COMMODITY DERIVATIVE INFORMATION

This document provides you with information about the described derivatives offered to you by ANZ Bank New Zealand Limited (the Bank) from 1 December 2015.

Any offer the Bank makes to you of derivatives described in this document is limited to investors who are "wholesale investors" within the meaning of the Financial Markets Conduct Act 2013 (FMCA), or others to whom disclosure under the FMCA is not required. This document is not a "product disclosure statement" (as defined in the FMCA) and each offer is not part of any "regulated offer" (as defined in the FMCA) by the Bank.

From 1 December 2015, this document replaces all previous product disclosure statements and other disclosure documents you have received from the Bank in relation to the derivatives described in this document.

GLOBAL MARKETS DERIVATIVES INFORMATION IN RESPECT OF

1. COMMODITY SWAPS
2. COMMODITY SWAPS WITH CAPPED FLOATING PRICE
3. COMMODITY OPTIONS
4. COMMODITY COLLARS

This Derivatives Information (this **"Document"**) is prepared by ANZ Bank New Zealand Limited (**"Bank"**) to apply from 1 December 2015.

This Document is intended for use in New Zealand only and only by persons who are "wholesale investors" (as defined in the FMCA) or who otherwise do not require disclosure under the FMCA. It should not be distributed in any jurisdiction in which its distribution, or the offer of the products described in this Document ("**Markets Commodity Products"**) is restricted.

1. IMPORTANT INFORMATION

1.1 Decisions to enter into derivatives are very important. They often have significant consequences. Read all Documents carefully. Ask questions. Seek independent advice before committing yourself.

1.2 You should keep this Document and any supplementary and replacement Documents that are provided to you for future reference.

1.3 Please note that the information set out in this Document is of a general nature only and is not intended to provide financial advice or any recommendations. It does not take account of your financial objectives, situation or particular needs. In providing this Document to you, the Bank is not advising you to, or recommending that you, enter into any Markets Commodity Product. Examples are included in this Document for illustrative purposes only. In particular, the actual effect of the Markets Commodity Products will depend on your particular circumstances, including your tax and financial status and your organisational structure. These circumstances may mean that a Markets Commodity Product has different benefits and exposures to different risks to those described in this Document.

1.4 You cannot rely on this Document to identify and assess all risks and benefits for you of the products referred to in this Document. You should undertake your own independent assessment having regard to your circumstances and you should not enter into any product referred to in this Document unless you understand, accept and assume the terms, conditions and risks of the product, you are satisfied that it is suitable for your objectives, financial situation and needs, and you understand derivative and futures markets and how they operate. It is recommended that you seek independent advice (including tax, legal and financial advice) before deciding whether a particular product is suitable for you.

1.5 You should be aware that:

- You may need to satisfy the Bank's credit or other requirements before you enter into any products referred to in this Document. Any limit or approval that the Bank has in relation to it providing any products referred to in this Document to you is at the sole discretion of the Bank and not for your benefit. Even if advised to you, such limit or approval may be withdrawn or revoked by the Bank at any time at the Bank's discretion without giving you prior notice. By allocating a limit or approval to you, the Bank is not committing to entering into products referred to in this Document with you to the value of that limit or approval; and
- The Bank has no obligation to provide any product referred to in this Document to you, or to agree to any amendment to or termination of (however described) any product referred to in this Document including any partial or pre-delivery, or any partial or other historic rate or other rollover.

Enquiries and complaints

1.6 If you have an enquiry or complaint about any Markets Commodity Product please contact your Markets Dealer in the first instance. If you are not satisfied after speaking to your Markets Dealer, please contact the Bank's Derivatives Complaints Officer at Private Bag 92210, Victoria Street West, Auckland 1142 or by calling 0800 626 966.

