RISK DISCLOSURE STATEMENT FOR PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
LONDON BRANCH

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1. IMPORTANT INFORMATION

This Risk Disclosure Statement contains general information about the risks associated with investing and trading in financial instruments traded by Australia and New Zealand Banking Group Limited, London Branch ("ANZ London"). This Risk Disclosure Statement does not take into account your specific objectives, financial situation or needs and does not constitute, and should not be used as a substitute for, independent financial, tax, legal or regulatory advice. You should read this Risk Disclosure Statement carefully to assess whether you should enter into a transaction in respect of a financial instrument having regard to your objectives, financial situation and needs, and where necessary, speak to an independent financial advisor or other independent professional advisors before making an investment decision.

You are classified as either a professional client or eligible counterparty ("ECP"), each as defined in the FCA Handbook. The target market we have identified for the types of financial instruments contemplated herein includes all clients categorised as professional clients or ECPs, unless expressly stated to the contrary. For specific, bespoke or structured financial instruments we may identify the target market more precisely taking into account their specific terms. If so, the risks of those financial instruments will be set out with greater specificity in the relevant financial instrument's supporting terms and conditions, documentation, prospectus or other supporting material distributed to you in good time before you enter into the financial instrument.

2. GENERAL RISKS

All investments and trading in financial instruments carry risk and different strategies may carry different levels of risk, depending on the assets that make up the strategy. Investing or trading in financial instruments may result in you losing your entire investment or incurring significant costs, including costs well in excess of your original investment. Before investing or trading, you should consider the level of risk involved with a particular investment and whether the potential returns justify those risks.

All financial instruments contain one or more of the below risks:

- Market Risk – the exposure of the investment to movements in market factors, including, for example, interest rates, exchange rates, commodity prices and volatility. Organisations manage market risk by applying risk limits to traders' activities.
- Counterparty Credit Risk – is the risk that a counterparty to a financial transaction will fail to fulfil their obligations. Credit risk can comprise counterparty risk (risk associated with the counterparty's general financial viability in light of its business) and settlement risk (risk associated with the counterparty's ability to settle the transaction according to the terms of the contract). A variety of measures can be used to manage and mitigate credit risk including collateralisation, the application of credit risk limits and credit derivatives.
- Country Risk – is the risk that a country will default on its bonds or other financial commitments. Country risk also refers to the broader notion of the degree to which political and economic unrest affect the securities of issuers doing business in a particular country. Political risk (risk arising from decisions of governments) may be harder to evaluate than commercial risk.
- Convertibility – the risk of loss arising from an inability to convert local currency into a fully convertible currency and/or repatriate convertible currency back to a home country.
- Liquidity Risk – is financial risk arising due to uncertain liquidity i.e. how quickly an asset can be converted into cash. Different financial instruments will have different liquidity based on demand for those instruments or the nature of the markets they are normally traded on. Liquidity risk is often compounded or correlated to other risks.
- Fixing Risk – where the value of a financial instrument depends on a publicly available benchmark, there is a risk that such a benchmark is inaccurate or inadequate for its purposes. In addition, a benchmark may cease to be published either permanently or temporarily.

3. FINANCIAL INSTRUMENT SPECIFIC RISKS

An overview of the nature and risks of some of the financial instruments we offer is set out below. Different instruments may have different or unique characteristics and risk profiles depending on the specific details of the individual transaction and prevailing market conditions. ANZ London may trade other products types not listed below, including more complex product types.

(a) Debt Securities

A bond is a debt security, in which the issuer owes the holders a debt and is obliged to repay interest, often at regular intervals, and a principal sum on the maturity date. Bonds can be issued by a company or a government body. The exact price of a bond is determined by prevailing market and credit conditions. The liquidity of individual bonds is driven by a number of factors including outstanding issuance, credit rating, the maturity and market conditions. In general, bonds with a lower credit rating and lower total issuance tend to be less liquid, particularly in times of stress in the market.

Like other debt securities medium terms notes ("MTNs") involve credit exposure to the issuer and therefore the capital is not protected should the issuer default. MTNs tend to be more bespoke than standard bond issuance they can suffer from a lack of liquidity when the market is under stress, making it more difficult for investors to exit their investment.

Callable structures are where the security is redeemable by the issuer before the scheduled maturity under specific conditions. Callable bonds are issued to allow issuers to hedge against interest rate risk; if the interest rate falls significantly they can call the bond and issue a new bond at a lower interest rate. To protect the bondholder, most callable bonds also include call protection which prevents a bond from being called for a certain period of time.

(b) Money Market Instruments

A number of products are traded in the money markets, including treasury bills, certificates of deposit and commercial paper. Money markets are large and highly liquid. Money market securities have risks relating to the creditworthiness of the borrower but are generally short dated. Money market instruments are typically subordinate to more senior debt in the event of insolvency.

(c) Forwards and Futures

A forward contract is a contract in which delivery of the underlying commodity/asset is deferred until a date in the future that is specified in the contract. Futures are similar to forwards, with the primary difference being that futures are traded on regulated markets and as such have standardised terms. Forwards can be traded on different types of venues or bilaterally off venue, and the contracts are bespoke in nature.

Forwards and futures can lead to losses or gains depending on movement in the market as prevailing market conditions at expiry may be better or worse than at entry into the transaction. Forwards and futures can be cash or physically settled. Where physically settled, there is a risk of non-delivery of the underlying.

