FOREIGN EXCHANGE, DERIVATIVE, COMMODITIES AND STRUCTURED PRODUCT TRANSACTIONS GENERAL RISK DISCLOSURE STATEMENT

January 2024

For external use

PURPOSE OF THIS DISCLOSURE

This disclosure is made by Australia and New Zealand Banking Group Limited (ABN 11 005 522 357) in Australia and outside Australia by its branches and subsidiaries (together "ANZ"). Please read this disclosure carefully as it tells you about some of the risks associated with foreign exchange, derivative, commodities and structured product transactions.

You should be aware that there are risks associated with foreign exchange, derivative, commodities and structured product transactions. This disclosure is not intended as a substitute for you making your own independent enquiry about these risks nor does it purport to document all of the risks and other significant aspects of any transaction. This disclosure does not constitute personal financial product advice or offer to sell, or a solicitation of an offer to buy, any product, instrument or investment, to effect any transaction. This disclosure may not be reproduced, distributed or published by any recipient. If you have any questions about this disclosure, please contact your ANZ representative.

You <u>should not</u> enter into a transaction unless you fully understand how it operates including:

- the nature and terms and conditions of the transaction and the market underlying it;
- the extent of the financial and economic risk to which you are exposed as a result of the transaction;
- the tax treatment of the transaction; and
- the regulatory and accounting treatment of the transaction.

You should make certain that the transaction you are considering meets your financial needs and objectives. To do this, you need to understand the reasons you are entering into the transaction. You may wish, for example, to hedge a specific risk, to enhance the return on an existing investment or, to the extent permitted by applicable laws, to speculate on the movement of a particular price or exchange rate. You also need to understand the financial result you wish to achieve and whether or not the use of the transaction is the best way to achieve that result.

Before you enter into a transaction, you should, among other things, consider the matters set out below.

- **Derivatives.** A derivative is a financial instrument, the value of which is derived from the value of an underlying asset (e.g. a currency, bond or commodity) or index (e.g. interest rate) Derivatives can be complicated and risky, and investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited risk appetite.
- **Off-exchange transactions.** While some off-exchange markets are highly liquid, off-exchange transactions may generally involve greater risk than investing in on-exchange transactions because there is no exchange or secondary trading market on which to liquidate an open position, to assess the value of the off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently, it may be difficult to establish what a fair price is. Off-exchange transactions are individually negotiated. If a particular transaction is large or if the relevant market is illiquid (as may be the case with many individually negotiated off-exchange derivatives), it may be impossible or difficult to execute a transaction or liquidate an open position.
- **Market Risk.** All transactions carry inherent market risk associated with the underlying instrument. For example, foreign exchange transactions are exposed to the risk that the exchange rate of the foreign currency may go up or down.
- **Other Market Risks.** Other risks associated with the underlying instrument besides the movement of the underlying instrument. You may be exposed to one or more risks arising from other market factors, including but not limited to interest rate risk and volatility risk.