If you and the Bank cannot agree on how to resolve the complaint, you may be able to take your complaint to the Banking Ombudsman scheme, which is an approved dispute resolution scheme. The scheme will not charge a fee to any complainant to investigate or resolve a complaint and can be contacted at Freepost 218002, PO Box 25327, Featherston Street, Wellington 6146, by phone 0800 805 950 or by email help@bankomb.org.nz.

The Bank's relationship with Australia and New Zealand Banking Group Limited

1.7 Derivatives entered into with the Bank are not deposits or liabilities of Australia and New Zealand Banking Group Limited. Australia and New Zealand Banking Group Limited does not stand behind or guarantee the Bank.

The Australian Prudential Regulatory Authority regulates all Authorised Deposit Taking Institutions (ADI) in Australia. Australia and New Zealand Banking Group Limited is an ADI. However, the Bank is not an ADI.

Other information about the Bank

1.8 Other information about the Bank is contained in the Bank's current disclosure statement that is published pursuant to section 81 of the Reserve Bank of New Zealand Act 1989 and in its financial statements. You can obtain these Documents, free of charge, from Level 10, 170-186 Featherston Street, Wellington or on the Bank's website, www.anz.co.nz/about-us/media-centre/investor-information/.

1.9 The financial statements and certain other documents of, or relating to, the Bank are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection through the Companies Office or on the Companies Office website, www.business.govt.nz/companies.

2. WHAT ARE THE MARKETS COMMODITY PRODUCTS?

2.1 The Markets Commodity Products described in this Document as at the date it was prepared are:

- Commodity Swaps;
- Commodity Swaps with Capped Floating Price;
- Commodity Options; and
- Commodity Collars.

2.2 Set out below is some key information about the Markets Commodity Products to help you understand the risks, benefits and costs of the Markets Commodity Products:

- Information about the types of transactions that are Markets Commodity Products;
- General information about the terms and conditions that are common to several Markets Commodity Products;
- Specific information about the particular terms of each Markets Commodity Product; and
- A Glossary of some of the key terms used in this Document in relation to Markets Commodity Products.

3. SOME COMMONLY USED TERMS IN RELATION TO MARKETS COMMODITY PRODUCTS

3.1 The Markets Commodity Products described in this Document are referred to as "Commodity Swaps", "Commodity Swaps with Capped Floating Price", "Commodity Options" or "Commodity Collars". Descriptions of these products are set out in sections 4 and 7 below.

3.2 However, in order to better understand the descriptions, it is important to understand some of the key concepts used in relation to the Markets Commodity Products.

3.3 Capitalised terms used in this section are defined in this section or in the Glossary.

Why use Markets Commodity Products?

3.4 Markets Commodity Products may be used to manage Commodity Price Risk that arises in relation to the Market Price of a Commodity (these terms are described below). When used in this way, they may be referred to as **"Risk Management Contracts".** A Risk Management Contract is an arrangement which is intended to reduce or mitigate certain risks under a Supply Agreement that may arise as a result of the price of the Commodity changing over the term of the Supply Agreement in a manner that is unfavourable. Commodity prices can change quickly and in unpredictable ways, which can have a significant impact on your cashflows.

3.5 The Risk Management Contract is a separate contract from any corresponding Supply Agreement and need not be with the same party. It does not change or replace the payment or other obligations under any corresponding Supply Agreement. The mitigation occurs by the combination of the economic effects of the Supply Agreement and the Risk Management Contract. The Risk Management Contract typically changes in value (due to changes in Commodity prices) in the opposite manner to the corresponding Supply Agreement.

