

Product Disclosure Statement Update

Agricultural Commodity Options

16 February 2018

This statement (**Statement**) is dated 16 February 2018 and supplements the Agricultural Commodity Options Product Disclosure Statement dated 28 February 2011 (**PDS**). This Statement is to be read together with the PDS and any other SPDSs issued for the product the subject of the PDS.

Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527, is the issuer of this Statement.

The purpose of this Statement is to update the Financial Ombudsman's Service telephone number, and privacy and disclosure related sections in the PDS.

A. New Financial Ombudsman's Service Telephone Number

Replace the Financial Ombudsman's Service Limited's telephone number in Section 11.2 (What if you have a complaint?) with: 1800 367 287.

B. Replace Section 11.3 (Privacy and confidentiality) of the PDS with the below:

11.3 PRIVACY AND DISCLOSURE OF INFORMATION

11.3.1 General

This clause 11.3 (Privacy and Disclosure of Information) applies to you if you are:

- > an individual customer of ANZ ("customer"); or
- > a representative of a *customer* or an incorporated customer (for example, a company director, officer, employee, authorised representative or signatory) or some other kind of third party individual relevant to that customer (for example, an agent, guarantor or advisor) (each a "third party").

Sub-clauses 11.3.3 (Disclosure of information) and 11.3.4 (Information about others) also apply to you if you are an incorporated customer of ANZ.

11.3.2 Privacy

When you deal with ANZ, ANZ is likely to collect, use and disclose some of your *personal information*. ANZ explains below when and how ANZ may collect, use and disclose your *personal information*.

Collection and use of your personal information by ANZ

If you are considering acquiring, or have acquired a product or service from ANZ, or you are a *third party*, ANZ may collect and use your *personal information*:

- > to provide you with information about a product or service;
- > to consider and process your request for a product or service;
- > to provide a product or service to you;
- > to tell you about other products or services;
- > to assist in arrangements with other organizations in relation to the promotion and provision of a product or service;
- > to manage products and services and

perform administrative and operational tasks;

- > to consider any concerns or complaints raised by you against ANZ and/or to manage any legal action involving ANZ;
- > to identify, prevent or investigate any actual or suspected fraud, unlawful activity or misconduct;
- > 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
- > as required by relevant laws, regulations, codes of practice and external payment systems.

Absence of relevant personal information

If you do not provide some or all of the *personal information* requested, ANZ may be unable to provide you or a customer with a product or service.

ANZ's Privacy Policy

ANZ's Privacy Policy (available at anz.com/privacy) contains information about:

- > any laws that require or authorise ANZ to collect certain *personal information* and why those laws require ANZ to such *personal information*;
- > the circumstances in which ANZ may collect *personal information* from other sources (including from a third party); and
- > how an individual may:
 - access their *personal information* and seek correction of their *personal information*;
 - instruct ANZ that the individual does not want to receive information about other products and services; and
 - raise concerns that ANZ may have breached the *Privacy Act 1988 (Cth)* or related code, and how ANZ will deal with these matters.

11.3.3 Disclosure of information

By entering into a *flexible forward* or by acquiring or continuing to hold the product or service from ANZ, or if otherwise providing information to ANZ, you agree that ANZ may disclose your information (including *personal information* and information relating to a *flexible forward* or any associated transactions, products or services) to:

- > any related entity of ANZ which may use the information to: (a) carry out ANZ's functions and activities; (b) promote its own transactions, products and services, unless you advise otherwise; (c) assess your application for transactions, products or services; (d) manage your transaction, product or service; (e) perform administrative and operational tasks (including debt recovery); or (f) comply with laws, regulatory requirements and prudential standards;
- > 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);
- > any agent, contractor or service provider ANZ engages to carry out or assist its functions and activities;
- > an organisation that assists ANZ to identify, prevent or investigate fraud, unlawful activity or misconduct;
- > regulatory bodies, government agencies, law enforcement bodies and courts;
- > participants in the payments system (including payment organisations and merchants) and other financial institutions;
- > other credit providers;
- > insurers (including mortgage insurers) and reinsurers;

- > any person who introduces you to ANZ;
- > your referees(s), employer or representative (including any authorised agent, executor, administrator or trustee in bankruptcy, legal representative or anyone else acting for you in connection with your product or service);
- > joint account holders;
- > any provider of a guarantee, security or other credit support for your obligations to ANZ;
- > other parties ANZ is authorised or required by law or court/tribunal order to disclose information to;
- > any professional advisors of ANZ who are under a duty of confidentiality to keep such information confidential; and
- > 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, refer to anz.com/privacy).

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.

11.3.4 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 11.3 (Privacy and Disclosure of Information) so that they understand the manner in which their *personal information* may be used or disclosed.

Amend the definitions in Section 12 of the PDS as follows:

- > delete the definition of ***confidential information***
- > replace the definition of ***personal information*** with the following:

personal information means information or an opinion about an identified individual, or an individual who is reasonably identifiable.

AGRICULTURAL
COMMODITY OPTIONS
PRODUCT DISCLOSURE STATEMENT

ISSUER

Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527, is the issuer of the *commodity options* offered in this Product Disclosure Statement (PDS) dated 28 February 2011.

References to “ANZ”, “us”, “our” or “we” throughout this PDS are references to Australia and New Zealand Banking Group Limited. References to “you” or “your” throughout this PDS means the person entering into a *commodity option*.

PURPOSE OF THIS PDS

This PDS is an important document. Its purpose is to provide you with key information about *commodity options*.

ANZ is providing you with this PDS so that you receive key information about *commodity options* to help you understand their risks, benefits and costs, and to assist you in making an informed decision about entering into *commodity options*.

Commodity options are sophisticated financial products. These products may be unsuitable for you if you are unfamiliar with financial markets and the way that these types of products work.

Please read this PDS in full before deciding to enter into a *commodity option*. If you decide to enter into a *commodity option*, you should keep this and any other documentation relating to the *commodity option* for future reference.

GENERAL INFORMATION ONLY

The information in this PDS is general information only and does not take into account your personal objectives, financial situation or needs. This PDS does not constitute advice and is not a recommendation or opinion that *commodity options* are appropriate for you.

Before entering into a *commodity option*, you should give consideration to your objectives, financial situation and needs, and be satisfied that they will be met if you enter into a *commodity option*. We recommend that you consult your independent professional adviser about the suitability of *commodity options* for you.

AUSTRALIAN DISTRIBUTION ONLY

The *commodity options* to which this PDS relates are available to persons receiving the PDS (electronically or otherwise) in Australia, who are Australian residents.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and therefore, persons into whose possession those documents come should seek advice on and observe any such restrictions. Failure to comply with relevant legislation may violate these laws. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

UPDATED INFORMATION

The information in this PDS is subject to change. Where new information arises that is materially adverse to the information in this PDS, ANZ will issue a new PDS or issue a supplementary PDS setting out the new information.

Where new information arises that is not materially adverse to the information in this PDS, you will be able to find the updated information on our website anz.com or you can contact us using the details in the directory in Section 13 or call your ANZ contact. A paper copy of the updated information is available free on request.

EXAMPLES IN THIS PDS

The examples are for illustrative purposes only. You should note that the actual rates and prices will vary depending on the terms of the *commodity option* and the factors listed in Section 3.1 of this PDS.

DEFINITIONS

To assist you in understanding this PDS, we have included definitions in Section 12. The meaning of some italicised words used in this PDS are set out in that section.

CONTACT ANZ

If there is anything in this PDS that you do not understand or if you have any questions you can contact us using the details in the directory in Section 13 or call your ANZ contact. You can also go to our website at anz.com.

