

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED RISK DISCLOSURE STATEMENT

PART 1 - GENERAL RISK DISCLOSURES

This Statement seeks to provide you with a brief outline of some, but not all, of the risks associated with investing and trading in securities, investment funds, foreign currencies or commodities or entering into treasury and financial derivative transactions ("Transactions"). Financial derivatives are financial contracts the value of which depends on the return on or the value of currencies, securities, commodities, interest rates, reference indices or other financial instruments or benchmarks, including forwards, options and swaps or combinations thereof.

This Statement does not explain all the risks and other significant aspects of investing or trading in securities, investment funds, foreign currencies or commodities or entering into treasury and financial derivative Transactions (including issues of taxation or other legal consequences pertaining to any Transactions entered into).

Such risks can be substantial. Before entering into any Transaction, you should therefore be satisfied that you fully understand the precise nature of the Transaction, how it actually works, the extent of your exposure to risks and the potential losses that you could incur. You should also read the relevant product-specific literature and carefully consider whether any proposed Transaction is suitable for you in the light of your financial resources, experience, objectives for engaging in the Transaction, ability to bear risks and other relevant circumstances. You should also consult such professional advisers (including legal, tax, financial and accounting) as may be appropriate.

You are the non-professional counterparty of Australia and New Zealand Banking Group Limited, Singapore branch (the "Bank") and the Bank deals with you solely at arm's length. Except where the Bank has expressly undertaken to the contrary, the Bank does not act as your adviser, assumes no fiduciary responsibility towards you, and is not obliged to give you any advice or make any recommendations or suggestions to you. Even if the Bank provides advice, recommendations and suggestions on your request or otherwise, you must remain ultimately responsible to conduct your own independent investigation into, and make your own appraisal of, any proposed Transaction, and you should rely only on your own judgment in entering into any Transaction. As such, the burden of all risks involved in any Transactions will be carried by you, and the Bank is not responsible for any losses which you incur, of whatever nature and howsoever arising.

The Bank acts simultaneously for a large number of clients, as well as for its own account. As such, conflicts of interest cannot be completely avoided.

RISK DISCLOSURE STATEMENT FOR INVESTMENTS

A. GENERAL INVESTMENT RISKS

1. Various risks are associated with investing and trading in securities, investment funds, foreign currencies and commodities or entering into treasury and financial derivative Transactions. These include but are not limited to the following.

Price and Market Risks

2. The prices of financial instruments are subject to the risks of market fluctuations.
3. Because prices and characteristics of over-the-counter financial instruments are often individually negotiated, there may be no central source for obtaining prices and there can be inefficiencies in the pricing of such instruments. The Bank makes no representation or warranty that its prices will always be the best prices available to you.
4. Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by an exchange or clearing house to reflect changes in the underlying interest.
5. Trading on one electronic trading system may differ not only from trading in an open outcry market but also from trading on other electronic trading systems.
6. In effecting an off-exchange Transaction, the Bank may be acting as your counterparty. Off-exchange Transactions may be less regulated or subject to a separate regulatory regime, compared to on-exchange Transactions. Before you undertake such Transactions, you should familiarise yourself with the applicable rules and attendant risks.

Country Risks

7. Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to a rule which may offer different or diminished investor protection. Before you trade, you should enquire from the Bank about any rules relevant to your particular Transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where your Transactions have been effected. You should ask the Bank for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.
8. Any imposition by a country of exchange controls or other limitations or restrictions may cause payments to be made in the local currency instead of the original invested currency or may result in the inability to effect outward remittances of funds from such a country, which can affect the value of your investment or your ability to enjoy its benefit.

Liquidity and Market Disruption Risks

9. Adverse market conditions may result in your not being able to effect Transactions, liquidate all or part of your investments, assess a value or your exposure or determine a fair price, as and when you require. This may also arise from the rules in certain markets (for example, the rules of a particular exchange may provide for "circuit breakers" where trading is suspended or restricted at times of rapid price movements).
10. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit your losses to the intended amounts, as it may be impossible to execute such orders under adverse market conditions. Strategies using combinations of positions, such as spread and straddle positions, may be as risky as taking simple long or short positions.
11. The normal pricing relationships between a derivative and the underlying assets may not exist in certain circumstances. For example, this can occur when a futures contract underlying an option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge "fair" value.
12. Most open-outcry and electronic trading facilities are supported by computer based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The result of any system failure may be that your order is either not executed according to your instructions or not executed at all. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary. You should ask the Bank before conducting Transactions for details in this respect.

Foreign Exchange Risks

13. Fluctuations in foreign currency rates will have an impact on your profit and loss where a Transaction involves a foreign currency element.