3.6 The true consequences of entering into a Markets Commodity Product as a risk mitigant must be assessed by viewing the economic effect of that Markets Commodity Product in conjunction with the economic effect of the corresponding Supply Agreement. Whether a Risk Management Contract can mitigate Commodity Price Risk under a corresponding Supply Agreement may depend on many factors, including the extent to which:

- the method by which future payments are calculated under the Risk Management Contract is consistent with the method by which payments are calculated under the corresponding Supply Agreement;
- the timing of payments under the Risk Management Contract is the same as the timing of payments under the corresponding Supply Agreement;
- the size or value of the Risk Management Contract is the same as the size or value of the corresponding Supply Agreement;
- the term or duration of the Risk Management Contract is the same as the term or duration of the corresponding Supply Agreement;
- the Commodity for the purposes of the Markets Commodity Product is the same as that for the purposes of the corresponding Supply Agreement. Descriptions of Commodities, while on their face appearing to be to exactly the same Commodity, may be to: (1) different types of the same general Commodity – for example, different types of oil, gas or wheat or other grain or agricultural product, (2) the same type of Commodity, but for delivery at a specific location, in specific amounts or subject to specific terms;
- the currency in which calculations and payments are made under the Risk Management Contract is the same as the currency in which calculations and payments are made under the corresponding Supply Agreement;
- the rights of the parties to terminate the Risk Management Contract before its maturity are the same as the equivalent rights under the corresponding Supply Agreement; and
- the other party to the Risk Management Contract is able to meet its obligations.

3.7 In addition, the actual effect of a Markets Commodity Product will depend on your particular circumstances, including your tax and financial status, your organisational structure and your views of, and requirements for, risk management. Your purpose in entering into any Markets Commodity Products and the benefits to you of those Markets Commodity Products will be influenced by these factors. You should not decide to enter into a Markets Commodity Product without careful consideration of your particular circumstances.

3.8 As discussed above, Markets Commodity Products can be entered into as Risk Management Contracts, intending to mitigate certain risks. However, Markets Commodity Products may also be entered into independently of any Supply Agreement. If you wish to enter into a Markets Commodity Product independently of any Supply Agreement, you must advise the Bank as the Bank may not be prepared to enter into Markets Commodity Products with you in those circumstances, or may have different requirements in respect of entering into Markets Commodity Products with you in those circumstances. Any requirements which the Bank has in respect of entering into Markets Commodity Products in those circumstances are at the sole discretion of the Bank and do not constitute any advice or other indication as to the suitability of that Markets Commodity Product for you. You should undertake your own independent assessment having regard to your circumstances and it is recommended that you seek independent advice before deciding a particular product is suitable for you. Unless you specifically advise the Bank to the contrary, the Bank will assume that you are entering into each Markets Commodity Product as a Risk Management Contract.

3.9 The **Market Price** in relation to a Commodity is the price of that Commodity applicable to a particular Supply Agreement. The Market Price will be specific to the particular Supply Agreement. It will vary depending on general market and economic conditions and may also vary depending on factors such as the specific type and amount of the Commodity to be purchased or sold or otherwise subject to the Supply Agreement, the term of the Supply Agreement, the creditworthiness of the parties and/or other terms specific to the sale, purchase or delivery of the Commodity. The applicable Market Price may be agreed at the outset of a Supply Agreement. It may also be agreed at the outset that during the term of a Supply Agreement the Market Price will be determined by reference to a known benchmark or in another agreed manner.

3.10 **Commodity Price Risk** in relation to a party to a Supply Agreement (or a party which needs or intends to become party to a Supply Agreement) is the risk that during the term of the Supply Agreement, the relevant Market Price will change, in a manner unfavourable to that party. For example, a party faces Commodity Price Risk in the following scenarios:

- A seller of a Commodity is party to a Supply Agreement. Pursuant to the Supply Agreement, the seller agrees to receive a fixed or pre-determined price for the Commodity during the entire term of the Supply Agreement. The seller under the Supply Agreement faces the Commodity Price Risk that the relevant Market Price for the Commodity later rises during the term of the Supply Agreement. The seller therefore is committed to receiving less under the Supply Agreement than if selling the Commodity, or entering into an equivalent Supply Agreement, at the later time and at the higher Market Price.
- A buyer of a Commodity is party to a Supply Agreement. Pursuant to the Supply Agreement, the buyer agrees to pay a fixed or pre-determined price for the Commodity during the entire term of the Supply Agreement. The buyer under the Supply Agreement faces the Commodity Price Risk that the relevant Market Price for the Commodity later falls during the term of the Supply Agreement. The buyer therefore is committed to paying more under the Supply Agreement than if buying the Commodity, or entering into an equivalent Supply Agreement, at the later time and at the lower Market Price.
- A seller of a Commodity is party to a Supply Agreement. Pursuant to the Supply Agreement, the seller agrees that during the entire term of the Supply Agreement it will receive the then current Market Price for the Commodity. The seller under the Supply Agreement faces the Commodity Price Risk that the relevant Market Price for the Commodity later falls during the term of the Supply Agreement. The seller therefore is committed to receiving less under the Supply Agreement than if selling the Commodity, or entering into a Supply Agreement with a fixed or pre-determined price, at the earlier time and at the higher Market Price.
- A buyer of a Commodity is party to a Supply Agreement. Pursuant to the Supply Agreement, the buyer agrees that during the entire term of the Supply Agreement it will pay the then current Market Price for the Commodity. The buyer under the Supply Agreement faces the Commodity Price Risk that the relevant Market Price for the Commodity later rises during the term of the Supply Agreement. The buyer therefore is committed to paying more under the Supply Agreement than if buying the Commodity, or entering into a Supply Agreement with a fixed or pre-determined price, at the later time and at the lower Market Price.

3.11 Supply Agreements may relate to the sale and purchase and actual delivery and acceptance of actual amounts of a Commodity. Markets Commodity Products are contracts which give rise only to payment obligations. These payment obligations may, for the term of the Markets Commodity Product, be related to or based upon the Market Price or a fixed or pre-determined price in relation to a specified type or types and/or amount or amounts of one or more Commodities. Markets Commodity Products however are never for the sale and purchase of a Commodity. No Commodity is ever required to be delivered or accepted pursuant to a Markets Commodity Product. To reinforce this, all Markets Commodity Products are described as "Cash Settled" to reflect that the only obligations which they give rise to are to make payments of money. Payments under a Markets Commodity Product may be in any currency as agreed. However, they are usually in USD. Prices of the relevant Commodity as determined for the purposes of a Markets Commodity Product may be in any currency and may differ from the currency of payment under the Markets Commodity Product, in each case, as agreed.

3.12 Entering into a Markets Commodity Product will not affect your obligation to pay amounts, or the amounts you are entitled to receive, under a corresponding Supply Agreement. In particular, a Markets Commodity Product is only capable of mitigating fluctuations in the Commodity price component of a Supply Agreement, and will have no effect on any other components of the price payable under the Supply Agreement, which could include, for example, delivery costs, margins and fees, government levies, duties or taxes.

4. UNDERSTANDING COMMODITY SWAPS, COMMODITY SWAPS WITH CAPPED FLOATING PRICE, COMMODITY OPTIONS AND COMMODITY COLLARS

What is a Commodity Swap?

4.1 Under a Commodity Swap transaction, you and the Bank agree to exchange (ie swap) payments with each other on certain dates in the future. The amount of those payments, or method of calculating the payments, will be set out in the terms of the Commodity Swap. In a Commodity Swap, although the amounts payable are not themselves payments of a price for a Commodity, the amounts payable will be calculated by applying Fixed Price(s) and/or Floating Price(s) to a Notional Quantity. The Notional Quantity is not bought or sold or delivered or accepted pursuant to the Commodity Swap (as described in paragraph 3.11 above).

4.2 Commodity Swaps allow you to manage Commodity Price Risk without affecting any corresponding Supply Agreement. That is, entering into a Commodity Swap will not affect your obligation to pay amounts, or the amounts you are entitled to receive, under a corresponding Supply Agreement. However, a Commodity Swap, when combined with a Supply Agreement can, in effect, mitigate the Commodity Price Risk under that Supply Agreement (although this also means that you may not receive the benefit of Commodity price movements in your favour).