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1. KEY FEATURES

TOPIC	HIGHLIGHTS	MORE INFORMATION																				
WHO IS THE ISSUER?	Australia and New Zealand Banking Group Limited ABN 11 005 357 522, Australian Financial Services Licence 234 527	Section 9																				
WHAT ARE WE OFFERING?	A <i>commodity option</i> is an agreement between you and ANZ where, in exchange for the upfront payment of a <i>premium</i> by you to ANZ, you have the right but not the obligation to notionally sell or buy a specified amount of a commodity at a <i>strike price</i> on an agreed date. ANZ offers <i>put options</i> and <i>call options</i> .	Section 2																				
WHAT ARE THE SIGNIFICANT BENEFITS?	Entering into a <i>commodity option</i> provides protection against adverse <i>commodity price</i> movements with the potential to financially benefit from favourable <i>commodity price</i> movements.	Section 4																				
WHAT ARE THE SIGNIFICANT DISADVANTAGES AND RISKS?	<ul style="list-style-type: none"> > A <i>commodity option</i> may not eliminate basis risk > If a <i>commodity option</i> is not exercised and expires on the <i>expiration date</i> the <i>premium</i> you paid is an additional cost to you > Other risks are explained in Section 5, including market risk, credit risk and operational risk 	Sections 4 and 5																				
WHAT IS THE TERM?	3 <i>business days</i> to 2 years. Longer <i>terms</i> may be available on request.	Section 2																				
WHAT COMMODITIES ARE AVAILABLE AND WHAT ARE THE MINIMUM TRANSACTION AMOUNTS?	<table border="1"> <thead> <tr> <th>Commodity</th> <th>Minimum transaction amount</th> </tr> </thead> <tbody> <tr> <td>Domestic Wheat</td> <td>20 metric tonnes</td> </tr> <tr> <td>Global Wheat</td> <td>136 metric tonnes</td> </tr> <tr> <td>Cotton</td> <td>100 bales</td> </tr> <tr> <td>Sugar</td> <td>50.8 metric tonnes</td> </tr> <tr> <td>Canola</td> <td>20 metric tonnes</td> </tr> <tr> <td>Corn</td> <td>127 metric tonnes</td> </tr> <tr> <td>Soybeans</td> <td>136 metric tonnes</td> </tr> <tr> <td>Soybean meal</td> <td>90.7 metric tonnes</td> </tr> <tr> <td>Soybean oil</td> <td>30 metric tonnes.</td> </tr> </tbody> </table>	Commodity	Minimum transaction amount	Domestic Wheat	20 metric tonnes	Global Wheat	136 metric tonnes	Cotton	100 bales	Sugar	50.8 metric tonnes	Canola	20 metric tonnes	Corn	127 metric tonnes	Soybeans	136 metric tonnes	Soybean meal	90.7 metric tonnes	Soybean oil	30 metric tonnes.	Section 2
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Soybeans	136 metric tonnes																					
Soybean meal	90.7 metric tonnes																					
Soybean oil	30 metric tonnes.																					
WHAT IS THE CURRENCY?	<i>Commodity options</i> are offered in either Australian Dollars (AUD) or US Dollars (USD), except for canola which is offered in either AUD or Canadian Dollars (CAD)	Section 3.2																				
WHAT DO I HAVE TO PAY?	You must pay the <i>premium</i> we agree with you.	Section 6																				
HOW IS IT SETTLED?	ANZ will automatically exercise your <i>commodity option</i> on expiration if the <i>strike price</i> is more favourable to you than the <i>commodity reference price</i> . Alternatively, by notifying ANZ, you can exercise your <i>commodity option</i> prior to the <i>expiration date</i> . If the <i>commodity option</i> has been exercised the <i>cash settlement amount</i> will be paid to you on the agreed <i>settlement date</i> . No physical delivery of the underlying commodity is permitted.	Section 3.3																				
CAN I EXTEND THE TERM?	Variation to the agreed <i>settlement date</i> , <i>term</i> or the <i>expiration date</i> is not permitted.	Section 3.4																				
CAN I TERMINATE EARLY?	If we agree, you can terminate early, but you may not receive back any of the <i>premium</i> you originally paid depending on the value of the <i>commodity option</i> upon termination. You may also be liable for any losses and costs ANZ may incur as a result of termination.	Section 3.5																				
HOW DO I ENTER INTO A COMMODITY OPTION?	Entry into a <i>commodity option</i> is subject to ANZ's credit approval. If you want to enter into a <i>commodity option</i> , you will need to tell ANZ the commodity, the <i>transaction amount</i> , the currency, the type of option (<i>put option</i> or <i>call option</i>), the <i>strike price</i> and the <i>term</i> . Please contact us for a <i>commodity option</i> .	Section 8																				
TAX	The tax consequences of investing in a <i>commodity option</i> will depend upon your specific circumstances. You should seek your own independent tax advice before you enter into a <i>commodity option</i> .	Section 10																				
COMPLAINTS	Complaint resolution procedures are provided.	Section 11.2																				
NO COOLING OFF	There is no cooling off period once you have entered into a <i>commodity option</i> .	Section 5																				

2. WHAT IS A COMMODITY OPTION?

A *commodity option* is an agreement between you and ANZ where, in exchange for the upfront payment of a *premium* by you to ANZ, you have the right but not the obligation to exercise the *commodity option* on or prior to the *expiration date*.

ANZ offers two types of *commodity options* for you to buy, a *put option* and a *call option*. See table below.

A *commodity option* allows you to lock in a 'worst case' price for a commodity in advance of a future sale or purchase of the physical commodity. The worst case price is the fixed exercise price of the *commodity option*, called the *strike price*, and is your level of *commodity price* protection.

Commodity options are cash settled only, no physical delivery of commodities takes place. If the *commodity option* is exercised, on the *settlement date* ANZ will pay the *cash settlement amount* to you, which is based on the difference between the *strike price* and the *commodity reference price* on the *exercise date*. See Section 3.3 for further information on settlement of *commodity options*.

If you want to enter into a *commodity option*, you will need to tell ANZ the underlying commodity, the *transaction amount*, the currency, the *strike price*, the *term* and the type of *commodity option* (*call option* or a *put option*). ANZ will quote you the applicable *premium*, if it agrees to enter into a *commodity option* with you.

WHAT IS THE TERM AND THE EXERCISE DATE?

The *term* of the *commodity option* is the time between the *trade date*, which is the date on which you enter into a *commodity option*, and the *expiration date*. The *term* of a *commodity option* may be between 3 *business days* and 2 years after the *trade date*. Longer *terms* may be available on request.

TYPE	DESCRIPTION	EXAMPLE
PUT OPTION	You have the right but not the obligation to notionally sell the <i>transaction amount</i> of the commodity	Seller of a commodity seeking protection against a fall in the <i>commodity price</i> at the <i>commodity pricing date</i> eg a wheat grower
CALL OPTION	You have the right but not the obligation to notionally buy the <i>transaction amount</i> of the commodity	Buyer of a commodity seeking protection against a rise in a <i>commodity price</i> at the <i>commodity pricing date</i> , eg a wheat miller or a feedlot

The *exercise date* of a *commodity option* (whether a *put option* or a *call option*) is the date on which the *commodity option* can be exercised and, where the *commodity option* is exercised, is also the date the *cash settlement amount* payable under the *commodity option* is determined.

ANZ offers American style options. This means that the *commodity option* (whether a *put option* or a *call option*) can be exercised on or prior to the *expiration date*.

WHAT ARE COMMODITY OPTIONS USED FOR?

Commodity options are used by participants in physical commodity markets, such as producers and consumers, to reduce or *hedge* exposure to adverse *commodity price* movements over periods of time by locking in a worst case price in advance of a future sale or purchase of the underlying commodity. By locking in a worst case price in advance, exposure to movements of the *commodity price* is reduced during the *term* of the *commodity option*.

Commodity options may be useful for:

- > a producer of agricultural commodities, such as a wheat grower;
- > consumers of agricultural commodities, such as a miller; and
- > other clients who have exposure to *commodity price* movements.

For example:

- > a grower may use a *put option* to *hedge* the wheat price from the point of sowing a wheat crop until delivery into a pool or sale to a merchant in order to protect against falling wheat prices ahead of delivery/sale; and
- > a miller may use a *call option* to *hedge* the wheat price over the period during which it accumulates wheat for making flour to protect against rising wheat prices ahead of milling.

WHAT ARE THE MINIMUM TRANSACTION AMOUNTS?

The minimum *transaction amounts* for *commodity options* are as follows:

COMMODITY	MINIMUM TRANSACTION AMOUNT		CONVERSION FACTOR*
Domestic Wheat	20 metric tonnes	20 metric tonnes	N/A
Global Wheat	5,000 bushels	136 metric tonnes	36.74371 bu: 1 mt
Cotton	50,000 lbs	100 bales	500: 1 bale
Sugar	112,000 lbs	50.8 metric tonnes	2204.622: 1 mt
Canola	20 metric tonnes	20 metric tonnes	1: 1 mt
Corn	5,000 bushels	127 metric tonnes	39.36825: 1 mt
Soybean Meal	100 short tons	90.7 metric tonnes	1.102311: 1 mt
Soybean Oil	60,000 lbs	30 metric tonnes	2204.622: 1 mt
Soybeans	5,000 bushels	136 metric tonnes	36.74371: 1 mt

* in order to convert to metric tonnes/bales, the minimum *transaction amount* is divided by the conversion factor

3. HOW DOES A COMMODITY OPTION WORK?

3.1 HOW ARE THE PREMIUM, STRIKE PRICE AND COMMODITY REFERENCE PRICE DETERMINED?

PREMIUM

In exchange for providing a *commodity option*, ANZ will charge you a *premium*. ANZ determines the *premium* on a transaction by transaction basis with reference to a number of factors, including:

- > transaction type (*call option* or *put option*);
- > current *commodity reference price*;
- > the agreed *strike price*;
- > currency the *commodity option* is dealt in;
- > *expiration date* of the *commodity option* (the *term*);
- > *transaction amount* of the underlying commodity;
- > volatility of the underlying *commodity price*;
- > current interest rates;

- > ANZ's internal fixed and variable costs; and
- > ANZ's risk/profit margin.