Credit Risks

14. Securities, investment funds, commodities and other instruments may not be guaranteed by the Bank or by its affiliates or subsidiaries, and are subject to the risks of the issuer counterparty, including but not limited to failure by such issuer or counterparty to make good, valid or timely delivery or payment to you. You should also familiarise yourself with the protection accorded to any money or other property which you deposit for domestic and foreign transactions, particularly in a firm's insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

Emerging Markets Risks

15. Investment in securities, investment funds, foreign currencies and other assets in emerging countries, including those located in Asia, Latin America and Eastern Europe, may yield high returns but may also carry high investment risks. Such risks include political risks (including confiscation of assets, restriction of your rights of disposal, or decline in the value of assets as a result of state intervention or the introduction of state monitoring and control mechanisms), risks of economic instability, heightened levels of the general risks described above (e.g. credit risk, exchange rate risk, liquidity risk etc.), greater prevalence of unsavory market practices (e.g. insider trading) and laws and regulations which afford inadequate protection and safeguards to investors.

Managed Accounts

16. In some cases, managed accounts are subject to substantial charges for management and advisory fees. It may be necessary for those accounts that are subject to these charges to make substantial trading profits to avoid depletion or exhaustion of their assets.

Impact of Fees and Charges

17. Before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

B. OPTIONS

18. An option is a right granted by a person (the seller or writer) to another (the buyer or holder) to buy (call option) or to sell (put option) a specified amount of an underlying asset at a predefined price (strike price) at or until a certain time (expiration date), in exchange for the payment of a premium. Transactions in options may involve a high degree of risk and may not be suitable for many members of the public. Before trading, you should calculate the extent to which the value of an option would have to increase for your position to become profitable, taking into account the premium paid and all transaction costs.
19. Options may be granted on all kinds of assets and may be traded on-exchange or over-the counter. The terms of an option may be standardized (e.g. in the case of certain basic currency and precious metal options) or may be custom tailored to meet the needs of the holder or the writer. There is generally no market available for such tailor-made options. Warrants are options in securitised form.
20. Exercising an option results either in a cash settlement or in the buyer acquiring delivery of the underlying asset. The buyer of options may offset its position by trading in the market or exercise the options or allow the options to expire. If the option is on a futures contract or leveraged foreign exchange transaction, for example, the buyer will acquire the position together with associated liabilities for margin.
21. Some options are described as "American-style". These may be exercised on any trading day up to and including the expiration date. "European-style" options may be exercised only on the expiration date.
22. During the life of an option, the writer must often provide collateral (margin cover). The margin is determined by the counterparty (including the "Bank") or, in the case of traded options, the exchange may determine the required margin. If margin cover proves insufficient, the writer may have to provide additional collateral (variation margin) or be faced with his position being closed-out. Certain exchanges in some jurisdictions permit deferred payment of the option premium, limiting the liability of the buyer to margin payments not exceeding the amount of the premium. The buyer is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the buyer is responsible for any unpaid premium outstanding at that time.
23. A call option is in-the-money if the current market value of the underlying asset is higher than the strike price. A put option is in-the-money if the current market value of the underlying asset is below the strike price. An option that is in-the-money is said to have an intrinsic value. If the current market value of the underlying asset and the strike price are the same, the option is at-the-money. An option may also be out-of-the-money. If purchased options expire out-of-the-money, you will suffer a total loss of your investment which will consist of the option premium paid plus transaction costs. If you are contemplating purchasing deep out-of-the-money options, you should be aware that, ordinarily, the chance of such options becoming profitable is remote.
24. The price of an option depends on its intrinsic value, and on its time value. The latter depends on a variety of factors, including the remaining life of the option and the volatility of the underlying asset. The time value of an option reflects the chance that it will be in-the-money.
25. In general, the value of a call option decreases, and the value of a put option increases, as the value of the underlying asset falls. The less an option is in-the-money, the larger the decrease in value. This decrease also generally accelerates as the life of the option expires, and is proportionally larger than the decrease in value of the underlying asset. However, in certain cases, the value of an option may decrease even if the value of the underlying asset remains unchanged or moves in favour of the buyer.
26. The risks associated with writing an option are generally greater than buying an option. If the option is covered by a corresponding position in the underlying asset, the risk may be reduced. Conversely, if the option is uncovered, then the possible loss may be unlimited.
27. If the writer of a call option has a corresponding quantity of the underlying asset at his disposal, the call option is described as covered. In such case, if the value of the underlying asset exceeds the strike price, the writer misses out on the upside potential as it must deliver the asset to the buyer at the strike price. However, the writer also bears the entire risk for any losses incurred on the underlying assets following a drop in market value. The losses are, however, reduced by the option premium received.
28. The writer of an uncovered call option does not own the underlying asset. In such case, the exposure is the spread between the strike price and the value of the underlying asset, less the premium received for granting the call option. Since the market value of the underlying asset can move well above the strike price, the writer's potential loss is theoretically unlimited.
29. The writer of American-style options, in particular, must take into account the fact that the option may be exercised in very unfavourable, high-loss market situations in which physical delivery obligations may be very difficult or very costly to fulfill. It may sometimes even be impossible to acquire the necessary underlying asset.
30. The writer of a put option who does not have a short position in the underlying asset is subject to risk of loss should the price of the underlying asset decrease below the strike price upon exercise or expiration of the option by an amount in excess of the premium received. Conversely, the writer of a put option has a short position in the underlying asset is subject to the full risk of a rise in the price of the underlying asset reduced by the premium received. In exchange for the premium received for the writer of a put option, the writer gives up all the potential gain resulting from a decrease in the price of the underlying asset below the option strike price upon exercise or expiration of the option.