(d) Swaps

A swap is a derivative agreement between two parties to swap streams of cash flows. In a typical swap, one party will deliver a fixed stream while the other party delivers a stream which is dependent on an underlying variable. The main risk of a swap is the risk that the underlying will fluctuate in a way that leaves one party paying significantly more over the life of the swap that it would if it had not entered into the swap. Additionally, the risk of counterparty's creditworthiness will typically be carried for the life of the swap. Swaps are often cleared (and in some cases, legally required to be cleared) via a central counterparty (CCP) in order to manage counterparty credit risk.

(e) Options

An option is a contract whereby one party has the right, but not the obligation, to complete a transaction in the future at a previously agreed price. In return for this flexibility, the buyer must pay a premium to compensate the seller for the optionality. The risks of selling an option are greater than buying one as the seller accepts a legal obligation to purchase or sell the underlying asset if the option is exercised however far the market price has moved away from the exercise price. The downside of buying an option is the gain is limited to the premium paid.

Caps and floors are commonly employed with respect to interest rate options. A cap can be used to protect the cost of a floating-rate investment, whereas a floor can be used to protect the income on a floating-rate investment. Whenever the rollover rate is lower than the floor strike rate, the buyer receives the difference. Whenever the rollover rate is higher than the floor strike rate, nothing is paid or received. The opposite applies for a cap.

A binary option is a financial option in which the payoff is discrete rather than continuous; that is the pay-out is a fixed amount of compensation or nothing at all depending on the market price of the underlying asset. Binary pay-outs are often embedded in non-binary options via barriers. These barriers may be able to be triggered before expiry meaning the pay-out is path dependent; that means dependent on market prices before as well as at expiry.

(f) Structured Deposits

A structured deposit is a deposit where the repayment of the cash deposited involves the payment of interest or a premium, but where that interest or premium is dependent on the performance of underlying factors such as indices, financial instruments, commodities or foreign exchange rates. The depositor is therefore exposed to the risks associated with fluctuations in the values of all of these factors. There may also be no protection of the capital put into the deposit. Depending on the precise composition and weighting of the factors within the structured deposit, it may be difficult or impossible to liquidate or sell an investment in a structured deposit.

(g) Emissions Allowances

Companies are permitted to trade their emissions allowances within the EU's Emissions Trading Scheme. The risks associated with trading in emissions allowances include that (a) the Emissions Trading Scheme only operates within the EEA, (b) the cap is being reduced over time, which may reduce the available allowances and limit the opportunity to dispose of the allowances, and (c) the future existence, scope and conditions of the scheme depends on the decisions of the EU institutions, which may be difficult to predict.

(h) Repos

A repo refers to a sale and repurchase transaction in securities, normally fixed income securities such as bonds. In a repo, one party (the seller) transfers title in the securities to another (the purchaser) for cash payment. At the end of the transaction the purchaser transfers title to equivalent securities (of the same issuer and type) to the seller. The difference between the price paid by the buyer at the start of a repo and the price received at the end is the return on the cash that the buyer is effectively lending to the seller. The parties' obligations to transfer equivalent securities or cash under a repo are covered by collateral (typically either cash or securities) given by the purchaser on a title transfer basis.

As a result of selling securities or providing securities as collateral under a repo the respective parties will cease to be the owner of them. The parties' right to the repurchase of securities or the redelivery of collateral is subject to the risk of insolvency or other non-performance by the other party. Collateralisation does not change the probability of default of a counterparty but reduces the exposure. Since the parties are not the owners of any securities sold or transferred as collateral during the period of the repo, they will not have voting rights nor will they directly receive dividends or other corporate actions although they will normally be entitled to a payment from the other party equivalent to the dividend they would otherwise have received and the other party will be required to account for them for the benefit of corporate actions.

4. COLLATERAL

Where transactions require a transfer or the depositing of collateral as security, such collateral may be treated differently according to the type of security taken. Certain financial instruments will require parties which are exposed to additional potential liabilities based on movements in the price of underlying assets to provide additional collateral. This is generally referred to as providing "margin". The additional margin may be required at short notice and the position may be closed if the margin is not provided. The total margin requirements may exceed the obligations under the financial instrument.

Certain collateral arrangements are "title transfer collateral arrangements" where a client transfers full ownership of assets to a firm. If you provide collateral to us under a title transfer collateral arrangement:

- You will not have a proprietary claim over it (even where we otherwise act as your agent);
- You will have an unsecured contractual claim against us for repayment of an equivalent amount subject to the terms of any relevant agreement;
- Such collateral will not be held by us in accordance with the FCA Client Asset Rules (and, among other things, will not be segregated from our assets or held subject to a trust);
- In the event of our insolvency, you will have an unsecured claim against us in respect of such collateral and you may not recover the full value thereof; and
- You will not be entitled to receive any interest or distributions that may have otherwise been payable in respect of such collateral (subject to any contractual rights that you may have otherwise agreed with us to the contrary).

5. BREAK COSTS

If you enter into a financial instrument and decide to close out the transaction before its scheduled termination date, you may have to pay break costs. These will be calculated by reference to prevailing market conditions on the basis of current market levels and market expectations of future performance and future obligations under the transaction and may include associated costs, such as credit charges, cost of funding, and any costs incurred in terminating any related financial instrument or trading position. Please note that such break costs may be substantial.

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