



Media Release

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ANZ announces recommended cash takeover offer for E*TRADE Australia

ANZ today announced a recommended cash takeover offer for E*TRADE Australia Limited of \$4.05 per share for the 65.8% of E*TRADE Australia's issued capital that ANZ does not currently own.

A committee of independent directors of E*TRADE Australia[#] have said they will unanimously recommend that E*TRADE Australia's shareholders accept ANZ's offer in the absence of a superior proposal and subject to an independent expert's report. The independent directors have indicated they intend to accept this offer for their own holdings of E*TRADE Australia shares on this basis.

ANZ Group Managing Director Personal, Mr Brian Hartzler said: "The acquisition of E*TRADE Australia would be a further step in ANZ's strategy to be a leader in personal financial services in Australia including accelerating growth in convenient and simple wealth management and investment services.

"With ANZ customers representing about a third of E*TRADE Australia's customer-base, we are the natural owner of E*TRADE Australia. As part of our multi-brand strategy, we intend to retain and grow the E*TRADE brand, subject to agreement with E*TRADE Financial Corporation when the current licensing arrangements expire in 2009," Mr Hartzler said.

Commenting on the ANZ offer, E*TRADE Australia Chairman Mr Kerry Roxburgh said: "We believe this is a very positive development for E*TRADE Australia. Given the offer's premium to E*TRADE Australia's share price and particularly relative to historic share prices, it is a compelling offer. The committee of independent directors have concluded it is in the best interests of all shareholders and are pleased for shareholders to consider it.

"The company has provided strong shareholder returns over the last few years and the resources and expertise that ANZ can provide to E*TRADE Australia will certainly accelerate the growth of the business. Based on the great success we have already realised from our alliance, the integration of E*TRADE Australia and ANZ is a logical next step.

"Importantly for E*TRADE customers and wholesale partners, ANZ is committed to maintaining the same innovative product offerings, dedicated service and award-winning trading platforms that have made E*TRADE Australia a success," Mr Roxburgh said.

ANZ is E*TRADE Australia's largest shareholder with a 34.2% shareholding established as part of a strategic alliance formed between ANZ and E*TRADE Australia in 1999. ANZ's \$268 million cash offer values E*TRADE Australia at \$407 million and represents a premium of 17.0% to the Volume Weighted Average Price (VWAP) over the past month and 25.5% over the three months prior to the announcement.

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Mr Hartzler added: "ANZ has the capabilities now to add further value to E*TRADE Australia's business by developing its technology platform, building and leveraging scale, and accelerating growth. This means ANZ is uniquely placed to improve and extend services for E*TRADE Australia's customers, its strategic business partners and its staff."

The acquisition would be funded by ANZ from internal resources and is anticipated to be earnings per share neutral in 2008.

ANZ's offer may be made through a subsidiary by way of an off-market takeover bid under the Australian Corporations Act 2001. The offer is subject to a number of conditions including ANZ acquiring at least 90% of the number of E*TRADE Australia's ordinary shares on issue. The conditions are outlined in full in the Appendix of this announcement.

E*TRADE Australia has entered into a Bid Facilitation Agreement with ANZ in relation to ANZ's offer which includes the customary no shop provisions. ANZ's Bidder's Statement is expected to be provided to E*TRADE Australia shareholders in early March 2007.

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Notes:

The committee of independent directors of E*TRADE Australia established to consider the ANZ offer comprises Kerry Roxburgh, Jim Dominguez, Ian Hunter and Brett Spork. The committee excludes John Harries and Geoff Cohen who were nominated to the E*TRADE Australia board by ANZ and are executives of ANZ, and Jarrett Lilien who was nominated by E*TRADE Financial Corporation.

APPENDIX

BID CONDITIONS FOR ANZ'S CASH TAKEOVER OFFER FOR E*TRADE AUSTRALIA

1. Minimum acceptance condition

During, or at the end of, the offer period, the number of fully paid ordinary shares in E*TRADE Australia (**E*TRADE Australia Shares**) in which ANZ and its associates together have relevant interests (disregarding any relevant interest that ANZ has merely because of the operation of section 608(3) of the Corporations Act) is at least 90% of all the E*TRADE Australia Shares (even if that number later becomes less than 90% of all the E*TRADE Australia Shares as a result of the issue of further E*TRADE Australia Shares).