C. MARGIN AND LEVERAGED TRANSACTIONS

31. Financial transactions may sometimes involve a high degree of leverage. This can work against you as well as for you. A small market movement can produce large losses as well as gains.
32. You may be required to furnish margin when entering into many financial transactions, in particular leveraged transactions (and for the avoidance of doubt, such margin may equal or exceed the full amount of your actual or potential exposure to the Bank.) "Margin" refer to an amount of money, securities, property of other collateral, representing a part of the value of the contract or agreement to be entered into, which is deposited by a party to a financial transaction to ensure performance of the terms of the financial transaction. Even if the amount of the initial margin deposit may be small relative to the value of a Transaction, if the market moves against you, you may not only sustain a total loss of the initial margin deposit and any additional funds deposited to maintain your position, you may also incur further liability to the Bank or other counterparty or sustain further losses. You may also be called upon to "top-up" your margin by substantial amounts at short notice to maintain your position, failing which your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account.

D. FORWARDS AND FUTURES

33. Forwards and futures entail the obligation to deliver or take delivery on a specified expiration date of a defined quantity of an underlying asset at a price agreed on the contract date. Futures are standardised contracts traded on-exchange. Forwards are traded over-the-counter. Forwards and futures may involve high degrees of risk and may not be suitable for many members of the public.
34. When buying or (short) selling an underlying asset by way of a futures or forward (including a non-deliverable forward) contract, specified initial margin must often be supplied at the beginning of the contract. This is usually a percentage of the total value of the contract. Additional margin may have to be provided periodically during the life of the contract. This corresponds to the notional profit or loss arising from any change in value in the contract or underlying assets.
35. For forward sales, the underlying asset must be delivered at the strike price agreed even if its market value has since risen. The seller thus risks losing the difference between these two amounts. Theoretically, there is no limit to how far the market value of the underlying asset can rise and hence, potential losses are unlimited and can substantially exceed the margin requirements.
36. For forward purchases, the buyer must take delivery of the underlying asset at the strike price agreed even if its market value has since fallen. The buyer's potential loss is thus the difference between these two values and the maximum loss corresponds to the strike price. Potential losses can substantially exceed margin requirements.

E. STRUCTURED PRODUCTS

37. Structured products are formed by combining two or more financial instruments, including one or more derivatives.
38. Structured products carrying a high degree of risk and may not be suitable for many members of the public, as the risks associated with the financial instruments may be interconnected. As such, the extent of loss due to market movements can be substantial. Prior to engaging in structured product Transactions, you should understand the inherent risks involved. In particular, the various risk associated with each financial instrument should be evaluated separately as well as taking the structured product as a whole.
39. Each structured product has its own risk profile and given the unlimited number of possible combinations, it is not possible to detail in this Statement all the risks which may arise in any particular case. Nonetheless, this Statement attempts to provide a general description of the features and some of the risks applicable to a few common types of structured products.
40. Structured products may be traded either over-the-counter or on-exchange.
41. With structured products, buyers can only assert their rights against the issuer. Hence, particular attention needs to be paid to issuer risk. You need therefore be aware that a total loss of your investment is possible if the issuer should default.

Capital Protected Products

42. Structured products with a capital protection component often consist of an option combined with a fixed income instrument (e.g. a bond).
43. The capital protection component is provided by the bond and determines how much is paid out as a fixed sum when the structured product matures. You should note that the capital protection can be well under 100 percent of the capital invested, depending on the product. The capital protection is also linked to the nominal value rather than the issue price or the secondary market price. Capital protection does not therefore mean 100 percent repayment of the purchase price for all products.
44. The option component determines how and to what extent the buyer benefits from price movements in the underlying asset. In other words, it establishes the buyer's potential return above the capital protection component. The risks this component entails corresponds to those of other options or option combinations. Depending on the underlying asset's market value, it can expire without value.
45. The market value of a structured product can fall below the level of its capital protection, which can increase the potential loss on a sale before maturity. In other words, capital protection is only available if the buyer holds the structured product until maturity.

