability suffered by us if any obligation guaranteed by it (or anything which would have been an obligation guaranteed by it if not unenforceable, invalid or illegal) is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount which we would otherwise have been entitled to recover.

Each of paragraphs (a), (b) and (c) is a separate obligation. None is limited by reference to the others.

16.2 CONTINUING GUARANTEE

- (a) This guarantee, undertaking and indemnity is a continuing guarantee, undertaking and indemnity and will extend to the ultimate balance of sums payable by you under this Agreement, regardless of any intermediate payment or discharge in whole or in part.
- (b) If any payment to, or any discharge given by us (whether in respect of your obligations or any security for those obligations or otherwise) is avoided or reduced for any reason (including as a result of insolvency, breach of fiduciary or statutory duties or any similar event):

SECTION 10: TERMS AND CONDITIONS

- (i) your liability and the liability of the Guarantor will continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (ii) we will be entitled to recover the value or amount of that security or payment from you or the Guarantor, as if the payment, discharge, avoidance or reduction had not occurred.

16.3 OUR PROTECTIONS

The obligations of the Guarantor under this clause 16 will not be affected by an act, omission, matter or thing which, but for this clause, would reduce, release or prejudice any of its obligations under this clause 16 (without limitation and whether or not known to it or us) including:

- (a) any time, waiver or other concession or consent granted to, or composition with, you, the Guarantor or any other person;
- (b) the release or resignation of you, the Guarantor or any other person;
- (c) any composition or arrangement with any creditor of yours, the Guarantor or any other person;
- (d) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, execute, take up or enforce, any rights against, or security over the asset of you, the Guarantor or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (e) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of you, the Guarantor or any other person;
- (f) any amendment (however fundamental) or replacement of this Agreement or any other document or security;
- (g) any unenforceability, illegality or invalidity of any obligation of any person under this Agreement or any other document or security;
- (h) any set off, combination of accounts or counterclaim;
- (i) any insolvency or similar proceedings; or
- (j) this Agreement not being executed by, or binding against, you, the Guarantor or any other party.

References in this clause 16 to your obligations or amounts due will include what would have been obligations or amounts due but for any of the above, as well as obligations and amounts due which result from any of the above.

16.4 NO MARSHALLING OR OTHER OBLIGATIONS

- (a) The Guarantor waives any right it may have of first requiring us (or agent on our behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this clause 16. This waiver applies irrespective of any law or any provision of this Agreement to the contrary.

- (b) Until all amounts which may be or become payable by you under or in connection with this Agreement have been irrevocably paid in full, we may:
 - (i) refrain from applying or enforcing any other moneys, security or rights held or received by us or on our behalf in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor will not be entitled to the benefit of the same; and
 - (ii) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this clause 16.
- (c) This guarantee, undertaking and indemnity is in addition to and is not in any way prejudiced by any other guarantee, undertaking and indemnity or security now or subsequently held by us.

16.5 LIMITATIONS ON THE GUARANTOR'S RIGHTS

Until all amounts which may be or become payable by you or the Guarantor under or in connection with this Agreement have been irrevocably paid in full and unless we otherwise direct, the Guarantor will not:

- (a) exercise any rights which it may have by reason of performance by it of its obligations under this Agreement:
 - (i) to be indemnified by you;
 - (ii) to claim any contribution from any other Guarantor or provider of security for your obligations under this Agreement; and/or
 - (iii) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of us under this Agreement or of any other guarantee or security taken pursuant to, or in connection with, this Agreement by us;
- (b) in any form of administration of you (including liquidation, winding up, Bankruptcy, voluntary administration, dissolution or receivership or any analogous process) prove for or claim, or exercise any vote or other rights in respect of, any indebtedness of any nature owed to it by you.

17. SECURITY INTEREST

17.1 SECURITY CLAUSE

For the purposes of securing:

- (a) payment to us of any current or future amounts owing to us under this Agreement on any account; and
- (b) performance of all of your obligations under or in connection with this Agreement,

if we accept your offer to give a Security Interest as provided in the Application Form you grant to us a security interest over all of the Secured Property.

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This security interest is:

- (c) a transfer by way of security of all Secured Property consisting of accounts and chattel paper; and
- (d) a charge over all other Secured Property. If for any reason it is necessary to determine the nature of the charge it is a fixed charge.

If you enter into this Agreement as trustee of a trust, you grant this security interest:

- (e) in relation to Secured Property comprising property which is the subject of the trust, as sole trustee of the trust; and
- (f) in relation to other Secured Property, as beneficial owner,

and you agree that this Agreement is binding on you both personally and in your capacity as trustee.

If you do not enter into this Agreement as trustee of a trust, you grant this security interest as absolute or beneficial owner.

This clause 17 does not apply if you are a SMSF Investor.

17.2 PRIORITY

The Security Interest created under this clause 17 takes priority over all other Security Interests in respect of the Secured Property, other than any Security Interest mandatorily preferred by law.

17.3 AUTHORITY TO REGISTER

You acknowledge that we may, at your cost, apply for any registration, or give any notification, in connection with our Security Interest. This includes registration under the PPSA for whatever collateral class or classes we think fit. You consent to any such registration or notification and agree not to make any amendment demand.

17.4 FURTHER ASSURANCE

You must do anything that we request and consider necessary for the purpose of ensuring that our Security Interest is enforceable, perfected (including by control in addition to registration) and otherwise effective and which aids in the exercise by us of any right or power under this Agreement or at law including:

- (a) the execution of any document;
- (b) the delivery of certificates of title;
- (c) the execution and delivery of blank transfers; and
- (d) the execution of a transfer by way of security of any of the Secured Property.

17.5 THINGS YOU MUST DO

You must:

- (a) promptly provide us with any information we reasonably request about the Secured Property or anything in relation to it;
- (b) deposit, or cause to be deposited, with us any certificates, agreements, documentation or evidence which we require in respect of the Secured Property;

- (c) deposit, or cause to be deposited, with us any relevant documentation in respect of the Securities that are to be held subject to a Sponsorship Agreement;
- (d) direct the Sponsoring Participant or the Nominee (as applicable) to apply on your behalf for newly issued Securities, unless we direct otherwise;
- (e) if requested by us, instruct any issuer of new Securities to issue the Securities to the Nominee;
- (f) do anything that we may require to enable us to perfect our Security Interests by control;
- (g) give us:
 - (i) at least 30 Business Days' prior notice of:
 - (A) any change to your name or the name of the Guarantor, together with details of the proposed new name; and
 - (B) any ABN, ARBD or ARSN allocated to you being changed or cancelled or otherwise ceasing to apply to you (or, if you do not have an ABN, ARBN or ARSN, one is allocated, or otherwise starts to apply, to you);
 - (C) you becoming a trustee of a trust the details of which you have not previously given to us;
 - (ii) all information that we need in order to ensure that any registration of our Security Interests on the PPS Register or any other register that we choose is, and remains, fully effective or perfected (or both), and that our Security Interests have the priority that it contemplates.

17.6 THINGS YOU MUST NOT DO

- (a) You must not, without our express prior consent:
 - (i) sell, part with possession or otherwise deal with any interest in the Secured Property;
 - (ii) allow any Security Interest to come into existence which affects the Secured Property (other than a Security Interest in favour of us);
 - (iii) create any trust, power or lien in connection with the Secured Property or allow one to continue;
 - (iv) abandon, settle, compromise or discontinue any proceedings against any person in respect of any right that you have in relation to the Secured Property;
 - (v) take steps to change any of the Secured Property that are Certificated Securities to uncertificated securities (or vice versa);
 - (vi) change or attempt to change the Participant, holder name or holder address in relation to any of the Secured Property that is an uncertificated security;
 - (vii) waive any of your rights or release any person from its obligations in connection with the Secured Property; or
 - (viii) grant any other rights of any kind over the Secured Property.

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- (b) You acknowledge that, if you dispose of or otherwise deal with Secured Property or an interest in it in breach of clause 17.6(a), despite the disposal or dealing:
 - (i) we have not authorised the disposal or agreed that the dealing would extinguish our Security Interest in the Secured Property; and
 - (ii) our Security Interest continues in the Secured Property.
- (c) You must give us:
 - (i) prompt notice of any transfer of Secured Property or an interest in it in breach of clause 17.6(a); and
 - (ii) any information requested by us in relation to the transferee to enable us to perfect our Security Interest as against the transferee.
- (d) You acknowledge that any notification under clause 17.6(c) does not cure the breach of the undertaking in clause 17.6(a).

17.7 YOUR RIGHTS

Until a Default occurs, you may:

- (a) receive or retain dividends, interest or other income in respect of the Secured Property (unless specified otherwise in the relevant Confirmation Letter or pursuant to the Dividend Give-Up Facility);
- (b) exercise New Rights (subject to our prior consent);
- (c) exercise any voting power in respect of Secured Property that is subject to a Sponsorship Agreement; and
- (d) in respect of Secured Property that is registered in the name of the Nominee, direct the Nominee to exercise any voting power.

17.8 DISCHARGE

- (a) Upon your request, we will release and discharge:
 - (i) our Security Interest in respect of a Parcel or Basket (as applicable) if you have repaid the Amount Outstanding in relation to the Loan advanced in respect of that Parcel or Basket (as applicable) or you have complied with all of your obligations in respect of an Option in respect of that Parcel or Basket (as applicable) and the Option has expired or has been exercised and settled in accordance with these Terms; and
 - (ii) our Security Interest in all of the Secured Property if you have repaid the total Amount Outstanding and there are no other amounts which we consider you owe or may in the future owe to us under this Agreement.
- (b) Despite anything else in these Terms, if any payment by you to us is at any time avoided for any reason including any legal limitation, disability or incapacity of or affecting you or any other thing and whether or not:
 - (i) any transaction under this Agreement was illegal, void or substantially avoided; or

- (ii) anything was or ought to have been within our knowledge,

then you:

- (iii) as an additional, separate and independent obligation indemnify us against that avoided payment; and
- (iv) acknowledge that your liability under this Agreement and our rights under this Agreement and our Security Interest are the same as if that payment had not been made.

17.9 NEW RIGHTS

- (a) You may only take up or deal in New Rights with our prior consent.
- (b) Without limitation to our rights under clause 11.2 if, in our reasonable opinion, the value of the Secured Property will be adversely affected by the New Rights we may request and you must do any or all of the following:
 - (i) sell the New Rights that we nominate;
 - (ii) transfer the New Rights to the Nominee; or
 - (iii) take up the New Rights, which will then form part of the Secured Property.
- (c) Any proceeds received from a dealing in New Rights will be applied towards repaying the Amount Outstanding, as we determine, at that time.

17.10 POWERS UPON ENFORCEMENT

Upon the occurrence of a Default:

- (a) our Security Interest is immediately enforceable without the need for any demand or notice to be given to you or any other person;
- (b) all your rights under clause 17.7 cease and we will be entitled to exercise those rights;
- (c) you must ensure that all income in respect of the Secured Property is paid directly to us;
- (d) you must promptly execute any document and do anything necessary to assist us to realise the Secured Property and exercise any right, power, authority, discretion, remedy or privilege conferred by this Agreement or by law;
- (e) we may receive all New Rights and apply them (or their sale proceeds) towards payment of the Amount Outstanding; and
- (f) the Nominee will be deemed to hold the Nominee Securities as our agent.

If we request, the Nominee will notify the issuer of the Nominee Securities and any other relevant person that the Nominee holds the Nominee Securities for our benefit.

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17.11 OUR POWERS

Following the occurrence of a Default, we may take any action that we consider fit at any time to:

- (a) register the Secured Property in our name or the name of our nominee;
- (b) take possession or assume control of the Secured Property;
- (c) sell, redeem or liquidate the Secured Property;
- (d) appoint a Receiver in respect of the Secured Property;
- (e) demand and recover all the income from the Secured Property by action or otherwise in your name or our name to the full extent of the estate or interest which you could dispose of;
- (f) institute, conduct or defend or make any settlement, arrangement or compromise in respect of any proceedings in law, equity or Bankruptcy in connection with the Secured Property;
- (g) take any action in relation to the Nominee Securities as we think fit; and
- (h) instruct the Sponsoring Participant in relation to Securities in your Holding or the Nominee in relation to the Nominee Securities without referring to you. The Sponsoring Participant and the Nominee will act on our instructions without your confirmation or ratification.

Our rights under this Agreement are in addition to our rights and remedies provided by law.

17.12 NO OBLIGATION ON US

We need not:

- (a) do anything to obtain payment of any income in respect of the Secured Property; or
- (b) exercise rights in respect of the Secured Property; or
- (c) sell the Secured Property; or
- (d) vote at any meeting of shareholders of a company,
- (e) even if we have reason to believe that the value of the Secured Property may fall. We are not responsible for loss as a result of such a failure to act or delay in so acting.

17.13 EXCLUSION OF PPSA PROVISIONS

To the extent the law permits:

- (a) for the purposes of sections 115(1) and 115(7) of the PPSA:
 - (i) we need not comply with sections 95, 118, 121(4), 125, 130, 132(3)(d) or 132(4); and
 - (ii) sections 142 and 143 are excluded;
- (b) for the purposes of section 115(7) of the PPSA, we need not comply with sections 132 and 137(3);
- (c) if the PPSA is amended after the date of this Agreement to permit you and we to agree to not comply with or to

exclude other provisions of the PPSA, we may notify you that any of these provisions are excluded, or that we need not comply with any of those provisions as notified to you by us; and

- (d) you agree not to exercise your rights to make any request of us under section 275 of the PPSA, to authorise the disclosure of any information under that section or to waive any duty of confidence that would otherwise permit non-disclosure under that section.