2. ASX/ACH consents

Before the end of the offer period, ASX Limited (**ASX**) provides such consents as are necessary under rule 4.7 of the ASX Market Rules, and Australian Clearing House Pty Ltd provides such consents as are necessary under rule 3.7 of the ACH Clearing House Rules, to permit the acquisition of the E*TRADE Australia Shares under ANZ's offer, such consents to be unconditional or subject only to conditions which would not:

- (a) have a material adverse effect on the businesses of the members of the ANZ Group (being ANZ and its subsidiaries) and the E*TRADE Australia Group (being E*TRADE Australia and its subsidiaries) that are relevant participants (for the purposes of the ASX Market Rules and ACH Clearing Rules) or any other member of the E*TRADE Australia Group or ANZ Group; or
- (b) require the divestiture of any business or assets by any member of the E*TRADE Australia Group or the ANZ Group.

3. No action by Public Authority adversely affecting ANZ's offer

During the period from and including the date of this announcement (**Announcement Date**) to the end of the offer period:

- (a) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (b) no action or investigation is instituted, or threatened by any Public Authority; and
- (c) no application is made to any Public Authority (other than an application by ANZ or any company within the ANZ Group),

in consequence of, or in connection with, ANZ's offer, which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon, the making of ANZ's offer, the acquisition of E*TRADE Australia Shares under ANZ's offer or the rights of ANZ in respect of E*TRADE Australia and the E*TRADE Australia Shares to be acquired under ANZ's offer or otherwise, or seeks to require the divestiture by ANZ of any E*TRADE Australia Shares, or the divestiture of any assets by E*TRADE Australia or by any subsidiary of E*TRADE Australia or by any member of the ANZ Group.

For the purpose of these conditions, "**Public Authority**" means any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including the ACCC (but excluding the Takeovers Panel, ASIC and any court in respect of proceedings under section 657G or proceedings commenced by a person specified in section 659B(1) of the Corporations Act in relation to ANZ's offer).

It also includes any self-regulatory organisation established under statute or any stock exchange (including the ASX).

4. **E*TRADE Australia Licence**

Before the end of the offer period, E*TRADE Financial Corporation (formerly, E*TRADE Group Inc):

- (a) does not exercise or give notice that it intends to exercise its right to terminate the Licence without cause; and
- (b) provides to each of ETRADE Australia Securities Limited and ETRADE Australia Limited an enforceable and irrevocable waiver of its right to terminate the Licence without cause which is conditional only on:
 - (i) each of ETRADE Australia Securities Limited and ETRADE Australia Limited providing a reciprocal waiver of their right to terminate the Licence without cause (including subject to the condition referred to in (ii) below); and
 - (ii) ANZ's offer becoming unconditional.

For the purpose of this condition, **Licence** means the Services and License Agreement dated 1 January 2002 between E*TRADE Financial Corporation (formerly E*TRADE Group Inc.), ETRADE Australia Securities Limited and ETRADE Australia Limited.

5. **No material adverse change**

During the period from and including the Announcement Date to the end of the offer period:

- (a) there is no occurrence or matter, including (without limitation):
 - (i) any change in the status or terms of arrangements entered into with E*TRADE Australia or any of its subsidiaries or the status or terms of any licences, authorities, consents, approvals, orders, waivers, relief, rulings and decisions which are applicable to E*TRADE Australia or any of its subsidiaries (whether or not wholly or partly attributable to the making of ANZ's offer, and/or the acquisition of E*TRADE Australia Shares under ANZ's offer),
 - (ii) any liability for duty or tax;
 - (iii) any liability resulting from a change of control of E*TRADE Australia; and
 - (iv) any change in the law (whether retrospective or not), that is not apparent from information available to ANZ as at the Announcement Date and that (individually or together with others) has or could reasonably be expected to have a materially adverse effect on the assets, liabilities, financial or trading position, profitability or prospects of E*TRADE Australia and its subsidiaries taken as a whole; and
- (b) no occurrence or matter of the type referred to in paragraph 5(a), which occurred before the Announcement Date but was not apparent from publicly available information before then, becomes public.