- **Tenor.** The total tenor of the transaction including all future potential obligations. Transactions with a longer tenor will be associated with higher risk, which may result in higher unwinding costs. You may suffer substantial loss as you are bound by the transaction to take up the agreed amount of the underlying at the agreed price for the remaining period of the transaction.
- **Maximum Exposure.** Transactions with "multiplier" conditions or leverage may require you to take up a greater (and potentially, multiple times) agreed amount of the underlying when the markets turn against you and the total maximum exposure is the aggregate "multiplied" amount over the term of the transaction. Hence, you should be aware of the total maximum exposure and consider it, in totality, together with all other transactions you may have outstanding before entering into the transaction.
- **Expected Return.** The expected return and compare it to the worst case scenario and the maximum loss you might incur, in view of both cash flow loss and potential mark-to-market loss. Consider whether the expected return justifies any potential loss. This is particularly important if you are speculating on the movement of a particular rate or price.
- **Past and Future Performance.** That historic or past performance is not an indication of future performance.
- **Potential Loss.** What loss you might incur as a result of adverse movements in the value of the transaction following changes in the market price or value of the underlying. For some types of transactions, the maximum amount you can lose will be limited. In the case of options you have bought, for example, your loss would normally be limited to the premium you have paid for the option. With other types of transactions, however, the potential loss is unlimited and may not be able to be measured at the time that the transaction is entered into. This may be the case with options that you sell to another party or transactions such as capped profit structured forward transactions.
- **Collateral.** For collateralised transactions, you may be liable to provide collateral (cash/securities) to maintain your position. Depending on the mark-to-market valuation of the transaction, the amount of required collateral may increase during the term of the transaction. You should consider your ability to fund any required collateral should the market move against you. Should you fail to provide the required collateral as and when they are due, your trade may be unilaterally terminated prior to maturity. In particular, you should be aware of the following:
    - **Liquidity Pressure:** In poor market conditions, you may be required to provide collateral at short notice, while your ability to make payment may be worse than in normal market conditions due to the fall in the market value of other financial assets.
    - **Interest Costs (if applicable):** You may be required to pay interest costs associated with providing the required collateral covering the full mark-to-market losses for the remaining term of the transaction. Such amount may be substantial in poor market conditions.
    - **Early Termination by ANZ:** In the event you fail to provide collateral calls when they are due, the transaction may be terminated unilaterally by ANZ without your consent prior to maturity and you may be required to bear the consequential losses and costs which could be substantial.
- **Counterparty Credit Risk.** That you are exposed to the credit risk of your counterparty. If you enter into a transaction with ANZ, it is important that you are comfortable with ANZ's creditworthiness as, if ANZ defaults or becomes insolvent, you can only claim as an unsecured creditor.
- **Basis Risk.** Whether or not you are exposed to any basis risk. This is the risk that a transaction may not be a perfect hedge against a particular type of risk. Even small differences between the terms of the transaction and the assets, liability

or position may create a basis or correlation risk. For example, a slightly different maturity or duration between a transaction and the risk being hedged can result in a mismatch of this kind.

- **Cancellation or termination.** That, depending on the terms of the transaction, you may not be able to cancel or terminate a transaction before its stated maturity date without ANZ's consent. ANZ may cancel or terminate a transaction upon occurrence of an event of default or termination event. If the transaction is early terminated, it will be terminated at prevailing market rates and you may incur unwinding costs determined by ANZ having regard to any losses associated with it terminating, liquidating, obtaining or re-establishing any hedge or related trading position, including any loss of bargain and cost of funding. Given that some markets are highly volatile and can fluctuate rapidly, you may suffer financial loss as a result of early termination. In the case of structured products, the unwinding costs could reduce your expected return or the investment amount, potentially resulting in a loss of the original investment amount even for capital protected products.
- **Settlement resources.** Whether you have the necessary resources and ability to monitor your positions and the risks involved and that you have the operational and financial resources to settle transactions.
- **Internal approvals.** Make certain that you have taken all internal steps necessary to enter into the transactions including obtaining board of directors or commissioners or shareholders approval, as required under your constitutional documents.
- **Hedging.** If you are entering into this transaction for hedging purposes and the proposed maximum exposure to a currency under the transaction (or the resulting total maximum exposure after taking into account other similar outstanding contracts) is materially higher than your underlying positions or anticipated cash flows in that currency, you will be over exposed to the currency.
- **Commodity contracts.** Commodity contracts are agreements either to (a) buy or sell an amount of an underlying physical commodity at a predetermined price and delivery period, or (b) pay or receive a cash payment based on changes in the price of the underlying physical commodity. Commodity contract may be settled in cash or by physical delivery and are generally based on certain grades or specifications of an underlying physical commodity. Commodity contracts may be traded on regulated specialized futures exchanges (e.g. commodity futures contracts). Commodity contracts may also be traded directly between market participants on an "over-the-counter" basis which is subject to lesser degrees of regulation or, in some cases, no substantive regulation. Trading on an "over-the-counter" basis may not accord you the same degree of protection as compared to trading on regulated specialized futures exchanges and you may face additional risks relating to liquidity and price transparency. Some governments and regulatory bodies have expressed concern regarding the disruptive effects of speculative trading in the commodity markets and the need for increased regulation. The effect of any future regulatory change for commodity transactions is impossible to predict but could be substantial and adverse to you.
- **Commodity prices.** Commodity prices can be very volatile and are affected by a variety of factors in addition to economic activity that may be beyond our control and are unpredictable. For example, extreme weather conditions; disruptions to infrastructure; disruptions to the supply, distribution and storage of the underlying physical commodity; governmental programmes and policies; national and international political, military, terrorist and economic events including direct governmental intervention such as embargoes; fiscal, monetary and exchange control programmes; changes in interest and exchange rates; changes in rates of economic activity and inflation; and changes and suspensions or disruptions of market trading activities in commodities and related contracts,