17.4 EXERCISE OF RIGHTS BY SECURED PARTY

If we exercise a right, power or remedy in connection with this Agreement, that exercise is taken not to be an exercise of a right, power or remedy under the PPSA unless we state otherwise at the time of exercise. However, this clause does not apply to a right, power or remedy which can only be exercised under the PPSA.

17.15 NO NOTICE REQUIRED UNLESS MANDATORY

To the extent the law permits, you waive:

- (a) your rights to receive any notice that is required by:
 - (i) any provision of the PPSA (including a notice of a verification statement); or
 - (ii) any other law before a secured party or Receiver exercises a right, power or remedy; and
- (b) any time period that must otherwise lapse under any law before a secured party or Receiver exercises a right, power or remedy.

If the law which requires a period of notice or a lapse of time cannot be excluded, but the law provides that the period of notice or lapse of time may be agreed, that period or lapse is one day or the minimum period the law allows to be agreed (whichever is the longer).

However, nothing in this clause prohibits the secured party or any Receiver from giving a notice under the PPSA or any other law.

17.16 CONTINUING SECURITY

Our Security Interest is a continuing security for all amounts owing at any time and on any account under or in connection with this Agreement and continues in full force and effect until it is finally discharged by us. Our Security Interest will not be considered satisfied or discharged by anything which happens in the meantime and which might otherwise affect the Security Interest at law or in equity.

17.17 PRINCIPAL OBLIGATION

Our Security Interest is a principal obligation and is not ancillary or collateral to any other Security Interest or other obligation and is independent of and unaffected by any other Security Interest or obligation that we may hold.

17.18 NO OBLIGATION TO MARSHAL

Before we enforce our Security Interest we are not required to marshal or enforce or apply under or appropriate, recover or exercise any other Security Interest held by us at any time or any money or assets which we, at any time, hold or are entitled to receive.

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17.19 POWER OF ATTORNEY

- (a) You irrevocably appoint us, the Sponsoring Participant, the Nominee, each of our Authorised Representatives and each Receiver severally as your attorney for the purposes set out in clause 17.19(c).
- (b) If we ask, you must formally approve or ratify anything that an attorney does under this clause 17.19.
- (c) Each attorney may, in its name or in your name or our name or the name of a Receiver appointed under clause 17.11, at any time after the occurrence of a Default:
 - (i) do anything which you can do in respect of the Secured Property or which you are obliged to do under this Agreement (including completing blanks in this Agreement, executing deeds, selling, assigning or otherwise dealing with the Secured Property, commencing, conducting and defending legal proceedings, signing any off market share transfer, or authorising, instructing or requesting the amendment of your details as necessary);
 - (ii) do anything which in our opinion or the opinion of the attorney is necessary or desirable to give full effect to this Agreement or for securing or perfecting our Security Interest;
 - (iii) execute in our favour any legal mortgage, transfer, assignment and any other assurance of any of the Secured Property;
 - (iv) do all things necessary to enable a transfer to be registered in our favour or in favour of our nominee or any other person as we may direct and deliver documents of title in respect of the Secured Property as we may direct; and
 - (v) delegate their powers (and revoke a delegation) and appoint or remove a sub-attorney.

PART H: CHESS SPONSORSHIP AGREEMENT

18. SPONSORING PARTICIPANT

18.1 APPLICATION OF PART H

This Part H applies if:

- (a) we have agreed to provide you with a Loan in respect of ASX quoted Securities;
- (b) you have granted us a Sold Call Option in respect of ASX quoted Securities;
- (c) you have entered into a Capped Purchase Put Option or a Capped Put Spread Option in respect of ASX quoted Securities; or
- (d) the Confirmation Letter for a Transaction specifies that this Part H applies.

This clause 18 does not apply in respect of Transactions by SMSF Investors or Transactions over International Securities.

18.2 APPOINTMENT OF SPONSORING PARTICIPANT

- (a) You appoint the Sponsoring Participant as your Participant for the purposes of CHESS with respect to your Holding of the Securities constituting each Parcel.
- (b) You authorise the Sponsoring Participant as your agent to do any act under CHESS relating to your Holding.
- (c) You authorise and direct the Sponsoring Participant to take any action that is required by us in accordance with the ASX Clear Operating Rules, the ASX Settlement Operating Rules or the ANZ Cobalt Documents to give effect to our rights under the ANZ Cobalt Documents and agree that the Sponsoring Participant will not take any actions at the your direction which are not authorised by us.

18.3 LIMITATION OF LIABILITY OF SPONSORING PARTICIPANT

You acknowledge and agree that:

- (a) if the Sponsoring Participant is not a Market Participant of the ASX, neither the ASX nor any related entity of the ASX has any responsibility for supervising or regulating the relationship between you and the Sponsoring Participant other than in relation to the ASX Settlement Operating Rules relating to sponsorship agreements;
- (b) the regulatory regime which applies to the Sponsoring Participant is the regime established under the Corporations Act, Corporations Regulations, the ASX Operating Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules; and
- (c) you can obtain information as to the status of the Sponsoring Participant from ASIC, the ASX and, in the case of the Sponsoring Participant not being a Market Participant, from the Reserve Bank of Australia.

18.4 NO WARRANTIES

To the fullest extent permitted by law:

- (a) the Sponsoring Participant makes no warranties (express or implied) as to merchantability, fitness for a particular purpose, or otherwise (including as to accuracy, currency, availability, completeness or quality), with respect to the goods or services supplied under this Sponsorship Agreement;
- (b) the Sponsoring Participant excludes all liability in contract, tort (including negligence) or otherwise relating to or resulting from a Transaction and the transactions contemplated by this Agreement and for any loss, claim, expense or damage incurred by you (directly or indirectly) resulting from or relating to any:
 - (i) inaccuracy, delay or error in or omission from any information provided to you under this Agreement;
 - (ii) delays, failures or inaccuracies in the service howsoever arising provided by the Sponsoring Participant to you; and
 - (iii) loss or liability arising from the acts or omissions of third parties (such as computer system providers,

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internet service providers and other miscellaneous service providers); and

- (c) the liability of the Sponsoring Participant shall in any event be limited to the re-supply of the relevant service.

18.5 PURCHASE, SALE AND TRANSFER OF SECURITIES

- (a) Subject to these Terms, we will not initiate any Transfer or Conversion into or out of your Holding sponsored under this Sponsorship Agreement without your express authority.
- (b) If you have authorised the Sponsoring Participant to buy Securities, you must pay for those Securities within one Settlement Cycle of the date of purchase, unless those Securities were purchased in connection with a Loan.
- (c) Subject to clause 18.5(d), the Sponsoring Participant is not obliged to Transfer Securities into your Holding until payment is received for those Securities.
- (d) If the Sponsoring Participant demands that you pay for Securities, but the payment for the purchase of those Securities has not been received, the Sponsoring Participant may sell those Securities at your risk and expense (including any brokerage and stamp duty).
- (e) If we claim that you have not paid us an amount lawfully owed to us:
- (i) the Sponsoring Participant can refuse to comply with your Withdrawal Instructions (but only to the extent necessary to retain in your Holding sponsored under this Sponsorship Agreement Securities with a value equal to 120% of the current market value of the amount claimed);
 - (ii) we can exercise our rights over the Securities comprised in the Secured Property under our Security Interest, including our power of sale; and
 - (iii) we can require you to transfer those Securities to the Nominee in accordance with clause 19.
- (f) Subject to clause 18.5 and our prior consent, the Sponsoring Participant will initiate any Transfer, Conversion or other action necessary to give effect to your Withdrawal Instructions within 2 Business Days of the date of receipt of the Withdrawal Instructions.
- (g) If:
- (i) a Transfer is taken to be effected by the Sponsoring Participant under Section 9 of the ASX Settlement Operating Rules;
 - (ii) the Source Holding for a Transfer referred to in paragraph (a) is a Participant Sponsored Holding under this Sponsorship Agreement;
 - (iii) you will not assert or claim against ASX Settlement or the relevant issuer that:
 - (A) the Transfer referred to in paragraph (a) was not effected by the Sponsoring Participant; or
 - (B) the Sponsoring Participant was not authorised by you to effect the Transfer; and

- (iv) unless the Transfer referred to in paragraph (a) is also taken to have been effected by a Market Participant or a Clearing Participant of ASX Clear, you have no claim arising out of the Transfer against the National Guarantee Fund under Division 4 of Part 7.5 of the Corporations Regulations.

18.6 ACKNOWLEDGEMENTS

You acknowledge that:

- (a) before you signed this Sponsorship Agreement you read this Agreement and that you understood the effect of this Sponsorship Agreement;
 - (b) the appointment of the Sponsoring Participant under clause 18.2 is made for the purpose of securing the performance of your obligations under this Agreement and is irrevocable until this Sponsorship Agreement terminates in accordance with clause 18.13;
 - (c) your rights under this Sponsorship Agreement are subject to our rights under this Agreement, including under clause 17;
 - (d) before acting on your instructions, the Sponsoring Participant must obtain our consent;
 - (e) we will act in accordance with our interests as the secured party under our Security Interests, even if this contradicts instructions that you have given or will give later;
 - (f) the Sponsoring Participant is under no duty to inquire whether we may validly give any consent or instruction and you may not challenge the validity of those instructions or any action taken by the Sponsoring Participant in accordance with those instructions;
 - (g) if you die or become Bankrupt, a Holder Record Lock will be applied to all your Holdings sponsored under this Sponsorship Agreement in accordance with the ASX Settlement Operating Rules (unless your legally appointed representative or trustee elects to remove those holdings from the CHES Subregister); and
 - (h) if you die, this Agreement is deemed to remain in operation in respect of the legally appointed representative authorised to administer your estate for a period of up to three calendar months after the removal of the Holder Record Lock pursuant to Rule 8.16.3 of the ASX Settlement Operating Rules (unless your legally appointed representative elects to remove the holdings sponsored under this Agreement from the CHES Subregister).
- (a) if you are a joint holder:
- (i) if one of the joint holders dies, all holdings under the joint Holder Record shall be transferred into new Holdings under a new Holder Record in the name of the surviving holders and this Agreement will remain valid for the new holdings under the new Holder Record; and
 - (ii) if one of you becomes Bankrupt, we will:
 - (A) establish a new Holder Record in the name of the one of you that is Bankrupt, transfer that

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person's interest into new Holdings under the new Holder Record and request the ASX Settlement to apply a Holder Record Lock to all Holdings under that Holder Record (unless the legally appointed representative of the Bankrupt holder elects to remove the Holdings from the CHESSE Subregister); and

- (B) establish a new Holder Record in the names of the other joint holders and transfer their interest into new Holdings under the new Holder Record.

18.7 SECURITY AND OTHER INTERESTS AND SUBPOSITIONS

- (a) Where you arrange with any person to give a Security Interest or any other interest in Securities within your Holding, you authorise the Sponsoring Participant to take whatever action is reasonably required by ASX Clear or that person (as applicable) in accordance with the ASX Settlement Operating Rules to give effect to that arrangement.
- (b) If the Sponsoring Participant takes steps to create a Subposition over Securities in your Holding in accordance with this Sponsorship Agreement, our instructions or the instructions of the Sponsoring Participant (as applicable), your ability to Transfer, Convert or otherwise deal with the Securities will be restricted in accordance with the ASX Settlement Operating Rules relating to Subpositions.
- (c) If we reasonably determine that a Subposition may be used to protect our interests as secured party under our Security Interests, then you acknowledge that:
 - (i) upon our request, the Sponsored Holder will do all things to cause your Holding to be reserved in a Subposition on the terms (if any) that we specify; and
 - (ii) neither you nor the Sponsoring Participant may reserve or release Securities into or out of a Subposition without our consent.
- (d) Nothing in this Sponsorship Agreement operates to override any interest of ASX Clear in the Securities.

18.8 INFORMATION, STATEMENTS, BALANCES ETC

- (a) You must promptly give the Sponsoring Participant any information or documents it asks for to enable it to:
 - (i) perform its obligations or to act as your Participant or agent under this Agreement; or
 - (ii) comply with the requirements of the ASX Settlement or the ASX Settlement Operating Rules.
- (b) If any information or documentation that you have previously supplied changes, you agree to notify the Sponsoring Participant of any change and supply necessary supporting documentation as soon as possible and the Sponsoring Participant will give ASX Settlement or the relevant issuer notice of the change within the period prescribed by the ASX Settlement Operating Rules.

- (c) You authorise the Sponsoring Participant to obtain statements of holding balances and other information in relation to your Holding from ASX Settlement and the relevant issuers upon your request or at such times as the Sponsoring Participant reasonably thinks necessary.
- (d) Information or documents you give us may be disclosed:
 - (i) to any person if required to enable the Sponsoring Participant to perform its obligations or to act as your Participant or agent under this Agreement;
 - (ii) if required by any regulatory authority (including the ASX Settlement) or if allowed or required by law;
 - (iii) to our officers, employees, advisers and agents;
 - (iv) if you consent; or
 - (v) to enable us to enforce our rights under this Agreement.
- (e) Without limiting clause 18.8(d), if you have given your Tax File Number to the Sponsoring Participant, subject to the *Privacy Act 1988* (Cth), you authorise the Sponsoring Participant to disclose that Tax File Number to ASX Settlement for purposes relating to your Holding and any dividend or other benefit attaching to, accruing or derived from your Holding.