The table below summarises the impact some of the factors may have on the *premium*. The list of factors is not exhaustive.

Determination of the *premium* is a complex process. The degree of influence that each factor has in the determination of the *premium* varies from time to time, in accordance with economic conditions, including the commodity futures market, currency and interest rate movements and volatility.

Your ANZ contact will provide you with a quote for the *premium* for your *commodity option*. The *premium* must be paid in cleared funds on the *premium payment date* (generally the second business day after the *trade date*). If the *premium* is not paid on the *premium payment date*, the *commodity option* will automatically terminate and you will be liable for any costs arising as a result of the termination of the *commodity option*.

FACTOR	PUT OPTION PREMIUM (protection against a fall in the commodity price)	CALL OPTION PREMIUM (protection against a rise in the commodity price)
<i>Strike price</i>	A higher <i>strike price</i> results in a higher <i>premium</i> and a lower <i>strike price</i> results in a lower <i>premium</i>	A lower <i>strike price</i> results in a higher <i>premium</i> and a higher <i>strike price</i> results in a lower <i>premium</i>
Volatility of the underlying commodity price	Higher volatility results in higher <i>premium</i> , lower volatility results in lower <i>premium</i>	
<i>Expiration date</i>	An <i>expiration date</i> further in the future results in a higher <i>premium</i> and an <i>expiration date</i> closer in the future results in a lower <i>premium</i>	

STRIKE PRICE

In conjunction with ANZ, you determine the *strike price* at the outset of the *commodity option* according to the level and term of *commodity price* protection you require. Depending on the commodity, the *strike price* can be expressed in AUD, USD or CAD to match the currency of your underlying exposure in the physical market. See Section 3.2 for more information about the currency considerations.

COMMODITY REFERENCE PRICE

The *commodity reference price* is used to determine the amount payable under a *commodity option* on the *exercise date*.

For a *commodity option*, the *commodity reference price* is determined by ANZ by reference to the published price of a *futures contract* for the underlying commodity on a particular *exchange*.

For example:

- > for wheat, the relevant *commodity reference price* will usually be based on the price of a wheat *futures contract* on either the Australian Securities Exchange, Chicago or Kansas Boards of Trade; and

- > for cotton, the relevant *commodity reference price* will usually be based on the price of a cotton *futures contract* on the New York Board of Trade Cotton No 2.

For further details of the *exchanges* that ANZ currently uses for each commodity, and the currencies and units of measurement in which they are expressed, see the table at Appendix A.

3.2 ARE THERE CURRENCY CONSIDERATIONS?

Commodity reference prices are quoted on the relevant *exchange* in either AUD, USD or CAD (depending on the commodity). If the *commodity reference price* is quoted in a different currency to the *strike price*, then it is necessary to convert the *commodity reference price* to the currency of the *strike price* for the purpose of determining the *cash settlement amount* payable using a *currency reference rate* if the *commodity option* is exercised. For instance, if a *commodity option* is exercised and the *commodity reference price* is quoted in CAD and the *strike price* is in AUD, it will be necessary to convert the *commodity reference price* from CAD to AUD to determine the *cash settlement amount* payable.

The *currency reference rates* ANZ uses to make conversions to AUD and the *currency pricing dates* are:

CURRENCY CONVERTED	CURRENCY REFERENCE RATE	CURRENCY PRICING DATE
USD to AUD	AUD/USD Hedge Settlement Rate (HSRA) as published by Reuters	Taken on the business day immediately following the <i>exercise date</i>
CAD to AUD	AUD/CAD rate as published by the Bank of Canada	Taken on the same day as the <i>exercise date</i>

3.3 HOW ARE COMMODITY OPTIONS SETTLED ON THE SETTLEMENT DATE?

ANZ will automatically exercise your *commodity option* on expiration if the *strike price* is more favourable to you than the *commodity reference price*. In other words, you will not need to provide ANZ with a notice of exercise because ANZ will automatically exercise the *commodity option* if it is favourable to you to do so. However, you may also notify ANZ prior to the *expiration date* that you wish to exercise your *commodity option*.

If your *commodity option* is automatically exercised, ANZ will pay the *cash settlement amount* to you on the *settlement date*.

The *settlement date* will usually occur 2 *business days* after the *exercise date* or the *currency pricing date*, unless otherwise agreed.

The *cash settlement amount* is an amount based on the difference between the *strike price* and the *commodity reference price* and the *transaction amount* of the underlying commodity on the *exercise date*. Only cash settlement of *commodity options* is permitted, as ANZ does not provide physical delivery of any commodity for a *commodity option*.

The table on the next page sets out when ANZ would automatically exercise your *commodity option* on expiration and pay you the *cash settlement amount*, and when the *commodity option* will expire.

TYPE OF OPTION	PRICING DIFFERENTIAL ON EXPIRATION	EXERCISE AND OBLIGATION TO PAY CASH SETTLEMENT AMOUNT
PUT OPTION (protection against a fall in the <i>commodity price</i>)	<i>commodity reference price</i> is equal to or higher than the <i>strike price</i>	<i>Put option</i> expires and is not exercised. No payment made. You and ANZ have no further obligation to each other.
	<i>commodity reference price</i> is lower than the <i>strike price</i>	<i>Put option</i> is automatically exercised. ANZ pays the <i>cash settlement amount</i> to you
CALL OPTION (protection against a rise in the <i>commodity price</i>)	<i>commodity reference price</i> is higher than the <i>strike price</i>	<i>Call option</i> is automatically exercised. ANZ pays the <i>cash settlement amount</i> to you
	<i>commodity reference price</i> is equal to or lower than the <i>strike price</i>	<i>Call option</i> expires and is not exercised. No payment made. You and ANZ have no further obligation to each other.

If the *commodity option* expires and is not exercised on or prior to expiration you will have lost the amount of the *premium* you paid. However you may be able to benefit from a *commodity price* in the physical market that is equal to or more favourable to you than the *strike price*.

The outcome of terminating a *commodity option* may be any one of the following:

- > If the current *premium* payable is less than the *premium* you originally paid, then you may not receive back the total amount of *premium* you originally paid.
- > If the current *premium* payable is more than the *premium* you originally paid, then you may receive more than the total amount of *premium* you originally paid.
- > It is possible that the *commodity option* is worthless at the time of early termination, and in these circumstances neither you nor ANZ are obliged to pay anything for the termination of the *commodity option*.

EXAMPLE: YOU WANT TO TERMINATE THE COMMODITY OPTION

You hold an existing wheat *commodity option* (a *put option*) for which you paid a *premium* of AUD 2,000 to enter into that *commodity option*. You wish to cancel your *commodity option*. To effect early termination ANZ is required to notionally buy-back your *commodity option*. Based on the current *commodity reference price*, the *strike price* and other factors described in Section 3.1 the notional *premium* payable would be AUD 1,700. You accept that amount and ANZ pays you the *premium* of AUD 1,700 to terminate your *put option*. As that amount is less than the *premium* you originally paid, you do not receive back the total amount of the *premium* you paid.

3.4 CAN A COMMODITY OPTION BE EXTENDED?

After taking out a *commodity option*, you may not vary the agreed *term* or *expiration date*.

3.5 CAN A COMMODITY OPTION BE TERMINATED EARLY?

A *commodity option* may be terminated at any time before the *expiration date*, either:

- > by agreement between you and ANZ; or
- > in accordance with the *master dealing agreement*.

Where the *commodity option* is terminated by agreement between you and ANZ, the amount payable on termination is as agreed.

Where the *commodity option* is terminated in accordance with the *master dealing agreement*, the amount payable is determined in accordance with those terms.

Termination of a *commodity option* involves ANZ notionally buying back the *commodity option* from you. ANZ will notionally buy back the *commodity option* at a price it determines using the same methodology it uses for determining the *premium* as set out in Section 3.1 above and any costs applicable to the termination.

4. WHAT ARE THE SIGNIFICANT BENEFITS AND DISADVANTAGES OF A COMMODITY OPTION?

WHAT ARE THE BENEFITS OF A COMMODITY OPTION?

The benefits of a *commodity option* include:

- > protection against adverse *commodity price* movements;
- > the ability to lock in a worst case price (the *strike price*) for a commodity at a future date while retaining some ability to benefit from favourable *commodity price* movements; and
- > flexibility to tailor the *commodity option* to suit your needs, such as the amount of the commodity and the *term*, to match the level of *commodity price* protection you require against potential adverse *commodity price* movements.