What is a Commodity Swap with Capped Floating Price?

4.3 Under a Commodity Swap with Capped Floating Price transaction, you and the Bank agree to exchange (ie swap) payments with each other on certain dates in the future. The amount of those payments, or method of calculating the payments, will be set out in the terms of the Commodity Swap with Capped Floating Price. In a Commodity Swap with Capped Floating Price, although the amounts payable are not themselves payments of a price for a Commodity, the amounts payable will be calculated by applying Fixed Price(s) and/or the lesser of the Floating Price and the Capped Floating Price to a Notional Quantity. The Notional Quantity is not bought or sold or delivered or accepted pursuant to the Commodity Swap with Capped Floating Price (as described in paragraph 3.11 above).

4.4 Commodity Swap with Capped Floating Price allows you to manage Commodity Price Risk without affecting any corresponding Supply Agreement. That is, entering into a Commodity Swap with Capped Floating Price will not affect your obligation to pay amounts, or the amounts you are entitled to receive, under a corresponding Supply Agreement. However, a Commodity Swap with Capped Floating Price, when combined with a Supply Agreement can, in effect, mitigate the Commodity Price Risk under that Supply Agreement (although this also means that you may not receive the benefit of Commodity price movements in your favour).

What is a Commodity Option?

4.5 A Commodity Option allows the Option Buyer to manage Commodity Price Risk while retaining the ability to benefit from price movements in the Option Buyer's favour. An Option Buyer has the right, but not the obligation, to exercise the Commodity Option on a future date or dates, depending on the Strike Price and the Applicable Specified Price. If the Commodity Option is exercised, the Option Seller will be required to pay the cash settlement amount (if any) to the Option Buyer on the Payment Date. The amount payable will depend on the Strike Price and the Applicable Specified Price, and a specified Notional Quantity of a specified Commodity. All of these factors will be set out in the terms of the Commodity Option.

4.6 In return for the Commodity Option, the Option Buyer may be required to pay a Premium to the Option Seller. The Option Buyer pays the Premium for the flexibility and protection provided by the Commodity Option. The Premium will be calculated by the Bank for each Commodity Option, and the amount of the Premium and the date (or dates) for payment of the Premium will be set out in the terms of the Commodity Option.

4.7 Commodity Options may be exercised at different times. The date or dates on which a Commodity Option may be exercised will be set out in the terms of the Commodity Option.

4.8 If the Commodity Option is not exercised on a permitted date or within the specified period, the Commodity Option will expire and cannot be exercised. Alternatively, a Commodity Option may be exercised automatically if the relevant conditions to the automatic exercise of the Commodity Option set out in the terms of the Markets Commodity Option are met. If the Commodity Option is exercised, the Option Seller must pay the cash settlement amount (if any) in accordance with the terms of the Commodity Option. Which party is the Option Seller and the method for determining the cash settlement amount will be set out in the terms of the Commodity Option.

What is a Commodity Collar?

4.9 A Commodity Collar allows a party to protect itself against an unfavourable movement in a Commodity price (so that it will receive a payment from the other party under the Commodity Collar in the event of an agreed unfavourable movement) while at the same time agreeing to forego some of the benefit of a favourable movement in the Commodity price (by agreeing to make a payment to the other party under the Commodity Collar in the event of an agreed favourable movement).

4.10 Depending on the Cap Price, the Floor Price and the Applicable Specified Price, either one party must pay a cash settlement amount to the other party on the Payment Date or no amount will be payable by either party on the Payment Date. The amount payable will be based on or related to Market Prices and/or fixed or pre-determined prices of a specified Notional Quantity of a specified Commodity. All of these factors will be set out in the terms of the Commodity Collar.