18.9 FEES AND INDEMNITIES

- (a) You must pay to the Sponsoring Participant the fees notified to you from time to time in connection with this Sponsorship Agreement.
- (b) You must pay the amounts notified under clause 18.9(a) on demand. We can debit any of these amounts to any account you have with us even if we have not expressly asked you to pay us.
- (c) You indemnify the Sponsoring Participant against, and you must therefore pay the Sponsoring Participant on demand for, any liability, loss, claim, expense, damage or costs (including consequential or economic loss) suffered or incurred:
 - (i) in properly carrying out its duties or exercising its powers as Sponsoring Participant in relation to the Securities in your Holding; or
 - (ii) in carrying out any direction given by you or us, but not including any liability, loss, claim, expense, damage or costs (including consequential or economic loss) arising from any act or omission that involves gross negligence or fraud of the Sponsoring Participant.
- (d) The indemnity in clause 18.9(c) is a continuing obligation, independent of your other obligations to us. It continues even after this Sponsorship Agreement is terminated. It is not necessary for us or the Sponsoring Participant, as applicable, to incur expense or make payment before enforcing a right of indemnity conferred by this Sponsorship Agreement.

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18.10 SUSPENSION FROM CHESS

- (a) If the Sponsoring Participant is suspended from CHESS participation, then (subject to the assertion by its liquidator, receiver, administrator or trustee of an interest in Securities controlled by it):
 - (i) you may, within 20 Business Days of the ASX Settlement giving notice of the suspension, give a notice to the ASX Settlement requesting that your Holdings sponsored under this Sponsorship Agreement be removed either:
 - (A) from the CHESS Subregister; or
 - (B) from the suspended Sponsoring Participant's control to the control of another Participant with whom you have entered into a valid sponsorship agreement pursuant to Rule 12.19.10 of the ASX Settlement Operating Rules; or
 - (ii) if you do not give the ASX Settlement such a notice, the ASX Settlement may change your Participant under Rule 12.19.11 of the ASX Settlement Operating Rules, in which case you will be deemed to have entered into a new sponsorship agreement with the substitute Participant on the same terms as this Sponsorship Agreement.
- (b) Where you are deemed to have entered into a new sponsorship agreement, you must enter into a new sponsorship agreement with the new Sponsoring Participant within 10 Business Days of the change of Sponsoring Participant.
- (c) You and the Sponsoring Participant acknowledge that we may exercise your right under clause 18.10(a) on your behalf.

18.11 COMPLAINT PROCEDURES AND COMPENSATION

- (a) If the Sponsoring Participant is a Market Participant, the National Guarantee Fund is a compensation fund that may be available to meet certain types of claims by you arising from, among other things, dealings with a Clearing Participant of the ASX Clear. The Corporations Act and Corporations Regulations set out the claims which can be made.
- (b) If the Sponsoring Participant is not a Market Participant, no compensation arrangements apply to you.
- (c) If the Sponsoring Participant breaches a provision of this Sponsorship Agreement and you make a claim for compensation pursuant to that breach, the ability of the Sponsoring Participant to satisfy that claim will depend upon the financial circumstances of the Sponsoring Participant.
- (d) If a breach by the Sponsoring Participant of a provision of this Sponsorship Agreement falls within the circumstances specified under Division 4 of Part 7.5 of the Corporations Regulations, you may make a claim on the National Guarantee Fund for compensation. (For more information on the circumstances in which a

Participant Sponsored Holder may make a claim on the National Guarantee Fund or for information on the National Guarantee Fund generally, you should contact ASX Settlement or the Securities Exchanges Guarantee Corporation Ltd).

- (e) In the event that the Sponsoring Participant breaches any of the provisions of this Sponsorship Agreement, you may refer that breach to any regulatory authority, including ASX Settlement.
- (f) You acknowledge that neither we nor ASX Settlement nor ASX Clear take any responsibility for, and have not approved, the abilities or qualifications of the Sponsoring Participant as a Participant.
- (g) You may lodge a complaint against the Sponsoring Participant with ASIC, ASX, ASX Settlement, ASX Clear or the Financial Ombudsman Service (FOS). You may lodge any claim for compensation:
 - (i) with the Sponsoring Participant in the first instance and if not satisfied with the Sponsoring Participant's response, you may refer the claim to FOS; and
 - (ii) in relation to the National Guarantee Fund, with the Securities Exchanges Guarantee Corporation Limited ACN 008 626 793.

18.12 CHANGE OF SPONSORING PARTICIPANT

- (a) If you receive a Participant Change Notice from the Sponsoring Participant and the Participant Change Notice was received less than 20 Business Days prior to the date proposed in the Participant Change Notice for the change of Participant (the **Effective Date**), you are under no obligation to agree to the change of Participant and may choose to terminate this Sponsorship Agreement by giving Withdrawal Instructions under the ASX Settlement Operating Rules to the Sponsoring Participant, indicating whether you wish to:
 - (i) transfer your Holding to another Participant; or
 - (ii) transfer your Holding to one or more Issuer Sponsored Holdings.
- (b) You and the Sponsoring Participant acknowledge that we may exercise your rights under clause 18.12(a).
- (c) If you do not take any action to terminate this Sponsorship Agreement in accordance with clause 18.12(a) above and do not give any other instructions to the Sponsoring Participant which would indicate that you do not agree to the change of Participant then, on the Effective Date, this Sponsorship Agreement will have been taken to be novated to the new Participant and will be binding on all parties as if, on the Effective Date:
 - (i) the new Participant is a party to this Sponsorship Agreement in substitution for the Sponsoring Participant; and
 - (ii) any rights of the Sponsoring Participant are transferred to the new Participant; and
 - (iii) the Sponsoring Participant is released by you from any obligations arising on or after the Effective Date.

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- (d) The novation in clause 18.12(c) will not take effect until you have received notice from the new Participant confirming that the new Participant consents to acting as the Participant for you. As a result the Effective Date may be later than the date set out in the Participant Change Notice.
- (e) You will be taken to have consented to the events referred to in clause 18.12(c) by the doing of any act which is consistent with the novation of this Sponsorship Agreement to the new Participant on or after the Effective Date (for example, by giving instructions to the new Participant), and such consent will be taken to be given as of the Effective Date.
- (f) The Sponsorship Agreement continues for the benefit of the existing Sponsoring Participant in respect of any rights and obligations accruing before the Effective Date and, to the extent that any law or provision of any agreement makes the novation in clause 18.12(c) not binding or effective on the Effective Date, then the Sponsorship Agreement will continue for the benefit of the existing Sponsoring Participant until such time as the novation is effective, and the existing Sponsoring Participant will hold the benefit of the Sponsorship Agreement on trust for the new Participant.
- (g) Nothing in this clause 18.12 prevents the completion of CHES transactions by the existing Sponsoring Participant where the obligation to complete those transactions arises before the Effective Date and this Sponsorship Agreement will continue to apply to the completion of those transactions, despite the novation of this Sponsorship Agreement to the new Participant under this clause 18.12.
- (d) Despite anything else in this Agreement, for so long as our Security Interest has not been discharged in full or otherwise, in the case of an Option, prior to the Maturity Date you undertake to us that:
 - (i) you will not give notice of termination or removal from sponsorship under clause 18.13(a)(ii) (and you acknowledge that no notice in breach of this clause will be effective; and
 - (ii) if this Sponsorship Agreement is terminated or the Sponsoring Participant is removed for any reason or you give notice under clause 18.13(a)(ii) (in breach of the undertaking in paragraph (a) above) then, in addition to any other right or remedy we may have, you will do anything which we direct you to do to appoint a Participant nominated by us in respect of your Securities and will do all things necessary or desirable to give effect to that appointment.
- (e) Nothing in clause 18.13(d) limits or restricts our ability to give a notice to the Sponsoring Participant on your behalf under clause 18.13(a)(ii).

18.4 INCONSISTENCY WITH ASX SETTLEMENT OPERATING RULES

- (a) This Sponsorship Agreement is subject to the ASX Settlement Operating Rules. You must not do anything that would prevent or hinder us from complying with our obligations under the ASX Settlement Operating Rules.
- (b) If this Sponsorship Agreement is inconsistent with the ASX Settlement Operating Rules:
 - (i) the ASX Settlement Operating Rules prevail to the extent of the inconsistency; and
 - (ii) the Sponsoring Participant will, by giving you not less than seven Business Days written notice, vary this Sponsorship Agreement to the extent to which, in the Sponsoring Participant's reasonable opinion, it is necessary to remove any inconsistency.
- (c) The provisions which comprise the Sponsorship Agreement cannot be altered except by agreement between you and the Sponsoring Participant.

18.13 TERMINATION OF SPONSORSHIP AGREEMENT

- (a) Subject to clause 18.13(d) and the ASX Settlement Operating Rules, this Sponsorship Agreement is terminated or you may remove the Sponsoring Participant as the Participant of the Securities if:
 - (i) our Security Interest is discharged and released in full under clause 17.8;
 - (ii) either party notifies the other in writing that it wants to terminate this Sponsorship Agreement (in which case this Sponsorship Agreement is terminated from the time the notice is received unless a later time is specified in the notice);
 - (iii) the Sponsoring Participant becomes Bankrupt;
 - (iv) the Sponsoring Participant's participation as a broker in CHES is terminated or suspended; or
 - (v) you give Withdrawal Instructions to the Sponsoring Participant in accordance with Rule 7.1.10(c) of the ASX Settlement Operating Rules and subject to our consent.
- (b) The termination of this Sponsorship Agreement does not affect any rights or obligations that have accrued before that time.
- (c) You acknowledge that we may, in our absolute discretion, give a notice to the Sponsoring Participant on your behalf under clause 18.13(a)(ii).

PART I: NOMINEE ARRANGEMENTS

19. THE NOMINEE SECURITY INTEREST

19.1 You agree and acknowledge that Securities held by the Nominee (or a custodian or sub-custodian of the Nominee) will form part of the Secured Property and will be subject to the Nominee Security Interest under the Nominee Security Interest terms, unless you are a SMSF Investor and the Securities are the subject of an Option Transaction that does not relate to a Loan.

19.2 Under the Trust Deed the Nominee on your behalf:

- (a) if you are a Non-SMSF Investor, grants to us a security interest in its right, title and interest in and to the Secured Property corresponding to all Transactions entered into by you as security for:

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- (i) payment to us of any current or future amounts owing to us under this Agreement on any account; and
 - (ii) performance of all of your obligations under or in connection with this Agreement; or
- (b) if you are a SMSF Investor, grants to us a security interest in its right, title and interest in and to the Secured Property corresponding to a Loan as security for the due and punctual performance, observance and fulfilment of all your obligations to us in respect of that Loan only under the ANZ Cobalt Documents and the payment in full to us (in immediately available funds) of the Amount Outstanding in respect of that Loan only. For the avoidance of doubt, we shall only be entitled to enforce our rights under each Nominee Security Interest in connection with the SMSF Investor's obligations under the Loan advanced in respect of the Parcel the subject of that Nominee Security Interest.

19.3 The Nominee Security Interest will operate as a first ranking security and takes effect over particular Secured Property on the first to occur of:

- (a) the Nominee's acquisition of an interest in that Secured Property; and
- (b) our agreeing to accept your nomination of that Secured Property as Secured Property for the purposes of the Nominee Security Interest;

19.4 The Nominee on your behalf has agreed in the Nominee Security Interest that to the extent permitted by law:

- (a) for the purposes of sections 115(1) and 115(7) of the PPSA:
 - (i) we need not comply with sections 95, 118, 121(4), 125, 130, 132(3)(d) or 132(4); and
 - (ii) sections 142 and 143 are excluded;
- (b) for the purposes of section 115(7) of the PPSA, we need not comply with sections 132 and 137(3);
- (c) if the PPSA is amended after the date of this Agreement to permit the Nominee and us to agree to not comply with or to exclude other provisions of the PPSA, we may notify you that any of these provisions are excluded, or that we need not comply with any of those provisions as notified to you by us; and
- (d) the Nominee agrees not to exercise its rights to make any request of us under section 275 of the PPSA, to authorise the disclosure of any information under that section or to waive any duty of confidence that would otherwise permit non-disclosure under that section.

19.5 We may, at your cost, apply for any registration, or give any notification, in connection with the Nominee Security Interest. This includes registration under the PPSA for whatever collateral class or classes we think fit. The Nominee on your behalf has consented to any registration or notification by us and agrees not to make an amendment demand.

19.6 You must:

- (a) carry out on time all your obligations, observe any restrictions, and do anything we require in connection with the property under the Nominee Security Interest;
- (b) immediately after becoming aware of any rights or entitlements in respect of the property under the Nominee Security Interest, provide us with particulars of them;
- (c) if you become aware of any defect in your or the Nominee's (or a custodian or sub-custodian of the Nominee's) ownership of the property under the Nominee Security Interest, immediately take steps to rectify it;
- (d) do anything else that is necessary to maintain the property under the Nominee Security Interest;
- (e) instruct the Nominee to take up or sell new rights or entitlements in respect of the property under the Nominee Security Interest if we ask;
- (f) give us a copy of all documents you receive in connection with the property under the Nominee Security Interest upon request;
- (g) comply with, and instruct the Nominee to comply with, any conditions we attach to any approvals or consents we give in connection with the property under the Nominee Security Interest; and
- (h) do anything we reasonably request to further assure our interest in the Nominee Security Interest.

19.7 You will be liable to pay or reimburse us on request the amount of any regulatory or government charges or Taxes that may be incurred by us in connection with the Nominee Security Interest.

20. OTHER NOMINEE SECURITY INTEREST TERMS

20.1 Upon Default occurring and with no requirement for notice to be given to you, all rights of the Nominee on your behalf shall cease in respect of any Secured Property and we shall be entitled to exercise those rights and you shall, at your own cost and expense, promptly execute any instrument (including proxies) as we may require. An amount equal to any ordinary cash dividend or distribution, rights or any other property that would be received by the Nominee on your behalf as registered holder of any Secured Property after the receipt of the notification from us must be paid or delivered to us and may be applied by us in payment of the Amount Outstanding on any Transaction.