particularly in major producing or consuming economies. In addition, the correlation between factors is complex and the effect of one factor on commodity prices may offset or enhance the effect of another factor. Commodity prices may be more volatile than other asset classes and commodity prices have on occasion been subject to very rapid and significant short-term changes, making commodity derivative transactions riskier than other derivatives.

- **Negative Prices.** Various factors, including those set out in the "Commodity prices" section, can cause prices of a commodity, a futures contract in respect of a commodity or commodity index to become negative, leading to a different outcome from that which was expected. You should review the terms of the commodity contracts carefully, including how negative prices may affect the same. Consequences of negative prices under a commodity contract may include (without limitation), if the amount payable by a party with respect to a commodity price is a negative number, then the amount payable by that party being deemed to be zero, and either (i) the other party paying the absolute value of that negative amount (as calculated), in addition to any amount otherwise payable such other party; or (ii) the other party not having an any obligation to pay any other amount in addition to the amount otherwise payable by such other party.
- **Commodity futures contracts.** The price of a commodity futures contract will generally be at a premium or discount to the spot price of the underlying physical commodity. The price difference is due to factors including (a) the adjustment of the spot price to account for associated expenses (e.g. warehousing, transport and insurance costs), and (b) different methods being used to evaluate factors affecting the spot and the futures markets. Depending on the commodity, there can be significant differences in the liquidity of the spot physical market and its associated futures market. Accordingly, transactions linked to commodity futures contracts may provide a different return from transactions linked to the underlying physical commodity. Futures contracts are subject to extensive statutes, regulations and margin requirements. The exchanges on which futures contracts trade are generally authorised to take extraordinary actions in the event of a market emergency, including suspension of trading, establishing of position limits or additional margin requirements. These may adversely affect the liquidity and price of the futures contract.
- **Limit prices.** Certain futures exchanges have regulations that limit the amount of fluctuation in prices which may occur during a single business day. The maximum or minimum price of a futures contract on any given day is referred to as a "limit price". Once the limit price has been reached in a particular futures contract, trading in the contract will be governed by the regulations imposed by the exchange on which the contract is listed. Limit prices may have the effect of precluding trading in a particular futures contract for a period of time, which could result in a Market Disruption Event. This may affect the calculation or settlement of the transaction and could even lead to an early termination of the transaction

There are other risks that have not been mentioned above. For example, serious market disruptions may occur as a result of:

- a major institution failing
- political events locally or overseas
- a failure of computer hardware or software.

You should read all relevant documents and terms and conditions and consult your own legal, tax and financial advisers before entering into any transaction. You should not enter into any transaction unless you fully understand all of the associated risks and have independently determined that the transaction is suitable for you.

ABOUT THIS DISCLOSURE

This disclosure supplements any other bilateral term sheets and/or agreements regarding foreign exchange, derivative, commodities and structured product transactions that ANZ has entered into with you, including any master agreement or terms and conditions for financial instruments entered into between us and any applicable terms of business which apply to business conducted between you and ANZ.

This disclosure is available at

https://www.anz.com/institutional/rates-fees-terms/disclosures/

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This disclosure is dated January 2024.

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