4.11 A Premium may be payable by one party to a Commodity Collar. The Premium will be calculated by the Bank for each Commodity Collar (and the amount will generally depend on the levels of the Floor Price and the Cap Price), and the amount of the Premium and the date or dates for payment of the Premium will be set out in the terms of the Commodity Collar.

More information

4.12 More information on Commodity Swaps, Commodity Swaps with Capped Floating Price, Commodity Options and Commodity Collars is contained in section 7 of this Document.

5. GENERAL INFORMATION ABOUT MARKETS COMMODITY PRODUCTS

Documentation

5.1 If you have entered into an ISDA Master Agreement with the Bank all Markets Commodity Products that you enter into will be governed by that agreement.

5.2 The commercial terms specific to a particular Markets Commodity Product will ordinarily be recorded in a "confirmation", which will be provided to you by the Bank shortly after you and the Bank have entered into the Markets Commodity Product. Upon receipt of the confirmation, you should check the confirmation and either notify the Bank if there is an error or sign a copy of the confirmation and return it to the Bank. However, your Markets Commodity Product will not be affected if, for any reason, this procedure is not followed.

5.3 If your relationship with the Bank is not governed by an ISDA Master Agreement, any Markets Commodity Products that you enter into will be subject to the terms and conditions (if any) incorporated in the confirmation relating to that Markets Commodity Product between you and the Bank.

5.4 In addition, you may need to satisfy the Bank's credit or other requirements before you enter into any Markets Commodity Products. Any limit or approval that the Bank has in relation to Markets Commodity Products provided to you is at the sole discretion of the Bank and not for your benefit. Even if advised to you, such limit or approval may be withdrawn or revoked by the Bank at any time at the Bank's discretion without giving you prior notice. By allocating a limit or approval to you, the Bank is not committed to entering into Markets Commodity Products with you to the value of that limit or approval.

5.5 Sometimes you and the Bank may enter into a separate bilateral agreement the terms of which may add to, or vary, the terms and conditions of whichever agreement(s) governs your relationship with the Bank. The Bank may require an existing agreement to be amended as a precondition to entry into any Markets Commodity Product, as required to properly document the terms and conditions of that Markets Commodity Product. Completion of any agreement does not constitute a commitment by, or obligation on, the Bank to enter into any particular Markets Commodity Product.

Alteration and termination

5.6 While Markets Commodity Products can be useful risk management tools, there may be occasions when you wish to alter the terms of a Markets Commodity Product or you no longer require a certain Markets Commodity Product. For example, you may have been using a Commodity Swap to manage your Commodity Price Risk under a Supply Agreement and that Supply Agreement is terminated earlier than first contemplated. In such circumstances, you must continue to meet your existing obligations under the Commodity Swap unless the Commodity Swap is amended or terminated. Further, you are not entitled to sell or transfer a Markets Commodity Product unless the Bank agrees. In the Bank's opinion, there is no established market for such sales or transfers.

5.7 In general, neither you nor the Bank have the right to alter or terminate a Markets Commodity Product after it has been entered into unless both parties agree (other than if Optional Early Termination is applicable in respect of a particular Markets Commodity Product for one or both parties (see paragraph 5.12)). While the Bank will consider your request to alter or terminate a Markets Commodity Product, it is not always possible for the Bank to alter or terminate a Markets Commodity Product. If you wish to alter or terminate a Markets Commodity Product, you need to contact the Bank to discuss your requirements in relation to such alteration or termination. If the Bank agrees to alter or terminate a Markets Commodity Product, it will advise you of the terms of any alteration or termination, including any amounts that the Bank determines are payable in respect of the alteration or termination. When determining the amount payable, the Bank will take into account a variety of factors, including the terms and conditions of the particular Markets Commodity Product, any relevant Market Prices prevailing at the time, market volatility and your relationship with the Bank. The requested alteration or termination will not be made unless you agree to those terms. The alteration or termination may result in you making a payment to, or receiving a payment from, the Bank. Alternatively, the value of that payment may be incorporated in a rate or amount payable under the altered Markets Commodity Product or a replacement Markets Commodity Product.