20.2 If any Securities that form the Secured Property are held in the form of a certificate, you agree to the conversion of the certificate to an uncertificated holding and agree to instruct the Nominee to execute any transfer form as requested by us. Any costs incurred by us in respect of this conversion shall be borne by you.

20.3 In respect of any Secured Property, the powers conferred on us, as holder of a Security Interest, by law:

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- (a) are in addition to the powers conferred by the ANZ Cobalt Documents or any other document or agreement;
- (b) (to the extent permitted by law) may be exercised by us immediately at the time a Default occurs and at any time subsequently; and
- (c) are excluded or varied only so far as they are inconsistent with the express terms of the ANZ Cobalt Documents or any other agreement.

20.4 To the extent permitted by law, but without prejudice to any express requirement in the ANZ Cobalt Documents, or any other document or agreements:

- (a) the Nominee on your behalf has dispensed with any notice or lapse of time required by law before enforcing the Nominee Security Interest or exercising any power; and
- (b) without limitation, the Nominee on your behalf has agreed that:
 - (i) we are not required to give notice to any person before enforcement or exercise; and
 - (ii) where a law which cannot be excluded requires a period of notice to be given but allows the period to be specified or changed, that period is one day.

21. DISCHARGE OF SECURITY INTEREST

21.1 Subject to clause 21.2:

- (a) we must discharge the entire Security Interest in relation to the Parcel when we receive payment in full of the Amount Outstanding including any applicable Break Costs in relation to the Transaction in respect of that Parcel;
- (b) to the extent that the Security Interest in relation to a Parcel has been discharged in accordance with this clause 21.1, we or the Nominee shall transfer to you those Securities in relation to which the Security Interest has been discharged, or we or the Nominee shall deal with such Securities as you direct; and
- (c) we will register a financing change statement on the Personal Property Securities Register to end the registration in respect of the Secured Property where the Secured Property constitutes all of the collateral which is the subject of the registration.

21.2 If:

- (a) we have at any time released or discharged any Guarantor from their obligations under any Security Interest in reliance on a payment, receipt or other transaction to or in favour of us;
- (b) that payment, receipt or other transaction is subsequently claimed by any person to be void, voidable or capable of being set aside for any reason, including under a law relating to bankruptcy, insolvency or liquidation; and

(c) that claim is upheld, conceded or compromised, then:

- (d) we will immediately become entitled to all such rights that we had immediately before that release or discharge;
- (e) the Guarantor must immediately do all things and execute all documents as we may reasonably require to restore all those rights to us; and
- (f) you must indemnify us and keep us indemnified against all costs, losses and expenses suffered or incurred by us as a result of the upholding, concession or compromise of the claim.

22. NOMINEE APPOINTMENT

22.1 The Nominee holds (either directly, or through a custodian or sub-custodian) the Securities as trustee for you on the terms of the Trust Deed. By entering into a Transaction, you agree to be bound by the terms of the Trust Deed. A reference in these Terms (including the definitions) to the Nominee acting on your behalf is a reference to it acting on your behalf as trustee, but not as your agent.

22.2 You irrevocably appoint us or any of our employees whose title includes the words 'head of', 'director', 'associate' or 'manager' as your attorney, and you irrevocably authorise each attorney to:

- (a) execute any document that the attorney believes is necessary or desirable to appoint the Nominee in connection with the Trust Deed or to transfer Securities to or from the Nominee for the purposes of these Terms and Conditions; or
- (b) do anything incidental or necessary in relation to the above.

23. ROLE OF THE NOMINEE

23.1 Unless otherwise directed by us, and subject to the terms of the Trust Deed, the Nominee shall:

- (a) subject to clause 11 and to application of the Dividend Give-Up Facility, pay to you any income derived from the Securities; and
- (b) subject to clause 11, take up any new rights relating to the Securities, as directed by us, but only if the Nominee is provided with any necessary funds by you.

23.2 The Nominee may exercise any other powers or discretions relating to the Securities with or without seeking instructions from you.

23.3 You acknowledge that in consideration of us making the Loan available, the Nominee, on your behalf, may grant a security interest to us, or offer so to do, on the terms of the Trust Deed the Securities in each Parcel to secure the due and punctual payment of the Amount Outstanding. If you are a Non-SMSF Investor, the security interest will also relate to obligations under Option Transactions and will include cross default mechanisms permitting us to sell other Parcels of

SECTION 10: TERMS AND CONDITIONS

Securities held by the Nominee on your behalf to cover any amounts due and payable by you even if you are not in Default of your obligations in Loans corresponding to all of those Parcels.

24. ACKNOWLEDGEMENT

24.1 You acknowledge that:

- (a) we (in our absolute discretion) may require you to transfer Securities constituting a Parcel to the Nominee or have the Nominee acquire Securities in each case to hold on your behalf, including in connection with receipt of dividends or distributions under the Dividend Give-Up Facility. You agree to promptly comply with any such request made by us;
- (b) the appointment of the Nominee is made solely for our benefit for the purpose of more effectively securing the Loan and your obligations under Options and to enable us to preserve and exercise our rights over the Secured Property; and
- (c) so long as the Loan or any part of the Loan is outstanding, the Nominee will not release, transfer, dispose of or otherwise deal with the Securities, unless we have given our prior written consent.

24.2 Subject to the terms of the Sponsorship Agreement, the Nominee authorises the Sponsoring Participant to do any act under CHESS in relation to ASX quoted Securities. You acknowledge that the Nominee authorises and directs the Sponsoring Participant to take any action that is required by us in accordance with the ASX Clear Operating Rules, the ASX Settlement Operating Rules or the ANZ Cobalt Documents to give effect to our rights under the ANZ Cobalt Documents and the Nominee Security Interest and acknowledge that the Sponsoring Participant will not take any actions at your or the Nominee's direction which are not authorised by us. Without limiting this, the Sponsoring Participant is not allowed to comply with any instructions of the Nominee on your behalf in relation to the Secured Property without our consent, and the Sponsoring Participant must comply with any instructions we give the Sponsoring Participant in relation to the Secured Property.

24.3 You, the Nominee and us acknowledge that:

- (a) you shall provide to the Nominee and the Sponsoring Participant all information and supporting documentation which is reasonably required to permit the Sponsoring Participant to comply with the registration requirements, as are in force from time to time, under the ASX Settlement Operating Rules; and
- (b) your rights under the Sponsorship Agreement are subject to our rights under our Security Interest. In the event of any inconsistency between your instructions to the Sponsor pursuant to the Sponsorship Agreement and the rights which we seek to exercise as holder of a security interest, our rights as holder of the security interest shall prevail.

25. LIMIT ON THE NOMINEE'S LIABILITY

25.1 The Nominee is not liable to you for any loss or damage allegedly arising from actions taken or omitted to be taken in relation to its appointment under these Terms except where that loss or damage is caused by its or any of its agents' dishonesty, or its wilful misconduct or gross negligence.

26. NO GUARANTEE OF PERFORMANCE OF NOMINEE

26.1 Subject to any relevant law:

- (a) we do not guarantee that the Nominee will perform or comply with its obligations under the Trust Deed; and
- (b) nothing in these Terms constitutes or may be construed as a representation by us that the Nominee will perform or comply with its obligations under the Trust Deed.

27. TRUST DEED

27.1 You acknowledge that you are bound by the Trust Deed and authorise us to give instructions to the Nominee and agree not to give any instructions or directions to the Nominee that is inconsistent with a provision of an Agreement or an instruction or direction given by us.

28. ACKNOWLEDGEMENTS

28.1 By completing an Application Form:

- (a) you irrevocably authorise the Nominee to act on our instruction to acquire and sell Securities in a Parcel either on the Relevant Exchange on your behalf in accordance with this Agreement, or directly from or to us or our related body corporate; or
- (b) you acknowledge that the Nominee will appoint and maintain the Sponsoring Participant as the sponsoring participant in respect of your ASX quoted Securities that constitute the Secured Property on the terms and conditions of the ANZ Cobalt Documents; and
- (c) with respect to the Loan proceeds in respect of a Loan Transaction:
 - (i) you irrevocably authorise and direct us to pay the purchase price of the Securities and any associated brokerage, Taxes, costs, charges or commissions incurred in connection with the purchase of Securities from the Loan proceeds; and
 - (ii) if the purchase price of the Securities and the costs and expenses described in paragraph (i) above are greater than the amount of the Loan (and any Contribution) then:
 - (A) we may adjust the Loan amount as necessary to pay all such amounts in respect of the purchase of the Securities; or
 - (B) if we do not approve an increase in the Loan amount, we may direct the purchase of a lesser number of Securities appropriate to the Loan amount originally requested by you.

SECTION 10: TERMS AND CONDITIONS

28.2 TERMS AND CONDITIONS

You acknowledge that if we, acting on your behalf as agent, direct a broker to acquire or sell Securities, the broker will do so in accordance with its usual terms and conditions.

28.3 INDEMNITY

To the fullest extent permitted by law you will indemnify us, the Nominee, the Broker and the Sponsoring Participant concerning any loss, claim, expense or damage incurred as a result of:

- (a) our reliance, or the reliance of the Nominee, the Sponsoring Participant or the Broker, upon your instructions;
- (b) acting in accordance with your instructions; or
- (c) your failure to settle any transaction by its due date or to strictly comply with the terms of the ANZ Cobalt Documents.

PART J – GENERAL PROVISIONS

29. BROKING TERMS

29.1 You appoint the Broker to provide you with the Introducer Services and we accept that appointment, on behalf of the Broker, on the terms and conditions set out in this clause 29.

29.2 You acknowledge that the Broker will nominate one or more Executing Brokers to provide you with the Executing Broker Services and that the Broker may change the Executing Broker used to provide the Executing Broker Services to you at any time.

29.3 You acknowledge that Executing Brokers have their own sets of terms and conditions on which they will provide the Executing Broker Services to you and neither we nor the Broker are a party to those terms and conditions. You must agree to those terms and conditions in order to be provided with the Executing Broker Services.

29.4 In relation to securities execution on an Australian Stock Exchange you acknowledge that ETRADE Australia Securities Limited (ETRADE) will be the Executing Broker unless the Broker appoints a different Executing Broker. ETRADE's terms and condition and Financial Service Guide can be found at www.etrade.com.au.

29.5 If the Broker nominates a non-Australian Executing Broker, you acknowledge that we or the Broker may provide you with additional terms and conditions for the provision of the Introducer Services in order to comply with the laws of a foreign country or Foreign Stock Exchange. If you do not agree to these additional terms the Broker may not be able to provide Introducer Services in respect of that Executing Broker.

29.6 To the extent of any inconsistency between an Executing Broker's terms and conditions and these Terms, the Terms will prevail.

29.7 You are deemed to have authorised, instructed and directed the Broker in respect of any orders or elections in accordance with the Terms to the extent that we elect to execute such order on an agency basis.

29.8 Neither we nor the Broker accept any liability or responsibility for losses or damages incurred as a result of a delay by us or the Broker in placing your order with the Executing Broker or by the Executing Broker executing that order on the relevant exchange.

29.9 The Broker's fees and charges for the Introducer Services will be no greater than 1.1% of the value of the transaction. Any fees and charges due to the Broker (or its agents) will be deducted by the Executing Broker from any funds it holds on your behalf or, at the Broker's discretion, shall be paid by you as stated in the relevant contract note or advice sent to you. This will include any applicable duties, levies, taxes (such as GST) or other like liabilities imposed on us or the Broker by any relevant law or rules of the relevant exchange. The Broker may receive remuneration from or share fees or charges with our associated companies or other third parties.

29.10 If the Broker's liability for a breach of a right or term implied by law (whether by statute or otherwise) is capable of exclusion, it is hereby excluded.

29.11 To the extent permitted by law, neither we nor the Broker are liable to you for any loss, damage, cost or expense whether direct or indirect, consequential or economic (and whether or not caused by our or the Broker's negligence or the negligence of the Executing Broker) which arises in connection with anyone or more of the following:

- (a) our or the Broker acting in accordance with this Agreement;
- (b) any delay or non-performance by us or the Broker resulting from matters beyond our or the Broker's reasonable control; or
- (c) your use of the Executing Broker Services provided by the Executing Broker. This provision extends, without limitation, to the Executing Broker's failure to carry out your instructions or for any acts or omissions of the Executing Broker in relation to the Executing Broker Services.

29.12 If our liability or the Broker's liability for a breach of a right or term implied by law (whether by statute or otherwise) is capable of limitation (but not exclusion) it is hereby limited to either of the following at the discretion of the person liable:

- (a) the resupply to you of that part of the Introducer Service in respect of which the cause of liability arose; or
- (b) the payment of the cost of resupply of that part of the Introducer Service in respect of which the cause of liability arose.

29.13 Our liability or the Broker's liability for a breach of a right or term which is not implied by law shall not exceed an amount equal to the fee paid by you to the Broker in respect of the matter to which the breach relates.

29.14 To the fullest extent permitted by law you will indemnify us and the Broker for any loss, claim, expense or damage incurred as a result of:

- (a) our reliance, or the reliance of the Broker or the Executing Broker, upon your instructions;

SECTION 10: TERMS AND CONDITIONS

- (b) acting in accordance with your instructions; or
- (c) your failure to settle any transaction by its due date or to strictly comply with the terms of this Agreement.