A *commodity option* is not traded on an authorised market or exchange. *Commodity options* are sometimes referred to as an over-the-counter, or OTC product, as the *commodity option* is tailored to meet the specific requirements of the customer in respect of variables such as quantity of commodity and purchase/ sale cycles, subject to the minimum *transaction amounts* (see table in Section 2). In contrast, a *futures contract*, which is another commonly used hedging product traded on an *exchange* with standardised parameters, cannot be tailored. A *commodity option* can offer flexibility to participants in agricultural markets that *hedging* through *futures contracts* may not provide.

WHAT ARE THE DISADVANTAGES OF A COMMODITY OPTION?

The disadvantages of a *commodity option* include:

- > a *commodity option* may not eliminate basis risk (as described in Section 5);
- > the *premium* you pay to ANZ on the *premium payment date* may end up being an additional cost to you if the *commodity option* expires and is not exercised; and
- > you may not recoup the *premium* you paid if the *commodity option* is terminated prior to the *expiration date*.

5. WHAT ARE THE SIGNIFICANT RISKS OF A COMMODITY OPTION?

Risks arise out of factors that are beyond your control. From the time of entering a *commodity option* with ANZ, risk factors may lead to unfavourable changes in the financial outcomes of the *commodity option*.

Monitoring risks associated with a *commodity option* is your responsibility.

Prior to entering into a *commodity option*, you should carefully consider the following risk factors as well as the other information either contained in this PDS or of which you are otherwise aware and consider whether a *commodity option* is suitable for you, given your individual objectives and circumstances. We recommend that you obtain independent advice on the suitability of a *commodity option* for you.

BASIS RISK

Basis risk is the risk arising from entering into a *commodity option* that is not identical with the risk being covered. The risk is a result of the difference between a price at which a commodity trades in a physical market and a *commodity reference price*.

A *commodity reference price* does not take into account the physical attributes of the commodity such as its grade/ standard or location. Therefore, a *commodity reference price* may trade higher or lower than the *commodity price* in the physical market.

Basis risk is always likely to exist when you enter a *commodity option*. It is the risk that 100% correlation between a *commodity reference price* and the price of a commodity in the physical market will never occur. It is for this reason that a *commodity option* can only reduce exposure to the *commodity price* in the physical market, and not eliminate it.

For example, the *commodity reference price* for a *commodity option* in respect of wheat may be based upon a *commodity price* sourced from the futures market. However, the *commodity price* in the Australian domestic market is based upon the domestic Australian cash prices taking into account grade of the wheat, transportation costs and other factors.

It is in your interests to understand the relationship between the prices for physical commodities that are relevant to your business and the corresponding *commodity reference prices* used for *commodity options*.

MARKET RISK

Markets can be volatile and are subject to a host of factors, including economic conditions, government regulations, legislation, market sentiment, local and international political events and environmental and technological issues.

As soon as you enter a *commodity option* and for its duration, you are exposed to movement in the *commodity reference price*. Movement occurs because commodity markets are volatile and the *commodity reference price* can fluctuate rapidly and over wide ranges, and may reflect unforeseen events or changes in conditions. This is commonly described as market risk.

Market risk may result in you receiving no financial benefit if the *commodity option* has expired with no value to you. This will happen if at the *expiration date*, the *commodity reference price* is more favourable to you than the *strike price*. As you will have paid the *premium*, the *premium* will be an additional cost to you and may affect the return on the commodity.

Also, as a result of market risk, early termination of a *commodity option* may result in you not re-couping the *premium* paid for the *commodity option* you have purchased. Therefore, you may also risk paying more for the commodity than you would have if you had never entered a *call option* or receiving less for the commodity than you would have if you had never entered a *put option*.

Movements in currency may also affect your market risk position. If you chose to enter into a *commodity option* denominated in USD or CAD (depending on the commodity), and on the *settlement date* you convert your USD or CAD proceeds to AUD, you will be exposed to changes in the exchange rate between the AUD and the USD or CAD. These changes may result in losses to you. For further information about currency considerations, see Section 3.2 above.

CREDIT RISK

You are reliant on ANZ meeting its obligations to you under the *commodity option*, such as making a payment on a *settlement date*. This reliance is an exposure known as credit risk or counterparty risk.

Any proceeds from the issue of *commodity options* are not set aside by ANZ to satisfy its obligations under a *commodity option* and such obligations are unsecured obligations of ANZ and will rank equally with other unsecured obligations of ANZ. Unsecured obligations of ANZ rank behind obligations that are mandatorily preferred by law including the rights of deposit holders and are subject to insolvency, banking and similar laws affecting creditor's rights.

For further information on ANZ, see Section 9.

OPERATIONAL RISK

Operational risk arises out of the failure or inadequacy of systems, internal processes and people. It can also arise out of external events such as acts of terrorism or natural disasters.

You are reliant on ANZ being able to price and settle your *commodity option* accurately and on time. ANZ, in turn, is reliant on its internal operating processes, including communications and computer networks. During the term of a *commodity option*, it is ANZ's responsibility to manage these risks. Your *commodity option* may be adversely affected if ANZ's operating processes, systems or people for managing these procedures are disrupted, inadequate or fail.

For example, if on the *exercise date*, ANZ cannot determine the *commodity reference price* because it cannot access the systems it uses for obtaining the price, then ANZ in good faith will determine the *commodity reference price* using an alternative method.

LEGAL, TAX AND REGULATORY RISKS

Legal, tax and regulatory changes could occur during the term of a *commodity option*, which may adversely affect a *commodity option*. You should seek independent tax advice before entering into a *commodity option*.

TERMINATION

If you wish to terminate the *commodity option* before the *settlement date*, ANZ will notionally buy back the *commodity option* from you. This may incur a benefit or a cost to you as the *premium* quoted to you to terminate the *commodity option* will reflect the current *commodity reference price*.

Commodity markets are volatile and *commodity prices* can fluctuate rapidly over wide ranges and may reflect unforeseen events or changes in conditions. Fluctuations in *commodity prices* will affect the benefit or cost to you when you terminate a *commodity option*. For more information on termination of a *commodity option* please refer to Section 3.5. You should also refer to the *master dealing agreement* as it provides for situations where a *commodity option* can be terminated including for default under the *commodity option*.

CONFLICTS OF INTEREST

ANZ is a large commercial bank which deals with many people and entities. ANZ and its related bodies corporate may enter into transactions and products with various counterparties that may be in conflict with or inconsistent with your *commodity option* and ANZ does not need to and will not consider the impact on your *commodity option*.

NO COOLING OFF

No cooling off period applies for *commodity options*.

OTHER RISKS

The risks listed above are not exhaustive. There may be other risks that are relevant to you when entering into a *commodity option*.

You should also be sure that a *commodity option* is suitable for you before entering into one. We recommend that you obtain independent professional advice on the suitability of *commodity options* to you.

6. COST OF A COMMODITY OPTION

This section describes fees and other costs that may be charged in relation to a *commodity option*. You should read all the information about the fees, costs and charges, as it is important you understand their impact on *commodity options*.

6.1 PREMIUM

When you enter into a *commodity option* with ANZ, you are required to pay a *premium* to us for buying the *commodity option*. The *premium* must be paid in cleared funds on the *premium payment date* (generally the second business day after the *trade date*). If the *premium* is not paid on the *premium payment date*, the *commodity option* will automatically terminate and you will be liable for any costs arising as a result of the termination of the *commodity option*.

Please see Section 3.1 for further information on how the *premium* is determined.

6.2 FEES AND CHARGES

An establishment fee may be payable by you prior to you entering into a *commodity option*. The establishment fee, if any, will be set out in your facility letter or agreement with ANZ and you will know what it is before you enter into a *commodity option*.

There are no other fees payable to ANZ when you enter a *commodity option*.

6.3 ANZ FINANCIAL BENEFIT

ANZ derives a financial benefit when entering into a *commodity option*.

6.4 SETTLEMENT COSTS

You may also be required to pay additional costs on settlement or termination depending on the manner in which termination or settlement payments are effected, including telegraphic transfers and international drafts.

Information regarding the current costs of telegraphic transfers or international drafts is contained in the respective product disclosure statements for these products or other documents relating to these products. You can ask your *ANZ contact* for a free copy of the relevant product disclosure statements, or you can access them at anz.com.

Additional costs may be payable for couriers, postage and other actions relating to *commodity options*.

6.5 TAXES AND OTHER COSTS

Unless otherwise stated, any prices, values or amounts quoted to you will exclude any goods and services tax (GST) payable. If any GST is payable, we may increase the consideration or amount you pay by the amount of the GST.

You should consult your independent advisers with respect to the legal, tax, accounting and financial implications of entering into *commodity options*. The costs you incur in doing so will be for your own account.