5.8 However, if you have entered into an ISDA Master Agreement, both you and the Bank have contractual rights to terminate Markets Commodity Products if an event of default or termination event set out in that agreement occurs in relation to the other party.

5.9 The events of default include:

- the relevant party fails to make a payment or breaches any other obligation under the agreement;
- the relevant party becomes insolvent;
- the relevant party fails to make a payment or comply with its obligations under another derivative transaction or in respect of borrowed money;
- a representation made by the relevant party to the other is not correct, and the termination events include a Markets Commodity Product becoming illegal.

It is important to note that default under Markets Commodity Products and/or rights to terminate Markets Commodity Products early may also give rise to defaults under and/or rights to terminate other derivative and/or futures contracts (either under an ISDA Master Agreement or under other agreements).

5.10 If a Markets Commodity Product is terminated early, the value of the terminated Markets Commodity Product will be determined as at the termination date. The value of the terminated Markets Commodity Product is usually determined by the Bank. If more than one Markets Commodity Product is terminated, these values will be aggregated and will result in a net amount payable either by you to the Bank or by the Bank to you.

5.11 The information set out above is only a summary of the principal circumstances in which Markets Commodity Products may be terminated and the amounts payable on termination. You should refer to your agreement for full details of all default and termination events and the consequences of those events, including the bases on which the value of terminated Markets Commodity Products and the net amount payable are determined.

5.12 In addition, your Markets Commodity Product may provide for Optional Early Termination ("Optional Early Termination"). If Optional Early Termination is applicable to a Markets Commodity Product the terms of the Markets Commodity Product will provide that one or either party may exercise the option to terminate the Markets Commodity Product on the optional early termination date. The value of the terminated Markets Commodity Product will be determined and an amount will be payable either by you to the Bank or by the Bank to you. The method for determining the amount payable and the party that is to pay that amount will be agreed at the time the Markets Commodity Product is entered into.

Fees and charges

5.13 In general, you pay for the Markets Commodity Product by accepting any price quoted by the Bank. This is because the Bank may obtain a benefit when entering into Markets Commodity Products by incorporating margins into the terms of the Markets Commodity Product provided to you. In addition, a Premium may be charged in relation to Commodity Options or Commodity Collars. The Bank may also charge you fees in relation to a Markets Commodity Product. Any such fees will be agreed at the time the Markets Commodity Product is entered into.

Consequences of failure to make a payment

5.14 As noted above, if you fail to make a payment when due under a Markets Commodity Product, you may be in default and the Bank may exercise its rights under the agreement that governs your relationship with the Bank, including rights of early termination. You should refer to the ISDA Master Agreement (or other agreement if not an ISDA Master Agreement) that governs your relationship with the Bank for full details of the Bank's rights.

5.15 In addition, failure to make a payment when due under the terms of a Markets Commodity Product may have consequences under other documents, including, possibly, other financial instruments. For example, it may cause an event of default to occur under other financial instruments or have consequences under any security interests or guarantees that you or other parties have granted. You should review your other financial instruments and any security agreements or guarantees that you have entered into in order to identify and understand these consequences.