29.15 Any provision of or the application of any provision of this Agreement which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

29.16 Any provision of, or the application of any provision of, this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

29.17 The Broker is required to take all reasonable steps to obtain the best outcome for clients when handling and executing client orders. This requirement is outlined in the ASIC Market Integrity Rules (Competition in Exchange Markets) 2011.

29.18 In order to meet the Broker's obligations to its clients, the Broker will ensure that E*Trade has adequate best execution policies to ensure compliance with the best execution requirement.

30. PAYMENTS

30.1 HOW TO MAKE PAYMENTS

- (a) Unless these Terms expressly provide otherwise, you must make each payment under this Agreement without any set-off, counterclaim or any other deduction and (to the extent permitted by law) free and clear of, and without deduction or withholding for or on account of, any Taxes.
- (b) If you are required by law to make any deduction or withholding for Taxes, then you must pay to us an amount equal to the full amount which we would have been entitled to receive had the deduction or withholding not been made (other than a Tax payable on our overall net income).
- (c) If you provide us with a Direct Debit Authority, we will debit all amounts payable under this Agreement directly from your nominated account on the days the relevant payment is due under the terms of the relevant Transaction.
- (d) If you do not provide us with a Direct Debit Authority, you must make all payments under this Agreement to us:
 - (i) in Australian dollars;
 - (ii) in immediately available funds;
 - (iii) not later than 12.00pm on the due date; and
 - (iv) in accordance with our direction to you from time to time.
- (e) If at any time we receive or recover any amount payable by you for any reason that is not in Australian dollars, you indemnify us against any shortfall between the amount payable in Australian dollars and the amount we actually receive or recover after the amount is converted into Australian dollars.
- (f) If the day on which any payment becomes due is not a Business Day, the payment must be made on the preceding Business Day.
- (g) Unless this Agreement provides otherwise, all amounts owing to us under this Agreement are payable on demand.

30.2 SET-OFF AND NETTING

- (a) We may, without notice:
 - (i) if you are an SMSF Investor, set off any amount that is due and payable by us to you under this Agreement or in relation to any one or more Transactions (including the proceeds upon exercise of an Option);
 - (ii) if you are not an SMSF Investor, set off any amount that is owing by us to you (whether or not due and payable, and whether or not owing under this Agreement, in relation to a Transaction or Option, or otherwise)

against any amount due and payable by you to us under this Agreement or in relation to any one or more Transactions, including, but not limited to, any Amount Outstanding.

- (b) On each date on which an obligation to make a payment under this Agreement arises, we will at our election take an account of what is due between you and us on that date in respect of one or more Transactions (and if you are not an SMSF Investor and we so elect, any other amounts owing by us to you) so that the aggregate of all amounts due by you to us under those Transactions on that date is offset against the aggregate of all amounts due by us to you on that date. Unless we elect otherwise, only the party who is obliged to pay the greater of those aggregate amounts must make a payment on that date, in an amount equal to the difference between the two aggregate amounts.

30.3 PAYMENTS INTO BANK ACCOUNT

We may, at our election, at any time pay any amount that is payable to you under this Agreement (including proceeds upon exercise of an Option (as applicable), the amount drawn down under any Loan, the proceeds of exercise of any Option or otherwise) into a bank account with us in the name of ANZ or its nominee (**ANZ Account**). No interest is intended to be payable on any ANZ Account, but to the extent that any interest is paid, any such interest will be kept by us.

31. NOTICES AND AUTHORISED REPRESENTATIVES

31.1 INSTRUCTIONS FROM AUTHORISED REPRESENTATIVES

- (a) You may give us notice of each Authorised Representative who is authorised to give us instructions or to receive notices from us or to do anything that you are entitled to do under the Agreement by providing us with a properly executed Authorised Representative Certificate.
- (b) You authorise and direct us to act on the instructions of each Authorised Representative notified to us until you give us written notice not to do so.

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- (c) You are bound by anything we do relying on instructions we receive from your Authorised Representative or a person we reasonably believe to be your Authorised Representative.

31.2 NOTICES

- (a) Notices and communications in connection with this Agreement:
 - (i) must be in writing and signed by an Authorised Representative, unless this Agreement specifies otherwise;
 - (ii) must be addressed as follows:
 - (A) if to us: ANZ Cobalt, ANZ Equity Markets, GPO Box 555, Sydney NSW 2001
 - (B) if to you, at the address specified in your Application Form, or as notified from time to time;
 - (iii) take effect from the time they are received unless a later time is specified in them;
 - (iv) are taken to be given by the sender and received by the addressee:
 - (A) if delivered to in person or by courier, on the date it is delivered;
 - (B) if sent by mail, 3 Business Days after they are posted if sent to an address within Australia and 10 Business Days after they are posted if sent to an address outside Australia;
 - (C) if sent by fax, at the time the transmitting machine produces a report that indicates that the communication was sent to the recipient's fax machine; or
 - (D) if sent by electronic mail, when transmitted to the recipient,
provided that, if a notice is given or deemed to be given on a day which is not a Business Day or after 4:00pm (addressee's time), it is regarded as received at 9:00am on the following Business Day.
- (b) You must tell us as soon as possible if you change your name, address or any other of your notice details specified in your Application Form.
- (c) If you enter into a Transaction jointly with one or more persons:
 - (i) we can send notices, statements or other documents including changes to these Terms or any Transaction by mailing them to anyone of the joint transacting parties at their address shown in our records; and
 - (ii) if we give a notice to any one of the joint transacting parties, it will be considered to have been received by all transacting parties.

32. INDEMNITIES; COSTS AND CHARGES; GST

32.1 INDEMNITY

- (a) You indemnify us, each of our employees, Authorised Representatives and each attorney or Receiver appointed under this Agreement, against, and must pay us on demand the amount of, all losses, liabilities, costs, Taxes or expenses incurred in connection with:
 - (i) the negotiation, execution, stamping and registration of this Agreement;
 - (ii) any Transaction;
 - (iii) without limiting paragraph (ii) above, the acquisition or disposal of any Securities (including any brokerage);
 - (iv) the drawing, engrossing, execution and service of any demand or notice given by us under this Agreement;
 - (v) any amendment to, or any consent, approval, waiver, release or discharge of or under this Agreement or a Transaction;
 - (vi) any enquiry about you from a governmental authority;
 - (vii) any increase in our costs of making a Transaction available to you;
 - (viii) the occurrence of any Default;
 - (ix) the exercise or non-exercise of any right, power or remedy contained, referred to or implied in this Agreement;
 - (x) our entering into and performing our obligations under this Agreement;
 - (xi) costs in enforcing or taking any other action in connection with our rights under this Agreement;
 - (xii) any inaccuracy in or breach of any of the representations, warranties, declarations or undertakings that you or any Guarantor give or omit to give under this Agreement or in connection with a Transaction;
 - (xiii) our entry into any hedging or option arrangements to preserve the value of the Secured Property after you become subject to a moratorium on the payment of your debts or an administrator is appointed;
 - (xiv) the Loan being repaid on any date other than its Maturity Date;
 - (xv) any other amount under this Agreement not being paid on its due date (unless otherwise agreed by us);
 - (xvi) you or the Guarantor breaching the law;
 - (xvii) our acting in good faith on instructions we think have come from you or your Authorised Representative; and
 - (xviii) fees, charges, costs and expenses in connection with this Agreement or a Transaction.

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(xix) the administration of the Secured Property; and
(xx) the administration and any actual or attempted preservation or enforcement of any rights under this Agreement.

- (b) The indemnities in this Agreement are continuing obligations, independent of your other obligations under this Agreement. They continue after we release the Secured Property. It is not necessary for us to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement.
- (c) You must pay us the fees and charges in respect of a Transaction (as maybe varied from time to time) as soon as they are due and payable. On request we will provide a copy of our current fees and charges for a Transaction to you.
- (d) You are liable for your own costs and expenses and all Taxes payable under or in connection with this Agreement or a Transaction.

32.2 GST

- (a) Terms used in this clause have the same meaning as those defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) (**GST Act**) unless provided otherwise.
- (b) If any supply made under or in connection with this Agreement is subject to GST, the party making the supply (supplier) may increase the consideration otherwise provided for by the amount of that GST and recover such additional amount from the party liable for payment of the consideration. This clause does not apply to the extent that the consideration is expressly agreed to be GST inclusive.
- (c) If the recipient is required to reimburse the supplier for any costs, the amount must be reduced to the extent that the supplier is entitled to claim an input tax credit in respect of those costs. A party will be assumed to have an entitlement to claim a full input tax credit unless it demonstrates otherwise prior to the date on which the consideration must be provided.
- (d) No payment of any amount in respect of GST is required until the supplier has provided a tax invoice or adjustment note, as the case may be, to the recipient. The supplier must provide a tax invoice or adjustment note to the recipient as required by the GST Act.
- (e) Any reference in this Agreement to fee, price, value, sales, revenue, or similar amount (Revenue) shall be a reference to that Revenue exclusive of GST, unless and to the extent that the revenue is expressly agreed to be GST inclusive.

32.3 FATCA

Notwithstanding any other provision of this Agreement, if ANZ, or any other person through whom payments to you are made, is required to withhold or deduct amounts under or in connection with, or in order to ensure compliance with FATCA, ANZ shall be entitled to make such withholding or deduction

and shall have no obligation to gross up any payment under this Agreement or to pay any additional amount or other amount for such withholding or deduction.

32.4 ADVISER OPTION FEE

- (a) If you agree to pay your adviser an amount ("**Adviser Option Payment**") in connection with entering into a Transaction under ANZ Cobalt, you hereby appoint us as your agent to pay to your adviser on your behalf your specified Adviser Option Payment amount.
- (b) You must set out in your Transaction Request the dollar amount of the Adviser Option Payment as well as your adviser's payment details.
- (c) You will be required to pay to us, with your Initial Option Fee (for an Option Transaction), or with your first interest payment (for a Loan Transaction), an amount equal to your agreed Adviser Option Payment, which we will on-pay to your adviser on your behalf.
- (d) Where you sell us a Sold Call Option, you may direct us to deduct from the Initial Option Fee we pay you the Adviser Option Payment amount and to pay that amount to your adviser on your behalf.

33. GENERAL PROVISIONS

33.1 SALE AND TRANSFER MECHANICS

- (a) Any transfer of Securities as contemplated under this Agreement (whether on a Settlement Date or otherwise) will be carried out at our discretion:
 - (i) on market, via special crossing and/or an off market transfer; and/or
 - (ii) directly with us (as principal) or via one or more brokers.
- (b) You irrevocably authorise, instruct and direct us to instruct any relevant broker on your behalf accordingly.
- (c) If for any reason we reasonably consider it or any broker may be unable to freely transfer all or any Securities the subject of a Transaction, we have the right to require the relevant Transaction to be Cash Settled.
- (d) You acknowledge and agree that we may sell Securities to you or acquire Securities from you, as principal, in connection with any Transaction.
- (e) You acknowledge that if we direct the Sponsoring Participant or Nominee to sell Securities, all dealings in the Securities on your behalf are subject to the Corporations Act, ASX Operating Rules, ASX Clear Operating Rules and ASX Settlement Operating Rules and the customs and usages of the ASX, ASX Clear and ASX Settlement.

33.2 HEDGING

- (a) You acknowledge that we may hedge any liability or risk we have or might have under this Agreement by entering into options, futures or any other hedging instrument or transaction in respect of your Securities.
- (a) If we have any right, interest in or entitlement to any Security or New Right as a result of clause 34.2(a), we:

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- (i) hold that right, interest or entitlement and any deposit derived from it on our own behalf, and not for you or on your behalf;
- (ii) can deal with that right, interest or entitlement and any profits derived from it according to our discretion; and
- (iii) are under no duty to account to you in relation to that right, interest or entitlement or any deposits derived from it.

33.3 ROUNDING

In respect of any calculation that we make for the purposes of these Terms we may round the result to a number of decimal places which we determine in our sole discretion. Rounding may occur prior to the final calculation of a relevant amount or number. In relation to the final calculation of relevant amounts or number your entitlement will be aggregated and that aggregate will be rounded down so that all monetary amounts are rounded down to the nearest whole cent and numbers of Securities will be rounded down to the nearest whole number.

33.4 COMMISSIONS

- (a) We may pay a commission to any broker or financial planner or other financial intermediary who introduces you to us in accordance with applicable law.
- (b) We may pay the fees and costs of the Sponsoring Participant and, if applicable, the Nominee, in connection with a Transaction.

33.5 ANTI-MONEY LAUNDERING

- (a) We may delay, block or refuse to make a payment and we will incur no liability to you if we do so if we suspect that:
 - (i) making a payment may breach any law or regulation in Australia or any other country;
 - (ii) 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 of America, the European Union or any country; or
 - (iii) 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.
- (b) You agree to provide all information to us which we reasonably require in order to manage our money laundering, terrorism financing or economic and trade sanctions risk or to comply with any law in Australia or other country.
- (c) You agree that we may disclose information which you provide to us to any law enforcement, regulatory agency or court where required by any laws in Australia or any other country.
- (d) Unless you have disclosed that you are acting in a trustee capacity or on behalf of another party, you represent and warrant to us that you are acting on your own behalf in entering into this Agreement.

- (e) You declare and undertake to us that the payment of monies in accordance with your instructions by us will not breach any laws in Australia or any other country.