6.6 CHANGES TO FEES AND CHARGES

The fees and charges set out in this document may change from time to time at ANZ's discretion. If any fee changes affect existing holders of *commodity options*, we will advise them at least 30 days prior to any such fee changes taking effect by posting them on our website anz.com. By entering into a *commodity option* you agree to notification of changes as set out above.

7. EXAMPLES OF HOW COMMODITY OPTIONS WORK

The following are examples of how a *commodity option* works. In the examples, basis has been excluded in the determination of the *commodity reference price*. For further information about basis risk, see Section 5.

The examples are denominated in AUD, and use a specific commodity to demonstrate how a *commodity option* works. The examples are for illustrative purposes only. You should note that the actual prices will vary depending on the terms of the *commodity option* and the factors listed in Section 3.1 of this PDS. To assess the merits of a *commodity option* you will need to use the actual prices quoted to you.

EXAMPLE 1: CLIENT ENTERS INTO PUT OPTION OVER WHEAT

In July 2010, a grower is expecting to produce 1,000 metric tonnes (mt) of wheat in late November 2010. After careful analysis, the grower decides that it would like to receive a price of no less than AUD 185.00/mt for some of the wheat when it is sold.

The current price in the physical market for wheat for delivery in late November is approximately AUD 205.00/mt. For various reasons, the grower is concerned that this price may fall by late November.

The grower decides to *hedge* a percentage of its exposure to the wheat price by entering into a *commodity option*.

The grower contacts ANZ and tells ANZ that it wants to receive a minimum price of AUD 185.00/mt for 250mt of its expected wheat sales in late November, and that it wishes to enter into a *put option* over CBOT wheat to achieve this.

Based on this information, ANZ quotes the grower a *premium* (i.e. the price at which ANZ is prepared to enter into the *put option* with the grower) of AUD 11.50/mt (AUD 2875.00) explaining that the *commodity option* will cover an amount of 250mt and have a *strike price* of AUD 205.00/mt.

The total *premium* the grower must pay on the *premium payment date* is AUD 2,875.00, which is the *premium* of AUD 11.50/mt multiplied by the notional amount of 250mt. The *commodity reference price* will be the Chicago Board of Trade wheat *futures contract* price for December 2010. This contract is used because it is the nearest contract to provide the cover required for the grower's stated timeframe.

After factoring in the cost of the *premium*, the agreed *strike price* allows the grower to achieve a net or breakeven price of AUD 193.50/mt (by deducting the *premium* from the *strike price*), which is above the grower's target price of AUD 185.00/mt.

Therefore, the grower accepts ANZ's quoted *premium*. At this point, the deal becomes binding on both parties. The details of the deal are as follows:

TRADE DATE:	10 July 2010
TRANSACTION TYPE:	<i>Commodity Option</i>
OPTION TYPE:	<i>Put Option</i>
COMMODITY:	Wheat
TRANSACTION AMOUNT:	250mt
SELLER:	ANZ
BUYER:	Grower
COMMODITY REFERENCE PRICE:	Chicago Board of Trade (CBOT) Wheat Dec 2010 futures contract settlement price on the <i>exercise date</i> , converted by the Calculation Agent in good faith from: (i) bushels to tonnes at the conversion rate on the <i>exercise date</i> ; and (ii) USD to AUD at the <i>currency reference rate</i> on the <i>currency pricing date</i>
STRIKE PRICE:	AUD 205.00/mt
PREMIUM	AUD 2,875.00 (AUD 11.50/mt)
PREMIUM PAYMENT DATE	2 <i>business days</i> from <i>trade date</i>
EXPIRATION DATE	20 November 2010
CONVERSION RATE	1mt = 36.74371 bu
CURRENCY REFERENCE RATE:	AUD/USD 10.00am <i>Hedge</i> Settlement Rate as published by Reuters on the <i>currency pricing date</i>
CURRENCY PRICING DATE:	21 November 2010 (being 1 <i>business day</i> from the <i>exercise date</i>)
CALCULATION AGENT:	ANZ
SETTLEMENT DATE:	22 November 2010 (being 2 <i>business days</i> after the <i>exercise date</i>)

WHAT HAPPENS ON THE EXPIRATION DATE?

The outcome of the *put option* is determined on the *expiration date*, unless the grower has exercised the *commodity option* prior to the *expiration date*. There are two scenarios - the *commodity reference price* has risen or fallen against the *strike price* of the *put option*.

WHAT IF THE COMMODITY REFERENCE PRICE HAS FALLEN BELOW THE STRIKE PRICE OF AUD 205.00/MT?

Let's assume that the *commodity reference price* (when converted into AUD) on expiration is AUD 190.00/mt. As the *strike price* (AUD 205.00/mt) is higher than the *commodity reference price* (AUD 190.00/mt), ANZ automatically exercises the *commodity option*.

The steps to convert the *commodity reference price* from USD to AUD are as follows:

- > *Commodity reference price* is USD 4.75/bu
- > Conversion from bushels to metric tonnes: (USD 4.75/bu multiplied by 36.74371) is USD 174.53/mt
- > Conversion from USD to AUD: (USD 174.53/mt divided by HSRA of 0.9186) is AUD 190.00/mt

The *cash settlement amount* being an amount based on the difference between the *commodity reference price* and the *strike price* and the *transaction amount*, is payable by ANZ. The difference between the *commodity reference price* and the *strike price* is AUD 15.00/mt (AUD 205 - AUD 190) so the *cash settlement amount* ANZ would pay the grower is AUD 3,750 which equals AUD 15.00/mt multiplied by 250mt (the *transaction amount* of the *commodity option*).

So, how does the *commodity option* affect the price the grower receives for his/her wheat? Let's assume the grower is able to sell 250mt (the amount covered by the *commodity option*) of wheat in late November at AUD 190.00/mt.

After factoring in the amount payable under the *commodity option*, the net price that the grower receives for selling the 250mt of wheat is as follows:

- > ANZ pays the grower the *cash settlement amount* of AUD 15.00/mt under the *commodity option*
- > Grower receives AUD 190.00/mt from the sale of the wheat

- > Grower paid ANZ a *premium* for the *put option* of AUD 11.50/mt

- > Net proceeds per mt of wheat (amount payable under the *put option* plus the proceeds of the sale of the wheat less the *premium* paid) AUD 193.50/mt

So, by entering into the *put option* in July and locking in a *strike price* of AUD 205.00/mt, the grower has protected itself against the subsequent fall in wheat prices and effectively locked in the price at AUD 193.50/mt for 250mt of wheat.

WHAT IF THE COMMODITY REFERENCE PRICE HAS RISEN ABOVE THE STRIKE PRICE OF AUD 205.00/MT?

Let's assume that the *commodity reference price* (when converted into AUD in the same way as described above) on expiration is AUD 230.00/mt. As the *commodity reference price* (AUD 230.00/mt) is higher than the *strike price* (AUD 205.00/mt), and the grower has the right but not the obligation to exercise the *put option*, the grower would not do so and the *put option* would expire.

After factoring in the cost of the *premium*, the net price that the grower receives for selling its wheat is as follows:

- > Grower sold physical wheat (250mt) at AUD 230.00/mt
- > Grower paid ANZ a *premium* for the *put option* of AUD 11.50/mt
- > Net proceeds per mt of wheat AUD 218.50/mt (proceeds of the sale of the wheat less the *premium* paid)

So, by entering into the *put option*, although the grower locked in a price of AUD 205.00/mt and protected itself against a fall in wheat prices during the *term* of the *commodity option*, the grower has still been able to benefit from the rise in *commodity reference price* for wheat since July. In situations where a *put option* is not exercised, the *premium* paid impacts the overall return the grower received on the wheat. In this case the investor is AUD 11.50/mt worse off (the *premium* paid) for entering into the *put option* than if it had not entered into a *put option* and sold at the prevailing wheat price.

EXAMPLE 2: CLIENT BUYS CALL OPTION OVER SUGAR

In August 2010, a refinery knows that it will need to buy 1,000mt of sugar in mid February 2011. After careful analysis, the refinery decides that it would like to pay no more than AUD 500 per mt when it buys some of the sugar.

The prevailing price for sugar is approximately AUD 450.00/mt. For various reasons, the refinery is concerned that the sugar price may rise before mid February.

The refinery decides to *hedge* a percentage of its buying exposure by using a *commodity option*. The refinery contacts ANZ and tells ANZ that it wants to pay no more than AUD 500.00/mt in respect of 250mt of the sugar that it will need to purchase in mid February and that it wishes to enter into a *call option* to achieve this.

Based on this information, ANZ quotes the refinery a *premium* (i.e. the price at which ANZ is prepared to enter into the *call option* with the refinery) of AUD 20.00/mt, being AUD 5,000 (AUD 20.00/mt x 250mt), explaining that the *commodity option* will cover an amount of 250mt and will have a *strike price* of AUD 470.00/mt. The *commodity reference price* is the New York Board of Trade - ICE Futures Sugar no.11 *futures contract* price for March 2011. This contract is used because it is the nearest contract to provide the cover required for the refinery's stated time frame.