An occurrence or matter that has or could reasonably be expected to have the effect of reducing:

- (1) the consolidated net profit after tax of the E*TRADE Australia Group on an on-going basis by more than \$2 million; or
- (2) the consolidated net assets of the E*TRADE Australia Group by \$10 million or more,

is deemed to be an occurrence or matter of the type referred to in paragraph 5(a).

6. **No material transactions, acquisitions or disposals**

During the period from and including the Announcement Date to the end of the offer period, none of E*TRADE Australia, or any subsidiary of E*TRADE Australia:

- (a) acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in aggregate greater than \$8.0 million;

- (b) disposes, offers to dispose or agrees to dispose of one or more assets (or an interest in one or more assets) for an amount in aggregate greater than \$8.0 million;
- (c) enters into or offers to enter into any joint venture, asset or profit sharing, partnership, merger of businesses (including through a dual listed companies structure) or of corporate entities, involving a commitment or value of greater than \$4.0 million;
- (d) incurs, commits to or brings forward the time for incurring, or grants to another person a right the exercise of which would involve E*TRADE Australia or any subsidiary of E*TRADE Australia incurring or committing to, any capital expenditure or liability, or foregoes any revenue for one or more related items or amounts of greater than \$4.0 million;
- (e) gives or agrees to give any mortgage, charge, pledge, lien or other encumbrance or right over any of its assets, otherwise than in the ordinary course of business;
- (f) declares, or distributes any dividend, bonus or other share of its profits or assets;
- (g) enters or agrees to enter into any contract of service for the appointment of, or varies or agrees to vary any existing contract of service with, any director, executive or manager (including any replacement chief executive officer), or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date. Nothing in this paragraph prevents E*TRADE Australia or any subsidiary of E*TRADE Australia from increasing the remuneration of its employees with effect from 1 July 2007 in the ordinary course of its business);
- (h) conducts its business otherwise than in the ordinary course;
- (i) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager); or
- (j) discloses (without having disclosed to ASX prior to the Announcement Date) the existence of any matter described in paragraphs 6(a) to (i) above, or announces an intention or proposal to do anything described in paragraphs 6(a) to (i).

7. No prescribed occurrences

- (a) None of the following events happens during the period beginning on the date the bidder's statement relating to ANZ's offer (**Bidder's Statement**) is given to E*TRADE Australia and ending at the end of the offer period:
 - (i) E*TRADE Australia converts all or any of its shares into a larger or smaller number of shares;
 - (ii) E*TRADE Australia or a subsidiary of E*TRADE Australia resolves to reduce its share capital in any way;
 - (iii) E*TRADE Australia or a subsidiary of E*TRADE Australia:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
 - (iv) E*TRADE Australia or a subsidiary of E*TRADE Australia issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option (other than an issue of shares by E*TRADE Australia made in accordance with an agreement entered into by E*TRADE Australia the details of which were announced to ASX before the Announcement Date);

- (v) E*TRADE Australia or a subsidiary of E*TRADE Australia issues, or agrees to issue, convertible notes;
 - (vi) E*TRADE Australia or a subsidiary of E*TRADE Australia disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) E*TRADE Australia or a subsidiary of E*TRADE Australia charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) E*TRADE Australia or a subsidiary of E*TRADE Australia resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of E*TRADE Australia or of a subsidiary of E*TRADE Australia is appointed;
 - (x) a court makes an order for the winding up of E*TRADE Australia or of a subsidiary of E*TRADE Australia;
 - (xi) an administrator of E*TRADE Australia, or of a subsidiary of E*TRADE Australia, is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (xii) E*TRADE Australia or a subsidiary of E*TRADE Australia executes a deed of company arrangement; or
 - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of E*TRADE Australia or of a subsidiary of E*TRADE Australia.
- (b) None of the events listed in sub-paragraphs (i) to (xiii) of paragraph 7(a) happens during the period beginning on the Announcement Date and ending at the end of the day before the Bidder's Statement is given to E*TRADE Australia.

8. **S&P/ASX 200 Industrials (Sector) Index**

During the period from and including the Announcement Date to the end of the offer period, the S&P/ASX 200 Industrials (Sector) Index does not close, for three or more consecutive trading days, at a level which is 12.5% or more below the level at which it closed on the last trading day before the Announcement Date.