33.6 HOW WE MAY EXERCISE OUR DISCRETION AND RIGHTS

- (a) We may exercise our rights or remedy or give or refuse our consent under this Agreement in any way that we consider appropriate in our sole and absolute discretion including by imposing conditions and without giving you any reasons for our actions.
- (b) If we do not exercise a right or remedy fully or at a given time, we can still exercise it later. We may enforce our rights and remedies in any order that we choose.
- (c) We are not liable for loss caused by the exercise or attempted exercise of, failure to exercise or delay in exercising a right or remedy, whether or not caused by our negligence.
- (d) The rights and powers granted to us, or our officers, agents or employees under statute or at general law can only operate to enhance those contained in this Agreement, not to diminish or to curtail them.
- (e) The rights and powers granted to us, our officers, agents or employees under this Agreement are each separate and independent from one another and we are not under any obligation to exercise or take any action under or in respect of any one or more of them before doing so under or in respect of any other of them.

33.7 ASSIGNMENT

- (a) We may assign or transfer our rights under this Agreement to any person without prior notice to you.
- (b) In order to exercise our right under clause 34.6(a) you authorise us to disclose to any assignee or potential assignee any documents and personal information concerning you, a Transaction or the Secured Property.
- (c) You may not assign, grant a Security Interest in, declare a trust over or otherwise deal with any of your rights under this Agreement or a Transaction without our prior written consent.

33.8 TELEPHONE RECORDING

You authorise us and the Sponsoring Participant and the Nominee, if applicable, to monitor or record telephone conversations with you for security, authentication and training purposes.

33.9 OUR CERTIFICATE

A certificate issued by us or on our behalf about a matter or about an amount payable in connection with this Agreement is sufficient evidence of the matter or amount unless it is proved to be incorrect.

33.10 WAIVER

Except as provided in respect of clause 1.2(d), a provision under this Agreement or right created under it may not be waived or varied except in writing signed by the party or parties to be bound and:

SECTION 10: TERMS AND CONDITIONS

- (a) no other conduct of a party (including the failure to exercise or delay in exercising the right) operates as a waiver of the right or otherwise prevents the exercise of the right;
- (b) a waiver of a right on one or more occasions does not operate as a waiver of that right or as an estoppel precluding enforcement of that right if it arises again; and
- (c) the exercise of a right does not prevent any further exercise of that right or of any other right.

33.11 JOINT AND SEVERAL LIABILITY

- (a) If you apply for a Transaction with another person, each of you are jointly and severally liable for all your obligations under this Agreement.
- (b) You acknowledge that we may accept instructions from any one person named in the Application Form.
- (c) If a joint transacting party dies, we will treat the balance of the investment as owned by the surviving transacting party(ies).

33.12 NO MERGER

This Agreement will not merge with or adversely affect and is not adversely affected by your obligations under this Agreement and any Security Interest, any guarantee, judgment or other right or remedy that we may hold at any time.

33.13 INCONSISTENCY

- (a) The provisions of this Agreement prevail to the extent that they are inconsistent with any law.
- (b) If any provision of this Agreement is invalid or unenforceable in whole or in part, that part is to be severed so that the rest of this Agreement will remain valid and enforceable.

33.14 CHANGE OF LAW

If there occurs any change in law, order, official policy, directive or request of any governmental agency or in the ASX Operating Rules, ASX Clear Operating Rules or ASX Settlement Operating Rules or in the interpretation of them which makes it unlawful for us to give effect to any provision of this Agreement or which may have a detrimental effect on our rights or our security position under this Agreement or which results in any penalties (including penalty interest) or which makes it illegal for you to exercise your rights under this Agreement, we will notify you and:

- (a) use our best endeavours to amend this Agreement so that we may continue providing the Transaction to you on terms as similar as possible to the applicable terms prior to amendment; or
- (b) at our absolute discretion, our obligation to make, fund or maintain your Transaction or give effect to this Agreement shall cease and you must immediately repay all Amounts Outstanding in full.

33.15 VARIATION

- (a) We may, in our absolute discretion, vary any of the terms of this Agreement (including the interest rate applicable to a Loan or imposing any new fee or vary the amount of a fee) by notice in writing to you.
- (b) Where a variation of the terms of this Agreement results in additional or more onerous obligations being imposed on you, you may make an Early Termination Request of the Transaction and repay the Amount Outstanding (if any) in accordance with clause 14.
- (c) You may request a change to the Protection Level, Cap Level, Floor Level or other terms relating to a Transaction. However, we are under no obligation to agree to your request. We will notify you within 2 Business Days of receipt of your request whether we will accept your request and the terms on which your request will be accepted, such as any fees or expenses you will have to pay to effect the change and the consequences the request will have on any Amounts Outstanding (including in respect of any Loan) under this Agreement.

33.16 APPLICABLE LAW

This Agreement is governed by the law in force in the State of New South Wales. Each party submits to the nonexclusive jurisdiction of the Courts of the State of New South Wales. To the extent permitted by law, the law of the Commonwealth as it applies in New South Wales governs a security interest provided for under this Agreement.

33.17 DISCLOSURE OF INTEREST

You acknowledge that we may provide a Transaction to you in circumstances where we or our associates:

- (a) hold a principal position or deal in the Securities;
- (b) provide similar Services to other persons in relation to the Securities;
- (c) are allocated a sale or purchase of Securities when we have a Transaction Request and/or a Quote Sheet on the same terms;
- (d) take the opposite position in a Transaction (including a cross) either acting for another client or on our own account;
- (e) sponsor or underwrite a new issue involving the Securities;
- (f) have material price sensitive information relating to Securities where the individuals processing your Transaction are prevented from knowing or taking into account such information by reason of Chinese walls; or
- (g) have a potential conflict of interest of which you are not aware and which we are unable to disclose to you.

33.18 YOUR INFORMATION

You agree to provide us with information regarding your financial position, investment objectives and particular needs and you warrant that such information is true and correct.

SECTION 10: TERMS AND CONDITIONS

33.19 PRIVACY AND DISCLOSURE OF INFORMATION

33.19.1 Definitions

For the purposes of this clause 33.19, Personal Information means information or an opinion about an identified individual, or an individual who is reasonably identifiable.

33.19.2 Privacy

- (a) If you do not provide ANZ with some or all of the Personal Information that ANZ requests, ANZ may be unable to provide you with any product or service.
- (b) ANZ may collect and use Personal Information: (i) to provide you with information about a product or service; (ii) to consider and process your request for a product or service; (iii) to provide a product or service to you; (iv) to tell you about other products and services; (v) to assist in arrangements with other organisations in relation to the promotion or provision of a product or service; (vi) to manage products and services and perform administrative and operational tasks; (vii) to consider any concerns or complaints raised by you against ANZ and/or to manage any legal action involving ANZ; (viii) to identify, prevent or investigate any actual or suspected fraud, unlawful activity or misconduct; (ix) to identify you or establish your tax status under any Australian or foreign legislation, regulation or treaty or pursuant to an agreement with any tax authority; and (x) as required by relevant laws, regulations, codes of practice and external payment systems.
- (c) ANZ's Privacy Policy (available at anz.com/privacy) contains information about: (i) any laws that require or authorise ANZ to collect certain Personal Information and why those laws require ANZ to collect such Personal Information; (ii) the circumstances in which ANZ may collect Personal Information from other sources (including from a third party); and (iii) how an individual may: (A) access their Personal Information and seek correction of their Personal Information; (B) instruct ANZ that the individual does not want to receive information about other products and services; and (C) raise concerns that ANZ may have breached the Privacy Act 1988 (Cth) or related code, and how ANZ will deal with these matters.

33.19.3 Disclosure

- (a) ANZ may disclose any information (including Personal Information) relating to you, ANZ Cobalt or any associated transactions, products or services to: (i) any related entity of ANZ which may use the information to: provide, manage or administer products or services; carry out ANZ's functions and activities; manage products and services and perform administrative and operational tasks; promote its own products and services, unless you advise otherwise; and comply with laws, regulatory requirements and prudential standards; (ii) an organisation that is in an arrangement with ANZ to jointly offer products or services and/or has an alliance with ANZ to share information for marketing purposes (and any of its outsourced service providers or agents); (iii) any agent, contractor or service provider ANZ engages to carry out or assist with its functions and

activities; (iv) an organisation that assists ANZ to identify, prevent or investigate fraud, unlawful activity or misconduct; (v) regulatory bodies, government agencies, law enforcement bodies and courts; (vi) participants in payments systems (including payment organisations and merchants) and other financial institutions; (vii) other credit providers; (viii) insurers (including mortgage insurers) and reinsurers; (ix) any person who introduces you to ANZ; (x) your referee(s), employer or representative (including any broker, authorised agent, executor, administrator or trustee in bankruptcy, legal representative or anyone else acting for you in connection with your product or service); (xi) joint account holders; (xii) any provider of a guarantee, security or other credit support for your obligations to ANZ; (xiii) other parties ANZ is authorised or required by law or court/tribunal order to disclose information to; and (xiv) any professional advisors of ANZ who are under a duty of confidentiality to keep such information confidential, except that this paragraph does not permit the disclosure of information under section 275(4) of the PPSA unless section 275(7) of the PPSA applies.

- (b) In making the disclosures described above, ANZ may disclose information to recipients (including service providers and related entities of ANZ) (a) located outside Australia and/or (b) not established in or not carrying on business in Australia. Details regarding the location of such recipients may be found at anz.com/privacy.

33.19.4 Credit reporting

ANZ may collect information about your credit history and credit worthiness, including credit liabilities, repayments and defaults from a credit reporting body (or a body that provides information on commercial activity and commercial credit worthiness) and use it to assess any application for credit, manage the provision of such credit and for the purposes of debt collection. ANZ may also disclose your information (including Personal Information and information relating to ANZ Cobalt or any associated transactions, products or services) to any credit reporting bodies (for more information about credit reporting in relation to Personal Information, including the name and contact details of credit reporting bodies and the circumstances in which ANZ may disclose Personal Information to them and how you request credit reporting bodies not to use your information in certain circumstances, refer to anz.com/privacy).

33.19.5 Information about others

If you give ANZ Personal Information about someone else or direct someone else to give their Personal Information to ANZ, you must show that person a copy of this clause 33.19 (Privacy and Disclosure of Information) so that they understand the manner in which their Personal Information may be used or disclosed.

33.20 TIME OF ESSENCE

Time is of the essence with respect to these Terms and each Transaction.

SECTION 10: TERMS AND CONDITIONS

33.21 EMPLOYEES PROTECTED

Every exemption from liability, defence or immunity available to us shall also be available to and extend to protect every one of our employees, agents or representatives.

33.22 INTERPRETATION

In these Terms:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any variation or replacement of it;
- (c) a reference to law means common law, principles of equity and laws made by parliament and includes regulations and other instruments made by parliament and consolidations, amendments, re-enactments or replacements of any of them;
- (d) a reference to anything includes the whole and each part of it;
- (e) 'including', when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (f) a reference this Agreement is a reference to these Terms, together with all other ANZ Cobalt Documents, forming a single agreement between us and you with respect to the Facility and Transactions entered into by you under the Facility and a reference to the date of this Agreement means the date we accept your Application Form.

33.23 PPSA TERMS

In these Terms, unless the context requires otherwise, the following terms have the meanings given to them in the PPSA:

- (a) control;
- (b) financing change statement;
- (c) financing statement;
- (d) registration; and
- (e) verification statement.

33.24 BUSINESS DAY

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

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The meanings of the words used in this PDS are set out below:

Affiliate Conduit Factors means the four factors identified in the Interpretive Guidance as relevant to considering whether a non-U.S. person is an “affiliate conduit.” For informational purposes only, the text of the factors (but not the related interpretive material) is reproduced below:

- (a) the non-U.S. person is a majority-owned affiliate of a U.S. person;
- (b) the non-U.S. person is controlling, controlled by or under common control with the U.S. person;
- (c) the financial results of the non-U.S. person are included in the consolidated financial statements of the U.S. person; and
- (d) the non-U.S. person, in the regular course of business, engages in swaps with non-U.S. third-party(ies) for the purpose of hedging or mitigating risks faced by, or to take positions on behalf of, its U.S. affiliate(s) and enters into offsetting swaps or other arrangements with its U.S. affiliate(s) in order to transfer the risks and benefits of such swaps with third-party(ies) to its U.S. affiliates.

Adjustment Event means the events, circumstances and conditions described in paragraphs (a) to (n) of clause 11.1 of the Terms.

Adviser Option Payment the amount (if any) you agree to pay your adviser in connection with entering into a Transaction.

Adviser Option Payment Facility a facility under which you appoint us as your agent to pay to your adviser on your behalf your specified Adviser Option Payment amount.

Agreement means the agreement between you and us in relation to a Transaction consisting of these Terms and the terms and conditions contained in each other ANZ Cobalt Document.

Amount Outstanding means at any time in respect of any Transaction, any amount or contingent amount outstanding by you to us at that time in respect of the Transaction plus:

- (a) all accrued interest charges, default interest charges, costs, Taxes and other amounts which you must pay under this Agreement in connection with that amount at that time; and
- (b) all money which you will or may owe us in the future under or in connection with that amount under this Agreement.

ANZ, us, we or our means Australia and New Zealand Banking Group Limited ABN 11 005 357 522 AFSL 234527 and also includes:

- (a) any successor or transferee of ANZ in accordance with this Agreement;
- (b) if ANZ is reconstituted or amalgamated with another body – the new person formed; and
- (c) a person to which some or all of ANZ’s business, including its right to receive any Amount Outstanding, is transferred or assigned.

ANZ Account has the meaning given to that term in clause 30.3 of the Terms.