After factoring in the cost of the *premium*, the agreed *strike price* allows the refinery to achieve a net or breakeven price of AUD 490.00/mt, which is below the refinery's target price of AUD 500.00/mt.

Therefore, the refinery accepts ANZ's quoted *premium*. At this point, the deal becomes binding on both parties. The details of the deal are as follows:

TRADE DATE	11 August 2010
TRANSACTION TYPE	<i>Commodity Option</i>
OPTION TYPE	<i>Call Option</i>
COMMODITY	Sugar
TRANSACTION AMOUNT	250mt
SELLER	ANZ
BUYER	Refinery
COMMODITY REFERENCE PRICE	New York Board of Trade - ICE Futures Sugar no.11 March 2011 futures contract settlement price, on the <i>exercise date</i> converted by the Calculation Agent in good faith from: <ul style="list-style-type: none"> (i) pounds to metric tonnes at the conversion rate on the <i>expiration date</i>; and (ii) USD to AUD at the <i>currency reference rate</i> on the <i>currency pricing date</i>
STRIKE PRICE	AUD 470.00/mt
OPTION PREMIUM	AUD 5,000.00 (AUD 20.00/mt)
PREMIUM PAYMENT DATE	2 <i>business days</i> from <i>trade date</i>
EXPIRATION DATE	11 February 2011
CONVERSION RATE	1mt = 2204.622lbs
CURRENCY REFERENCE RATE	AUD/USD 10.00am <i>Hedge Settlement Rate</i> as published by Reuters on the <i>currency pricing date</i>
CURRENCY PRICING DATE	12 February 2011 (being 1 <i>business day</i> from the <i>exercise date</i>)
CALCULATION AGENT	ANZ
SETTLEMENT DATE	13 February 2011 (being 2 <i>business days</i> after the <i>exercise date</i>)

The outcome of the *call option* is determined on expiration, unless the refinery has exercised the *commodity option* prior to the *expiration date*. There are two scenarios – the *commodity reference price* has risen or fallen against the *strike price* of the *call option*.

WHAT IF THE COMMODITY REFERENCE PRICE HAS RISEN ABOVE THE STRIKE PRICE OF AUD 470.00/MT?

Let's assume that the *commodity reference price* (when converted into AUD in the same way as described above) on expiration is 495.00mt. As the *strike price* (AUD 470.00/mt) is lower than the *commodity reference price* (AUD 495.00/mt), the *commodity option* is automatically exercised.

The *cash settlement amount* being an amount based on the difference between the *commodity reference price* and the *strike price* and the *transaction amount*, is payable by ANZ. The difference between the *commodity reference price* and the *strike price* is AUD 25.00/mt (AUD 495 - AUD 470) so the *cash settlement amount* ANZ would pay the refinery AUD 6250.00 which equals AUD 25.00/mt multiplied by 250mt (the *transaction amount* of the *call option*).

So, how does the *commodity option* affect the price the refinery pays for the sugar? Let's assume that the refinery buys 250mt (the amount covered by the *commodity option*) of sugar in mid February at AUD 495.00/mt.

After factoring in the amount payable under the *commodity option*, the net price that the refinery pays for buying 250mt of sugar is as follows:

- > ANZ pays the refinery the *cash settlement amount* of AUD 25.00/mt under the *commodity option*
- > Refinery pays AUD 495.00/mt for the purchase of sugar
- > Refinery has paid ANZ a *premium* on *call option* of 20.00/mt
- > Net payment per mt of sugar AUD 490.00/mt (the cost of the purchase of the sugar plus the *premium* paid less the *cash settlement amount* received)

So by entering the *call option* in August and locking in a *strike price* of AUD 470.00/mt, the refinery has protected itself against the subsequent rise in sugar prices for 250mt sugar.

WHAT IF THE COMMODITY REFERENCE PRICE HAS FALLEN BELOW THE STRIKE PRICE OF AUD 470.00/MT?

Let's assume that the *commodity reference price* (when converted into AUD in the same way as described above) on expiration is AUD 450.00/mt. As the *commodity reference price* (AUD 450.00/mt) is less than the *strike price* (AUD 470.00/mt), and the refinery has the right but not the obligation to exercise the *call option*, the refinery would not do so and the *call option* would expire.

After factoring in the cost of the *premium*, the net price the refinery pays for 250mt of sugar is as follows:

- > Refinery paid AUD 450.00/mt for physical sugar (multiplied by 250mt)
- > Refinery paid a *premium* for the *call option* of AUD 20.00/mt
- > The net payment per mt of sugar AUD 470.00/mt paid by the refinery (the cost of the purchase of the sugar plus the *premium* paid)

So in this case by entering into the *call option*, although the refinery paid a net price of AUD 470.00/mt for the sugar, it was protected against a rise in sugar prices during the *term* of the *call option*. In situations where a *call option* is not exercised, the *premium* impacts the overall price paid for the sugar. In this case the investor is AUD 20.00/mt worse off (the *premium* paid) for entering into the *call option* than if it had not entered into a *call option* and bought sugar at the prevailing price.

8. TERMS OF COMMODITY OPTIONS

8.1 HOW DO YOU ENTER INTO A COMMODITY OPTION?

If you have made an assessment based on your own knowledge and independent professional advice and, as a result, are interested in entering into a *commodity option*, you should contact us using the details in the directory in Section 13 or call your ANZ *contact*. Before you can enter into a *commodity option*, ANZ will need to conduct a credit assessment to see if you satisfy ANZ's credit requirements.

The next steps are:

- > Contact us using the details in the directory in Section 13 or call your ANZ *contact* to ask for a *commodity option*.
- > ANZ will provide you with the *master dealing agreement* that will apply to your *commodity option* transaction.
- > You will need to specify the underlying commodity, the *transaction amount*, the type

of option (*put option* or *call option*), the *strike price*, the currency and the *term*.

- > ANZ will then quote you a *premium*. For further information on how this is derived see Section 3.1.
- > If you accept ANZ's quote of a *premium*, you enter into a *commodity option* with ANZ.
- > ANZ will provide you with a *confirmation* setting out the terms and details of the *commodity option* you entered into including the underlying commodity and the *transaction amount*, the currency, the *premium* and the *expiration date*
- > You need to carefully check the *confirmation* and contact your ANZ *contact* immediately if there is a discrepancy.
- > If requested by ANZ, you must sign and return the *confirmation* in a timely manner. However, failure to do so does not affect the validity of the *commodity option*.

If you have any queries about a *confirmation*, contact your ANZ *contact*.

8.2 REQUIRED DOCUMENTATION TERMS AND CONDITIONS

A *commodity option* transaction is subject to a *master dealing agreement*. There are two types of *master dealing agreements* that we use:

- > *standard terms and conditions*; and
- > *ISDA master*.

We will advise you whether the *standard terms and conditions* or *ISDA master* will apply as the *master dealing agreement* for your *commodity option*. If we agree that an *ISDA master* will apply, we will provide it to you and you will be required to sign it prior to transacting a *commodity option* with us.

The *master dealing agreement* governs the dealing relationship between you and us and sets out the terms and conditions that apply to any *commodity option* you may enter into with ANZ. If you do not have a copy of the *master dealing agreement*, please contact us using the details in the directory in Section 13 or call your ANZ *contact* and a copy will be provided to you free of charge. The *standard terms and conditions* are also available at anz.com.

The *master dealing agreement* is important. The *master dealing agreement* covers a number of important terms, including obligations, payments, events of default, the right to terminate and the calculation of the amount payable on termination. The *master dealing agreement* also covers *confirmations*, calculation periods and assignment, amongst other things.

We recommend that you read the *master dealing agreement* carefully before entering into a *commodity option* with us and consult your own independent professional adviser regarding the legal consequences of entering into a *commodity option*.

OTHER DOCUMENTATION

In addition to the *master dealing agreement* and the *confirmation*, ANZ may require you to provide other documentation as part of the process of agreeing to enter into a *commodity option* with you (for example, security, amendments to trust or partnership deed). For further information on this, contact your ANZ *contact*.

9. INFORMATION 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 world headquarters is located in Melbourne. It first opened as the Bank of Australasia in Sydney in 1835 and in Melbourne from 1838.

The ordinary shares of ANZ are listed on the Australian stock exchange. Full details of the share capital and net assets of ANZ are contained in the financial statements that are available on the ANZ website 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.