Dual Currency Investments

46. Dual Currency Investments (or "DCIs") are exchange-rate-related instruments that enable the buyer to obtain a higher return than on a money market instrument. When a DCI matures, the buyer will receive payment of principal and interest either in the primary or the alternative currency. If payment is in the alternative currency, the strike rate will be used for conversion.
47. A DCI can be viewed as a bond combined with grant of a short call option on the reference currency. If on maturity, the option is out-of-the-money, the buyer will receive the principal plus interest in the primary currency. On the other hand, if the option is in-the-money, the issuer of the DCI will exercise the call option and pay the holder of the DCI in the alternative currency.
48. DCIs are suitable for buyers who wish to see a high return on their investments and accept the risk of repayment in the alternative currency at the strike rate. Accordingly, it is the Bank's policy not to accept placement of any DCI unless the buyer has a use for the currencies in which the deposit may be repaid on maturity. The higher the potential earnings, the greater the risk that payment will be made in the alternative currency at the strike price.
49. DCI buyers do not enjoy downside protection, and thus investing in DCIs involves substantial risks.

Equity-linked notes

50. Equity-linked notes (or "ELNs") may be viewed as combining a debt instrument with an option that allows a bull (rising), bear (falling) or range bet. The return on an ELN is usually determined by the performance of a single security, a basket of securities or an index.
51. A bull ELN combines a traditional deposit with the premium received from writing a put option on the chosen securities. If the value of these securities falls to a level less than the strike price minus the premium received, the buyer will suffer a loss. The maximum potential loss could be the entire capital sum.
52. A bear ELN combines a deposit with the premium received by selling a call option on the chosen securities. Upon maturity, the amount that the issuer of a bear ELN will repay the investor depends on the strike price and the market value of the securities at maturity. Buyers of a bear ELN must feel comfortable with the risk of losing the entire capital invested, in the event that the market value of the securities is above the strike price.
53. A range ELN combines a traditional deposit with the premium received by selling both a put option and a call option on the chosen securities.
54. You should also note that the return on investment of an ELN is predetermined, so that even if your view of the direction of the underlying market is correct, you will not gain more than the specified amount. You should also note that there is no guarantee that you will derive any return on your investment in an ELN. In addition, there is a limited secondary market for outstanding ELN issues.
55. Investing in ELNs involves a high degree of risk and may not be suitable for many members of the public.

F. NON-TRADITIONAL FUNDS (HEDGE FUNDS)

56. Non-traditional funds (which may take a variety of legal forms such as investment companies or partnerships) differ from traditional investment funds such as equity or fixed income funds in respect of their investment style. A common type of a nontraditional fund is the hedge fund, which, notwithstanding its name, does not necessarily have anything to do with hedging.
57. Some of the common features of, and risks of investing in, a non-traditional fund include the following:
 - the fund often aims to make an absolute return, under varying market conditions;
 - sometimes, the fund takes on very high levels of risk and may have significant leverage from the investment of borrowed capital;
 - the fund often uses derivatives, whether for hedging or for investment or speculation rather than hedging purposes;
 - the fund may be able to carry out short sales;
 - there may be limited information available about the fund, its investment strategies or investment situation. Even if information is available, the information (for example about the fund's investment strategy) may be very complex and difficult to understand;
 - the fund may not be subject to any restrictions on investment categories, markets or trading methods;
 - a high minimum sum may be needed for investment in the fund;
 - non-traditional funds have variable liquidity and tradeability, and may have limited subscription and redemption rights with lengthy notice periods (e.g. fund issues and redemptions are often allowed only on a monthly, quarterly or annual basis). Fixed holding periods are common, and liquidations may stretch out over a period of years; and
 - a fund's portfolio managers often receive performance-linked bonuses and have a personal stake in the fund; and
 - many non-traditional funds are located in "offshore" jurisdictions, and are subject to less stringent laws and supervision, which in turn provides weaker investor protection. There is no assurance that an investor's legal rights will be enforceable.
58. Non-traditional funds investments involve a high degree of risk and may not be suitable for many members of the public. Before making any investments, you should seek independent advice about the particular risks involved and carefully study the Information Memorandum and Subscription Agreement and other information on the relevant investments. You should fully understand and be willing to assume the risk involved and the exposure to potential loss (which could involve the complete loss of your investment).