ANZ Cobalt Document means:

- (a) the Application Form;
- (b) these Terms;
- (c) the Trust Deed;
- (d) each Confirmation Letter;
- (e) any Guarantee or other Security Interest relating to a Transaction;
- (f) any document or agreement that we notify you is a “Transaction Document” for the purposes of this definition;
- (g) any document or agreement that is entered into under any of the above;
- (h) any document or agreement that amends, supplements, replaces or novates any of the above; and
- (i) any undertaking (whether or not in writing) by or to a party or its lawyers that is given under or relates to any of the above.

Application Form is the form enclosed with these Terms or the PDS, completed and signed by you and submitted to us in relation to the Facility.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market conducted by ASX Limited, as the context requires.

ASX Clear means ASX Clear Pty Limited ABN 48 001 314 503.

ASX Clear Operating Rules means the operating rules of ASX Clear as in force from time to time.

ASX Operating Rules means the operating rules made by the ASX as in force from time to time.

ASX Settlement means ASX Settlement Pty Ltd ABN 49 008 504 532 (which is a “prescribed CS facility” as defined in the Corporations Act).

ASX Settlement Operating Rules means the operating rules of ASX Settlement as in force from time to time.

Australian Stock Exchange means the Australian Securities Exchange, Chi-X or any other Australian stock exchange or trading venue nominated by us from time to time as being a stock exchange or trading venue on which you may receive the Executing Broker Services.

Authorised Representative means:

- (a) in our case, each person we authorise to act on our behalf in relation to the Facility and/or any Transaction; and
- (b) in your case, any person from time to time nominated as an Authorised Representative by you by a notice to us in an Authorised Representative Certificate and in respect of which:
 - (i) the identity of that person has been verified to our satisfaction in order to manage our anti-money laundering, counter-terrorism financing or

SECTION 11: GLOSSARY

economic and trade sanctions risk or to comply with any laws or regulations in Australia or any other country; and

- (ii) we have not received notice of revocation of the appointment.

Authorised Representative Certificate means a properly executed certificate in the Application Form.

Automatic Lock-In Facility a feature of Purchase Put Options that allows you to automatically lock-in some or all of any price appreciation for your Securities during the Term, through an increase in your Protection Level.

Bankrupt means being in a state of 'bankruptcy' as that term is defined in the ASX Settlement Operating Rules.

Basket means the collection of Parcels that we have agreed will form the subject of a Transaction.

Break Costs means those costs borne by you if a Loan or Interest Assistance Loan terminates before its Maturity Date. These costs may consist of costs associated with:

- (a) terminating a Loan and the related Interest Assistance Loan (if any) before the agreed Maturity Date;
- (b) terminating a Purchase Put Option before the agreed Maturity Date where the Initial Option Fee has not been paid in full;
- (c) costs associated with selling your Parcels or Baskets;
- (d) unwinding of our actual or theoretical hedging positions in respect of funding a Loan and/or fixed interest rates; and
- (e) enforcement costs and administration costs.

Business Day means:

- (a) for a Transaction in relation to Securities quoted on the ASX, a week day on which the banks and the ASX are open for business in Melbourne; or
- (b) for a Transaction in relation to one or more International Securities, a day that is both:
 - (i) a week day on which the banks and the ASX are open for business in Melbourne; and
 - (ii) a day on which all Relevant Exchanges in respect of the International Securities are open for trading.

Calculation Date means, in respect of a Transaction:

- (a) each of the Maturity Date, Settlement Date and Commencement Date of that Transaction; and
- (b) any other day on which a value, level or price is to be determined or calculated under this Agreement for that Transaction,

in each case subject to adjustment in accordance with clause 11 of the Terms.

Cap Level for a Transaction means the cap level in respect of a Parcel or a Basket as specified in the relevant Confirmation Letter.

Capped Purchase Put Option means a Purchase Put Option under which you must pay us the Variable Premium Amount in accordance with clause 10.1(d) of the Terms.

Capped Put Spread Option means a Put Spread Option under which you must pay us the Variable Premium Amount in accordance with clause 10.1(f) of the Terms.

Cash Settlement means settlement of an Option requiring payment in cash and which does not require or permit delivery of the Securities constituting the relevant Parcel or Basket (as applicable).

Cash Settlement Amount in respect of a Sold Call Option means an amount equal to the amount by which the Closing Price of the relevant Parcel or Basket on the Maturity Date exceeds the relevant Cap Level.

Certificated Security means a Security, title to which is evidenced by a certificate or other document.

CHESS stands for Clearing House Electronic Subregister System and has the meaning given to it in the ASX Settlement Operating Rules. It is a system of registering securities on computer.

CHESS Instruction Form means a properly executed instruction to the Sponsoring Participant in respect of the Securities constituting a Parcel, in the Application Form.

CHESS Subregister has the meaning given to it in the ASX Settlement Operating Rules. Generally, it means that part of a register of securities that is administered by the ASX Settlement.

Clearing Participant has the meaning given to it in the ASX Settlement Operating Rules.

Closing Level for an Index for a day means:

- (a) the ending index level for that day as calculated and published by the Index sponsor or its calculation agent multiplied by the Number of Securities making up the relevant Parcel or Basket (as applicable);
- (b) if the level under paragraph (a) cannot be determined, the level determined by us in good faith as the estimate of the level that would have prevailed as the closing level on that date, multiplied by the Number of Securities constituting that Parcel or Basket (as applicable);
- (c) if we determine (in our discretion) that neither subparagraph (a) or (b) will apply, then the Closing Level will be the average price at which we execute or could execute a sale or purchase of Securities for the purpose of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any transaction or asset in relation to a Transaction with you, as determined by us in our absolute discretion; or
- (d) if we determine (in our discretion) that neither subparagraph (a), (b) or (c) will apply, then the Closing Level will be the average level achieved by us for purchase or sale of our hedge position for the relevant Number of Securities, as determined by us in our absolute discretion,

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Closing Price, means, in respect of a Parcel or a Basket (as applicable) on a particular date:

- (a) the official price or, if there is no official price, the mid-market price on the Relevant Exchange, at the Closing Time on that date (or, if that date is not a Business Day, on the preceding Business Day) of the Number of Securities making up the relevant Parcel (or, in the case of a Basket, the aggregate of the official prices, or mid-market prices (as applicable) of each Security in that Basket);
- (b) if the price under paragraph (a) cannot be determined, the price determined by us in good faith as the estimate of the price that would have prevailed as the official closing price on the Relevant Exchange on that date, of the Number of Securities constituting that Parcel or Basket (as applicable);
- (c) if we determine (in our discretion) that neither subparagraph (a) or (b) will apply, then the Closing Price will be the average price at which we execute or could execute a sale or purchase of Securities for the purpose of acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any transaction or asset in relation to a Transaction with you, as determined by us in our absolute discretion; or
- (d) if we determine (in our discretion) that neither subparagraph (a), (b) or (c) will apply, then the Closing Price will be the average price achieved by us for purchase or sale of the relevant Number of Securities, as determined by us in our absolute discretion,

and, where the context requires, multiplied by the number of Securities comprising the relevant Parcel (or, in the case of a Basket, the Parcels making up that Basket).

For a Transaction in respect of an Index the Closing Price will be the Closing Level.

For a Transaction in respect of International Securities where the Option Currency is different to the currency in which the International Securities are denominated, the Closing Price on the Maturity Date for the Parcel or Basket will be the amount determined as set out in paragraphs (a) – (d) above converted to the Option Currency at the Fixed FX Rate for the Transaction (unless the context otherwise requires).

Closing Time means, in relation to a Business Day, the close of trading on the Relevant Exchange for the relevant Security on that Business Day.

Commencement Date means the date of the commencement of the Transaction (being, in respect of a Loan, the date you draw down funds from us), which will be recorded in the Confirmation Letter.

Confirmation Letter means a document from us to you setting out the details of the Transaction entered into under these Terms as described in Section 9.1 of the PDS.

Contribution means, in respect of a Parcel or a Basket acquired under a Loan Transaction, the amount of your contribution to the purchase price of the Securities constituting the relevant Parcel or Basket (as applicable), being the difference between

the total cost of purchasing the Parcel or Basket (as applicable) on the Commencement Date and the amount of the relevant Loan in respect of that Parcel or Basket (as applicable).

Conversion has the meaning in the ASX Settlement Operating Rules. Generally, it means the movement of securities from one holding on one subregister to another holding on another subregister without a change in legal ownership.

Corporations Act means the Corporations Act 2001 (Cth).

Corporations Regulations means the Corporations Regulations 2001 (Cth).

Default means an event described in clause 15.1 of the Terms.

Direct Debit Authority means a signed authority from you authorising us to debit your nominated bank account as contemplated by this Agreement in the Application Form or as approved by us from time to time.

Disrupted Day means each day on which a Market Disruption has occurred.

Dividend Collection Period means the period specified in the Confirmation Letter relating to your Dividend Give-Up Facility, over which ordinary cash dividends and distributions that go “ex” will be applied towards payment of interest on your Loan.

Dividend Give-Up Facility a feature allowing you to direct that all cash dividends and distributions on the Securities for a Loan Transaction be applied towards the payment of part of the interest on the Loan for an interest period.

Dividend Interest Amount the amount of interest payable by application of cash dividends and other payments on Securities during an interest period.

Early Termination means repayment of a Loan and/or termination of an Option Transaction before the Maturity Date.

Early Termination Quote has the meaning given in clause 14.1 of the Terms.

Early Termination Request has the meaning given in clause 14.1 of the Terms.

Early Termination Amount in respect of an Early Termination, means the amount we calculate as being the fair value of your rights under the Option minus the fair value our rights under the Option and taking into account any costs, losses or expenses which we may incur in relation to the termination or closing out of your Option, administrative costs and the costs of unwinding any hedge which we put in place. If the amount is greater than zero, we will be required to pay that Early Termination Amount to you. If the amount is less than zero, you will be required to pay to us the amount of that Early Termination Amount.

Executing Broker means the third party executing brokers nominated by the Broker to provide you with the Executing Broker Services.

Executing Broker Services means the execution, trading, clearing and settlement services provided by a Executing Broker.

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FATCA means:

- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

Foreign Stock Exchange means any exchange or trading venue outside Australia nominated by us from time to time as being a stock exchange or trading venue on which you may receive the Executing Broker Services.

Exercise Notice means the form we approve to exercise an Option in accordance with clause 10.4 of the Terms.

Facility has the meaning given to that term in clause 1.1 of the Terms and ANZ Cobalt has the same meaning.

Facility Limit means the amount determined by us as your "Facility Limit" from time to time. The total of all Amounts Outstanding under every Loan and every Interest Assistance Loan cannot exceed the Facility Limit.

Fixed FX Rate in respect of a Transaction over International Securities where the Option Currency is different to the currency in which the International Securities are denominated, means the foreign exchange rate for Transaction which is set by us at the time the Transaction is entered into and specified in your Confirmation Letter.

Fixed FX Value in respect of a Transaction over International Securities where the Option Currency is different to the currency in which the International Securities are denominated, means the Closing Price for the Parcel or Basket of International Securities at Maturity, after conversion to the Option Currency at the Fixed FX Rate.

Floating FX Value in respect of a Transaction over International Securities where the Option Currency is different to the currency in which the International Securities are denominated, means the Closing Price (before conversion to the Option Currency) for the Parcel or Basket of International Securities at Maturity, converted to the Option Currency at the Prevailing FX Rate.

Floor Level means the floor level in respect of a Put Spread Option or a Put Spread Collar as specified in the relevant Confirmation Letter.

FX Adjustment Amount in respect of a Transaction over International Securities where the Option Currency is different to the currency in which the International Securities are denominated, means the Fixed FX Value minus the Floating FX Value. If the FX Adjustment Amount is positive, we must pay the FX Adjustment Amount to you if you choose Cash Settlement. If the FX Adjustment Amount is negative, you must pay the FX Adjustment Amount to us if you choose Cash Settlement.

FX Rate means the currency exchange rate between the currency in which the International Securities are denominated and the Option Currency.

GST means the goods and services tax described in the A New Tax System (Goods and Services Tax) Act 1999, and related Acts, or any similar tax.

Guarantee means a guarantee or indemnity given by the Guarantor in support of your payment and performance obligations under this Agreement on the terms set out in clause 16 of the Terms or such other form as we agree from time to time.

Guarantor means each person or entity that guarantees or indemnifies us for your payment and performance obligations under this Agreement.

Holder Record has the meaning given to it in the ASX Settlement Operating Rules. Generally, it means the details recorded by ASX Settlement in CHES for the purpose of operating one or more holdings.

Holder Record Lock has the meaning given to it in the ASX Settlement Operating Rules. Generally, it means the facility in CHES for preventing securities from being deducted from a Holding.

Holding has the meaning in the ASX Settlement Operating Rules. Generally, it means a holding of Securities by a person.

IA Interest Period has the meaning given to that term in Clause 5.3

Increased Protection Level in respect of the Automatic Lock-In Facility, means the increased Protection Level specified in your Confirmation Letter.

Index means an index we approve as the reference asset for an Option Transaction.

Index Option means an Option over an Index.

Initial Option Fee means the fee specified as such in the relevant Confirmation Letter.

Interest Assistance Loan means an Interest Assistance Loan under the Facility that has been made available pursuant to clause 5.1.

Interest Assistance Loan Amount means the total principal amount we have agreed to lend you under an Interest Assistance Loan.

Interest Assistance Interest Payment Date means, in respect of an Interest Assistance Loan, each date specified as an Interest Assistance Interest Payment Date in the letter for the Interest Assistance Loan.

Interest Payment Date means, in respect of a Loan, each date specified as an Interest Payment Date in the Confirmation Letter for that Loan.

International Securities means securities admitted to trading on an exchange outside of Australia which we approve as Securities for a Transaction.