10. TAXATION

Depending on your particular circumstances, in general, gains from financial instruments such as this product may be assessable either as a revenue gain or a capital gain (under the capital gains tax regime). Conversely, losses may be deductible (or give rise to a capital loss) if the relevant eligibility and availability criteria are met. If the gains are subject to the capital gains tax regime, concessions or discounts may be available to the extent that you are eligible. We do not know how you will be required to treat this product or whether it can or will be held on capital account and thus subject to the capital gains tax regime.

Taxation law is complex and changes over time, as does the way it is interpreted. The impact that taxation law may have on you will

depend on your specific circumstances. This product may not provide a beneficial or appropriate tax outcome for you.

Accordingly, when determining whether a *commodity option* is suitable for you, you should consult your own independent adviser(s) regarding the tax and accounting consequences of entering into a *commodity option* in light of your particular circumstances.

11. ADDITIONAL INFORMATION

11.1 CODE OF BANKING PRACTICE

If the Australian Code of Banking Practice (Code) applies to you and if you are an individual or if you are using our products and services in connection with a small business, we are bound by the Code when we provide our products and services to you. A copy of the Code is available at anz.com.

11.2 WHAT IF YOU HAVE A COMPLAINT?

If you have a complaint about any of our products or services, ANZ has established complaint resolution procedures that aim to deal with and resolve your complaint within 10 working days.

For the fastest possible resolution to your complaint:

- > call ANZ on 1800 805 154
- > talk to staff at your local ANZ branch or business centre
- > talk to your *ANZ contact* or send a letter to ANZ Customer Response Centre via
Mail: Locked Bag 4050, South Melbourne
Victoria 3205
Email: YourFeedback@anz.com
Fax: 1800 269 030

If you are not satisfied with the resolution offered by our Customer Response Centre, you can have your complaint reviewed by ANZ's Customer Advocate who provides a free, independent review of your complaint.

For more information about ANZ's complaint resolution procedures, please ask for the brochure entitled 'Resolving your complaint' at any ANZ branch or business centre, or go to anz.com.

FINANCIAL SERVICES DISPUTE RESOLUTION SCHEMES

If you are not satisfied with the steps taken by ANZ to resolve the complaint, or with the result of ANZ's investigation, you may wish to contact the Financial Ombudsman's Service Limited (FOS), which is an amalgamation of

the Banking and Financial Services Ombudsman, Financial Industry Complaints Service Ltd and the Insurance Ombudsman Services Limited. The FOS is an external dispute resolution scheme that provides free advice and assistance to consumers to help resolve complaints relating to financial service providers.

FINANCIAL OMBUDSMAN'S SERVICE LIMITED

GPO Box 3 Melbourne, Victoria 3000
Telephone: 1300 780 808
Facsimile: +61 3 9613 6399
Email: info@fos.org.au
Internet: www.fos.org.au
Australian Securities and Investments Commission

Alternatively, the Australian Securities and Investments Commission's (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
Fax: +61 3 5177 3999
Email: infoline@asic.gov.au
Internet: www.asic.gov.au

11.3 PRIVACY AND CONFIDENTIALITY

ANZ'S PRIVACY NOTICE AND CONSENTS – INDIVIDUALS

When you deal with ANZ, ANZ is likely to collect and use some of your *personal information*. ANZ's disclosure of non-*personal information* is subject to our general duty of confidentiality towards our customers. ANZ explains below when and how ANZ may collect and use your *personal information*. This clause applies to you if you are:

- > A personal customer of ANZ or a non-incorporated customer of ANZ (for example, a sole trader or firm) (each a "*customer*"); or
- > A representative of a *customer* (for example, a company director or officer or an authorised signatory) or some other kind of third party relevant to a *customer* (for example, an employee or guarantor) (each a "*third party*").

COLLECTION OF YOUR PERSONAL INFORMATION BY ANZ

If you are considering acquiring, or have acquired a product or service from ANZ, we may collect your *personal information*:

- > to assist in providing information about a product or service;
 - > to consider your request for a product or service;
 - > to enable ANZ to provide a product or service;
 - > to tell you about other products and services that may be of interest to you;
 - > to assist in arrangements with other organisations (such as loyalty partners) in relation to the promotion and provision of a product or service;
 - > to perform other administrative and operational tasks (including risk management, systems development and testing, credit scoring, staff training, and market or customer satisfaction research);
 - > to prevent or investigate any fraud or crime (or a suspected fraud or crime); and
 - > as required by relevant laws, regulations, Codes and external payment systems.
- If you are a representative of a *customer* or any other type of *third party*, ANZ is collecting your *personal information*:
- > to identify you;
 - > to consider the *customer's* request for a product or service (including assessing their application);
 - > to enable ANZ to provide the *customer* with the relevant product or service.

ABSENCE OF RELEVANT PERSONAL INFORMATION

If you do not provide some or all of the information requested, ANZ may be unable to:

- > provide you with a product or service; or
- > if you are a representative of a *customer* or any other type of *third party*, to verify your authority to act on the *customer's* behalf or to provide the *customer* with the relevant product or service.

DISCLOSURES BY ANZ

Subject to ANZ's general duties of confidentiality towards their customers, ANZ may need to disclose your information to:

- > your referee(s);
- > credit reporting or debt collection agencies;
- > an organisation that is in an arrangement or alliance with ANZ for the purpose of promoting or using their respective products or services (and any agents used by that organisation in administering such an arrangement or alliance);

- > any service provider ANZ engages to carry out or assist its functions and activities;
- > regulatory bodies, government agencies, law enforcement bodies or courts;
- > other parties ANZ is authorised or required by law to disclose information to;
- > participants in the payments system (including payment organisations and merchants) and other financial institutions (such as banks);
- > any person who introduces you to ANZ;
- > your authorised agents, or your executor, administrator or your legal representative.

PRIVACY CONSENTS

By entering into a *commodity option* or by acquiring or continuing to hold a product or service from ANZ, you agree that ANZ and each of its related companies (including subsidiaries) ("*ANZ companies*") may exchange with each other any information about you for the purposes of:

- > providing, managing or administering your product or service;
 - > performing administrative and operational tasks (including risk management, debt recovery, exposure aggregation, systems development and testing, credit scoring, staff training and market or customer satisfaction research); and
 - > complying with regulatory requirements and prudential standards.
- You consent to ANZ disclosing any *personal information* collected by it in the course of your relationship with ANZ to:
- > any contractor or service provider ANZ engages to provide services connected with your relationship with ANZ; and
 - > participants in the payments system (including financial institutions, merchants and payment organisations).

Any contractor, agent or service provider engaged by ANZ is contractually required to only use *personal information* for ANZ purposes and to keep the information confidential.

PROMOTION OF OTHER PRODUCTS OR SERVICES

Until you tell ANZ otherwise, ANZ may use your *personal information* to promote its products or services or those of its related companies and alliance partners and disclose your *personal information* to its related companies and alliance partners to enable

them or ANZ to market their products or services.

Where you do not want ANZ to tell you about its products or services or those of its related companies or alliance partners, you may withdraw your consent by calling 13 13 14 at any time or contacting your ANZ contact.

ACCESSING YOUR PERSONAL INFORMATION HELD BY ANZ

Subject to the provisions of the Privacy Act, you may access your *personal information* at any time by asking to do so at any ANZ branch. ANZ may charge you a reasonable fee for access. If you can show that information about you is not accurate, complete and up to date, ANZ must take reasonable steps to ensure it is accurate, complete and up to date.

Collecting your sensitive information

ANZ will not collect sensitive information about you, such as health information, without your consent. If you give ANZ *personal information* about someone else or direct someone else to give their *personal information* to ANZ, please show them a copy of this clause so they may understand the manner in which their *personal information* may be used or disclosed by ANZ in connection with your dealings with ANZ.

AUTHORITY TO DISCLOSE CONFIDENTIAL INFORMATION – NON INDIVIDUALS

This clause applies to you if you are an incorporated customer of ANZ. “*Confidential information*” means information acquired by ANZ from and concerning you in the course of the banker-customer relationship and does not include publicly available information. By entering into a *commodity option* or by acquiring or continuing to hold the product or service from ANZ, you agree that ANZ *companies* may exchange with each other any information about you for the purposes of:

- > providing, managing or administering your product or service;
- > performing administrative and operational tasks (including risk management, debt recovery, exposure aggregation, systems development and testing, credit scoring, staff training and market or customer satisfaction research);
- > promotion of products or services; and
- > complying with regulatory requirements and prudential standards.

You authorise ANZ to disclose any *confidential information* collected by it in the course of your relationship with ANZ to:

- > any contractor or service provider ANZ engages to provide services connected with your relationship with ANZ;
- > participants in the payments system (including financial institutions, merchants and payment organisations); and
- > to its alliance partners to promote their products or services.

Any contractor, agent or service provider engaged by ANZ is contractually required to only use the information for ANZ purposes and to keep the information confidential.

11.4 TELEPHONE RECORDING

Please note that telephone dealings with ANZ in respect of entering into a *commodity option* are normally recorded.

This is standard practice in the financial markets and accordingly a standard procedure for ANZ in entering into a *commodity option* with you. If it is not possible or practical that the conversation in respect of entering into a *commodity option* be recorded, ANZ will discuss an alternative method for recording it with you at the time.

Recorded telephone lines will be used to clarify any doubt over the content of a conversation. If a recorded telephone line is not used, alternative means will be used for clarification purposes. Your ANZ contact will advise you of the alternative means at the time of entering the transaction.

If you do not wish to be recorded, please advise your ANZ contact immediately, however we will be unable to enter into a *commodity option* with you.

11.5 ANTI-MONEY LAUNDERING

You agree that ANZ may delay, block or refuse to process any transaction without incurring any liability if ANZ suspects that:

- (a) the transaction may breach any law in Australia or any other country;
- (b) 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, the European Union or any country; or

- (b) 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 must provide all information to ANZ which ANZ reasonably requires in order to manage money-laundering or terrorism-financing risk or to comply with any laws in Australia or any other country. You agree that ANZ may disclose any information concerning you to any law enforcement body, regulatory agency or court where required by any such law, in Australia or elsewhere.

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 the transaction.

You declare and undertake to ANZ that the processing of any transaction by ANZ in accordance with your instructions will not breach any laws or regulations in Australia or any other country.

11.6 ETHICAL CONSIDERATIONS

ANZ does not, and will not, take into account any particular labour standards, environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments.

12. DEFINITIONS

ANZ, us, our, we is Australia and New Zealand Banking Group Limited ABN 11 005 357 522 AFSL 234527

ANZ companies is ANZ and each of its related companies (including subsidiaries)

ANZ contact is your ANZ relationship manager or your ANZ markets advisor

ANZ markets advisor is an ANZ employee who is responsible for the structuring, pricing and distribution of financial products provided by ANZ's Global Markets division. *Commodity options* are transacted with an ANZ markets adviser*

ANZ relationship manager is an ANZ employee who acts as an ANZ customer's prime contact point (this could be an Institutional Banking Manager, a Corporate Banking Manager, a Business Banking Manager, an International Services Manager or another Manager so designated) and who is responsible for approving, or facilitating approval, of the provision of ANZ's products to customers*

business day is a day on which ANZ is open for business for a *commodity option* in Sydney or Melbourne

call option is a *commodity option* where the buyer has the right but not the obligation to notionally buy the underlying commodity at the agreed *strike price*

cash settlement amount is the amount payable on the *settlement date* by one party to the *commodity option* to the other based on the difference between the *commodity reference price* and the *strike price* for the underlying commodity and *transaction amount*, if the *commodity option* has been exercised

commodity option is a *commodity option* provided by ANZ in accordance with this PDS. For more information please refer to Section 2

commodity price is the price that a producer or consumer will receive or pay in exchange for the sale or purchase of a physical commodity

commodity reference price is the independent, publicly available benchmark price published by an *exchange* on the *exercise date*. For a summary of the *commodity reference prices* that ANZ generally uses, see the table at Appendix A

confidential information is information acquired by ANZ from and concerning you in the course of the banker-customer relationship and does not include publicly available information

confirmation is a document that outlines the commercial parameters of the *commodity option*

currency pricing date is the date in the future on which the parties to the *commodity option* agree is the date for converting the *commodity reference price* to AUD at the *currency reference rate* in order to settle the *commodity option*

currency reference rate is the benchmark foreign exchange rate used by ANZ to convert the *commodity reference price* into the same currency as the *strike price*

customer has the meaning given in Section 11.3

exchange is a regulated market in which *futures contracts* are bought and sold. Traditionally, exchanges have operated physically on a trading floor, where traders verbally expressed the prices for buying and selling *futures contracts*. However, increasingly exchanges are operated by traders using computer systems to post prices to buy and

APPENDIX A

sell *futures contracts*. *Commodity options* are not subject to the rules or regulations that apply to exchange-traded transactions such as *futures contracts*

exercise date is the date you exercise the *commodity option* that is prior to or on the *expiration date*

expiration date is the date a *commodity option* expires as set out in the *confirmation*

futures contract is a contract to purchase or sell a specific asset or financial product at a specified time in the future at a specified price. Nearly all *futures contracts* are traded on *exchanges* and are standardised in terms of delivery date, amount and contract terms

hedge or hedging are terms used in financial markets to describe the activity of mitigating or reducing economic exposure to price fluctuations in underlying markets such as currencies, interest rates or commodities. For example, in reducing or mitigating your economic exposure to the fluctuation of the wheat price in the Australian domestic market by entering into a *commodity option*, you are engaging in the activity of hedging

ISDA master means the International Swaps and Derivatives Association, Inc. Master Dealing Agreement as modified by ANZ and provided to you, if applicable

master dealing agreement is either the *standard terms and conditions* or an *ISDA master* as advised by ANZ

personal information is information about an individual

premium is the amount you pay to ANZ in consideration for having the right but not the obligation to exercise the *commodity option* on the *exercise date*

premium payment date is the date on which the *premium* is payable. The *premium* is usually payable two *business days* after the *trade date* (the date the *commodity option* is entered into)

put option is a *commodity option* where the buyer has the right but not the obligation to notionally sell the underlying commodity at the agreed *strike price*

settlement date is the date on which a *commodity option* is cash settled and is usually 2 *business days* following the *exercise date*, or the *currency pricing date*, as agreed

standard terms and conditions means the document issued by ANZ titled Terms and Conditions for Trading in Foreign Exchange and Derivative Transactions available at anz.com

strike price is the fixed price which, together with the *commodity reference price* and *transaction amount* is used to determine the amount payable if a *commodity option* is exercised

term the period from and including the *trade date* to and including the *expiration date*

third party has the meaning given in Section 11.3

trade date is the date on which you enter into a *commodity option*

transaction amount is the agreed quantity of the underlying commodity of the *commodity option* set out in the *confirmation*

us, our, we is ANZ

you, your is the customer who is a party to a *commodity option*

13. DIRECTORY

NEW SOUTH WALES

Level 2, 20 Martin Place
Sydney NSW 2000
02 9226 6655

VICTORIA

Level 7, 100 Queen Street
Melbourne VIC 3000
03 9095 0233

QUEENSLAND

Level 7, 324 Queen Street
Brisbane QLD 4000
1800 145 138

SOUTH AUSTRALIA

Level 21, 11 Waymouth Street
Adelaide SA 5000
08 8218 8047

WESTERN AUSTRALIA

Level 7, 77 St Georges Terrace
Perth WA 6000
08 9323 8300

COMMODITY SUMMARY

The following table summarizes some of the above information in relation to the commodities in respect of which ANZ offers *commodity options*.

COMMODITY	DOMESTIC WHEAT	GLOBAL WHEAT	COTTON	SUGAR	CANOLA	CORN	SOYBEAN COMPLEX*
EXCHANGE	ASX	CBOT KC BT	NYBOT	NYBOT	WCE	CBOT	CBOT
FUTURES CONTRACT	Milling Wheat	Wheat	Cotton No. 2	Sugar No. 11	Canola	Corn	Soybean, Soybean Oil, Soybean Meal
CURRENCY							
AUD	yes	yes	yes	yes	yes	yes	yes
USD	no	yes	yes	yes	no	yes	yes
CAD	no	no	no	no	yes	no	no
QUOTATION	per mt	per mt per bu	per bale per lb	per lb per mt	per mt	per bu per mt	per bu or per mt per lb per st
EXCHANGE UNIT OF MEASUREMENT**	20 mt	5,000 bu	50,000 lbs	112,000lbs	20 mt	5,000 bu	5,000 bu, 60,000 lbs, 100 st
AUSTRALIAN UNIT OF MEASUREMENT**	20 mt	136 mt	100 bales	50.8 mt	20 mt	127 mt	136 mt, 30 mt, 90.7 mt
CONVERSION FACTOR	N/A	36.74371 bu: 1 mt	500 lbs: 1 bale	2204.622 l: 1 mt	1:1	39.36825 bu: 1 mt	36.74371 bu: 1 mt, 2204.622 lb: 1 mt, 1.102311st: 1 mt

* Soybean Complex includes Soybeans, Soybean Oil & Soybean Meal

** these amounts are also equal to the minimum *transaction amounts* for *commodity options*

KEY

Exchange	Quotation	Currency
ASX	Australian Securities Exchange	mt metric tonne
CBOT	Chicago Board of Trade	bu bushel
KCBT	Kansas City Board of Trade	lb pound
NYBOT	New York Board of Trade	st short tons
WCE	Winnipeg Commodity Exchange	AUD Australian Dollar
		USD Unites States of America Dollar
		CAD Canadian Dollar