Interpretive Guidance means the Interpretive Guidance and Policy Statement Regarding Compliance with Certain Swap Regulations, 78 Fed. Reg. 45292 (July 26, 2013), as amended or

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supplemented by the U.S. Commodity Futures Trading Commission from time to time.

Issue Time means the time on the Commencement Date that we execute a Transaction.

Issuer Sponsored Holding has the meaning given to it in the ASX Settlement Operating Rules.

Introducer Services means the services covered by clause 24 of the Terms, including:

- (a) introducing you to an Executing Broker who will provide you with the Executing Broker Services;
- (b) arranging for you to place orders with Executing Brokers to buy or sell securities for you on an Australian Stock Exchange or Foreign Stock Exchange; and
- (c) arranging for Executing Brokers to provide you with clearing and settlement facilities so that the transactions executed by the Executing Brokers for you can be settled and cleared.

Loan means a Loan under the Facility, that has been made available pursuant to clause 2.2.

Loan Limit means the total principal amount we have agreed to lend you under a Loan.

Mark-to-Market Value means the amount that we determine as being the fair value of an Option for which knowledgeable investors would be prepared to conduct an arm's length transaction.

Market Disruption means the events, circumstances and conditions described in paragraphs (a) to (d) of clause 11.3 of the Terms.

Market Participant has the meaning given in the ASX Settlement Operating Rules.

Maturity Date means:

- (a) in respect of a Loan or an Interest Assistance Loan, the date, specified in the Confirmation Letter, on which that Loan is due and payable, as may be varied or adjusted under this Agreement (including under clause 11.2); and
- (b) in respect of an Option, the date, specified in the Confirmation Letter, on which that Option is exercisable, as may be varied or adjusted under this Agreement (including under clause 11.2), and

Maturity has a corresponding meaning.

Net Cash Settlement Payment means, in respect of a Put Spread Option where Cash Settlement applies, an amount equal to $A - B$ where:

- A = the amount by which the Protection Level for the relevant Parcel or Basket (as applicable) exceeds the Closing Price of that Parcel or Basket (as applicable) on the Maturity Date; and
- B = an amount (if positive) equal to the amount by which the Floor Level for the relevant Parcel or Basket (as applicable) exceeds the Closing Price for that Parcel or Basket (as applicable) on the Maturity Date.

Net Physical Settlement Payment means, in respect of a Put Spread Option where Physical Settlement applies, an amount equal to $A - B$ where:

- A = the Protection Level for the relevant Parcel or Basket (as applicable); and
- B = an amount (if positive) equal to the amount by which the Floor Level for the relevant Parcel or Basket (as applicable) exceeds the Closing Price for that Parcel or Basket (as applicable) on the Maturity Date.

New Rights means any of your present or future rights in connection with the Securities subject to our Security Interest, including:

- (a) any allotments, offers, benefits, privileges, rights, bonuses, Securities, stock, debentures, distributions or rights to take up Securities;
- (b) any rights or Securities resulting from any takeover, reconstruction, conversion, redemption, substitution, cancellation, reclassification, forfeiture, consolidation or subdivision;
- (c) any rights or proceeds resulting from a reduction of capital, liquidation or scheme of arrangement (but it does not include dividends); or
- (d) any rights arising from any other event which we determine to be of similar effect to paragraphs (a), (b) and (c).

Nominee means ANZ Equities (Nominees) Pty Limited (ABN 91 103 183 606) or any other entity appointed by ANZ from time to time.

Nominee Securities means Securities held by the Nominee on the terms of the Trust Deed.

Nominee Security Interest means the Security Interest granted to us by the Nominee under the Trust Deed.

Non-SMSF Investor means an investor who is not a SMSF Investor.

Number of Securities means the number of Securities specified in the Confirmation Letter.

Option means the agreement between you and us constituted by the grant of an option referred to in clause 10 of the Terms, under and in accordance with this Agreement.

Option Currency in respect of a Transaction over International Securities means the currency in which the Purchase Put Option is denominated.

Parcel means a parcel of Securities of the same type that we have agreed will form the subject of a Transaction.

Participant has the meaning given to it in the ASX Settlement Operating Rules.

Participant Change Notice means the notice of change of Sponsoring Participant that complies with Rule 7.10.1 of the ASX Settlement Operating Rules.

Participant Sponsored Holding has the meaning given to it in the ASX Settlement Operating Rules.

SECTION 11: GLOSSARY

Physical Settlement means settlement of an Option (including Protection for a Loan) requiring delivery of the Securities constituting the relevant Parcel or Basket (as applicable).

PPS Security Interest means a security interest within the meaning of sections 12(1) and 12(2) of the PPSA.

PPSA means the Personal Property Securities Act 2009 (Cth).

Prevailing FX Rate in respect of a Transaction over International Securities where the Option Currency is different to the currency in which the International Securities are denominated, the FX Rate selected by us at Maturity.

Protection means, in respect of a Parcel or Basket the Purchase Put Option over the relevant Parcel or Basket (as specified in the relevant Confirmation).

Protection Level means, for a Purchase Put Option, Capped Purchase Put Option, Put Spread Option or Capped Put Spread Option, the protection level in respect of the relevant Parcel or Basket as specified in the relevant Confirmation Letter and as reset from time to time in accordance with these Terms.

Protection Level Increase Fee has the meaning it is given in Section 6.

Purchase Call Option means an Option of the kind described in clause 10.1(b) of the Terms.

Purchase Put Option means an Option of the kind described in clause 10.1(a) of the Terms and includes a Capped Purchase Put Option.

Put Spread Option means an Option of the kind described in clause 10.1(e) and includes a Capped Put Spread Option.

Quote Sheet is a document issued by us in respect of a Transaction that sets out the proposed terms of a Transaction. A Quote Sheet may also be issued in respect of a repayment or termination of, variation or amendment to an existing Transaction.

Receiver means a receiver or a receiver and manager appointed under this Agreement.

Relevant Exchange in respect of an International Security, means the stock exchange on which the security is quoted for trading.

Relevant SIS Provisions means each of:

- (a) sections 67, 67A and 67B of the SIS Act; and
- (b) regulations 13.14 and 13.15 of the Superannuation Industry (Supervision) Regulations 1994.

Reserve Bank of Australia Cash Rate means the Reserve Bank of Australia's target overnight money market interest rate.

Secured Property means:

- (a) if you are a Non-SMSF Investor, all of your present and future interest in, to, under or derived from:
 - (i) the Securities constituting each Parcel or Basket;
 - (ii) all Securities held in any CHESS holder identification number account of which we become the Sponsoring Participant from time to time after the date of this Agreement;

- (iii) each Nominee Security;

- (iv) your rights in connection with a Transaction under this Agreement (including your rights under any Options relating to a Loan);

- (v) New Rights; and

- (vi) any ANZ Account, including all money standing to the credit of that ANZ Account that is referable to you, including any accrued or accruing interest.

- (b) if you are a SMSF Investor, all of your present and future interest in, to, under or derived from:

- (i) the Securities constituting each Parcel; and

- (ii) assets (in respect of Securities referred to in (i)) which qualify as "replacement assets" within the meaning of section 67B of the SIS Act.

Security means:

- (a) a security or interest in a managed investment scheme that is quoted or admitted to trading status by the ASX;
- (b) an Index;
- (c) anything that is notified to you by ANZ as being acceptable to ANZ for the purposes of this Agreement;

For the purpose of the Sponsorship Agreement, "Security" has the meaning in the ASX Settlement Operating Rules.

Where appropriate a reference to a "Security" includes an International Security.

Where the Security for a Transaction is an Index, the number of Securities in the Parcel for the Transaction will be deemed to be the number determined by dividing the notional amount for the Transaction by the Index Level we determine at the Issue Time.

Security Interest means:

- (a) a PPS Security Interest;
- (b) any other mortgage, pledge, lien or charge; or
- (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property.

Separate Trust means each trust established under the Trust Deed.

Settlement Cycle means, in respect of an Index or Security, the period of clearance system Business Days following a trade in the shares underlying such Index or such Securities, as the case may be, on the ASX or Relevant Exchange (as the case may be) in which settlement will customarily occur according to the rules of the ASX or Relevant Exchange (as the case may be) (or, if there are multiple Exchanges in respect of an Index, the longest such period).

Settlement Date means the date specified in the Exercise Notice (if any) or if no date is specified, a date which is one Settlement Cycle after the Maturity Date.

SIS Act means the Superannuation Industry (Supervision) Act 1993 (Cth).

SECTION 11: GLOSSARY

SMSF means a self-managed superannuation fund as defined in the SIS Act.

SMSF Investor means an Investor that is investing as the trustee of a self-managed superannuation fund as defined in the SIS Act (and where there is more than one trustee, means all of those trustees jointly and severally).

Sold Call Option means an Option of the kind described in clause 10.1(c).

Solicitor's Declaration means a properly signed declaration in the Application Form or as approved by us from time to time.

Source Holding has the meaning given to it in the ASX Settlement Operating Rules.

Sponsoring Participant means ANZ Securities Limited ABN 16 004 997 111 or such other Participant that may be appointed under the Sponsorship Agreement from time to time.

Sponsorship Agreement means the agreement between the Sponsoring Participant and you on the terms set out in clause 18 or between the Sponsoring Participant and the Nominee.

Strike Level means the strike level in respect of a Parcel or a Basket as specified in the relevant Confirmation Letter.

Subposition has the meaning given in the ASX Settlement Operating Rules. Generally, it means an arrangement under which activity relating to the securities may be restricted and access to the securities given to a person other than your normal sponsor.

Taxes means taxes, levies, imposts, duties and other charges whenever imposed by a governmental authority (for example, goods and services tax or any similar tax, stamp duties, financial institutions duties and debits tax).

Term in respect of a Transaction means the period beginning on the Commencement Date and ending on the Maturity Date.

Terms means the terms and conditions applicable to the Facility, as set out in Parts A to J (inclusive).

Transaction means, as the context requires, any or all of a Loan, Interest Assistance Loan or Option entered into between you and us under the Agreement.

Transaction Request means an irrevocable request by you, made orally, electronically, in writing or by any other agreed method, to establish a Transaction.

Transfer, as used in the Sponsorship Agreement, has the meaning in the ASX Settlement Operating Rules. Generally, it means a transfer of securities to or from a holding on CHESS.

Trigger Price means the price specified in your Confirmation Letter, where if Securities trade at or above the price during the Term, the Protection Level increases to the Increased Protection Level under the Automatic Lock-In Facility.

Trust Deed the trust deed dated 1 April 2016 executed by the Nominee.

United States or **U.S.** means the United States, its states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and any other territories or possessions of the United States government, or enclave of the United States government, its agencies or instrumentalities.

Upfront Interest Amount in respect of an interest period in which you use the Dividend Give-Up Facility means the interest amount you will be required to pay on your Loan at the beginning of the relevant interest period, as specified in your Confirmation Letter or your interest reminder statement.

U.S. Guarantee means an agreement or arrangement under which a person commits to provide a financial backstop or funding against potential losses that may be incurred by another person in connection with a Transaction.

U.S. Person Categories means the enumerated categories of "U.S. persons" that are provided in the Interpretive Guidance. For informational purposes only, the text of the categories (but not the related interpretive materials) is reproduced below:

- (i) any natural person who is a resident of the United States;
- (ii) any estate of a decedent who was a resident of the United States at the time of death;
- (iii) any corporation, partnership, limited liability company, business or other trust, association, joint-stock company, fund or any form of enterprise similar to any of the foregoing (other than an entity described in prongs (iv) or (v), below) (a "legal entity"), in each case that is organized or incorporated under the laws of a state or other jurisdiction in the United States or having its principal place of business in the United States;
- (iv) any pension plan for the employees, officers or principals of a legal entity described in prong (iii), unless the pension plan is primarily for foreign employees of such entity;
- (v) any trust governed by the laws of a state or other jurisdiction in the United States, if a court within the United States is able to exercise primary supervision over the administration of the trust;
- (vi) any commodity pool, pooled account, investment fund, or other collective investment vehicle that is not described in prong (iii) and that is majority-owned by one or more persons described in prong (i), (ii), (iii), (iv), or (v), except any commodity pool, pooled account, investment fund, or other collective investment vehicle that is publicly offered only to non-U.S. persons and not offered to U.S. persons;
- (vii) any legal entity (other than a limited liability company, limited liability partnership or similar entity where all of the owners of the entity have limited liability) that is directly or indirectly majority-owned by one or more persons described in prong (i), (ii), (iii), (iv), or (v) and in which such person(s) bears unlimited responsibility for the obligations and liabilities of the legal entity; and
- (viii) any individual account or joint account (discretionary or not) where the beneficial owner (or one of the beneficial owners in the case of a joint account) is a person described in prong (i), (ii), (iii), (iv), (v), (vi), or (vii).

Variable Premium Amount means the amount (if positive) equal to the amount by which the Closing Price of the relevant Parcel or Basket (as applicable) on the Maturity Date exceeds the Cap Level for that Parcel or Basket (as applicable).

SECTION 11: GLOSSARY

Vested Employee Options means employee options in respect of Securities that are vested and capable of being exercised by you.

Vested Employee Options Declaration means a properly executed declaration and acknowledgement in respect of Vested Employee Options in the Application Form or as approved by us from time to time.

Withdrawal Instructions means written or oral instructions from you to the Sponsoring Participant for the withdrawal of Securities from a Holding and includes instructions:

- (a) for the Conversion of Securities in a Holding to any other mode of Holding;
- (b) to initiate a change in sponsorship for the Securities;
- (c) to endorse or initiate an off market transfer of Securities;
or
- (d) to accept a takeover offer for the Securities on your behalf.