6. RISKS OF ENTERING INTO MARKETS COMMODITY PRODUCTS

6.1 The principal risks associated with all Markets Commodity Products described in this Document are:

- ***Alteration or termination of Supply Agreements:*** If your underlying reason for entering into a Markets Commodity Product no longer exists (for example, you entered into a Markets Commodity Product in order to mitigate your Commodity Price Risk and the corresponding Supply Agreement is terminated, or the terms of the corresponding Supply Agreement are varied) you may wish to terminate or vary that Markets Commodity Product. As noted above under "Alteration and termination", while the Bank will consider your request to alter or terminate a Markets Commodity Product, it is not always possible for the Bank to alter or terminate a Markets Commodity Product. Also, if the Markets Commodity Product can be altered or terminated, you may need to pay an amount to the Bank in order to alter or terminate the Markets Commodity Product.
- ***Different prices:*** If you are using a Markets Commodity Product to protect against Commodity Price Risk in a Supply Agreement, you should ensure that the Market Price referred to in that Supply Agreement (if any) and the Specified Price in the Markets Commodity Product (if any) are calculated on the same basis (for example, the same Commodity type (including delivery date), reference source, currency, calculation periods and day count fractions are used). If they are different, the Market Price in your Supply Agreement (if any) may not move in the same way or to the same extent as the Specified Price under your Markets Commodity Product. If the obligations under the Supply Agreement which you intended to offset against payments under the Markets Commodity Product are based on different prices or calculations, then you are exposed to the risk that the payments you receive from the Bank may not offset the payments you are required to make on your Supply Agreement as you expect.
- ***Different payment dates:*** Similarly, if the payment dates under your Markets Commodity Product and under your corresponding Supply Agreement are not the same:
  - movements in prices between the respective payment dates may mean that the payments under the Markets Commodity Product may not offset your payment obligations under the corresponding Supply Agreement as you expect; and
  - you may have a cashflow timing mismatch (for example, you may not receive a payment under your Markets Commodity Product until after you are required to have made a payment under your corresponding Supply Agreement). This may have cashflow implications for you that you would not have if the payment dates were the same.
- ***Forego potential benefits:*** By entering into a Markets Commodity Product which, when combined with your obligations under a corresponding Supply Agreement, has the effect of mitigating the Commodity Price Risk for a future payment date you may not receive the future financial benefit of favourable market movements in that price.
- ***Fluctuating markets and prices:*** It is impossible to predict how prices of Commodities and related prices may move in the future. Historic levels do not indicate future levels. Prices of all Commodities can be highly volatile and can fluctuate rapidly and over wide ranges and may reflect unforeseen events or changes in conditions. Accordingly, while you may take comfort from entering into a Markets Commodity Product which has the effect of mitigating the Commodity Price Risk under a corresponding Supply Agreement, it is impossible to predict whether it will be beneficial, from a purely economic perspective, to enter into a Markets Commodity Product. There are situations in which the value of the payments you make to the Bank under a Markets Commodity Product may be greater than the value of the payments you receive from the Bank under that Markets Commodity Product. This may occur in the following circumstances:
  - you have entered into a Commodity Swap, Commodity Swap with Capped Floating Rate or a Commodity Collar and the relevant Market Price moves in a direction which is not beneficial to you; or
  - you have entered into a Commodity Option and paid a Premium, but you decide not to exercise the Commodity Option; or

- you are the Option Seller and the terms of the Commodity Option require you to transact at a specified level in certain circumstances, and those circumstances occur.

- ***Fluctuating exchange rates:*** Prices of currencies are highly volatile and can fluctuate rapidly over wide ranges and may be affected by unforeseen events or changes in conditions. If you have payment obligations under a Supply Agreement that are required to be paid in a currency that is different to the currency of your Markets Commodity Product, you may be exposed to currency exchange risk. For example, you could have NZD payment obligations under a Supply Agreement, but a Markets Commodity Product denominated in USD. When converting any USD received under your Markets Commodity Product to NZD in order to meet your obligations under your Supply Agreement, you face the risk that unfavourable movements in the NZD/USD exchange rate could cause you to receive less NZD than you had expected to receive. The Bank may have other products that are available that may be used to mitigate this risk. More information about these other products can be obtained by contacting your Relationship Manager or your Markets Dealer (see paragraph 1.6).
- ***Bank's ability to perform:*** The Bank's ability to perform its obligations under the Markets Commodity Products is dependent on its financial wellbeing. Should the Bank become insolvent or be placed into liquidation, administration, statutory management or receivership, or is otherwise not able to pay its debts as they fall due, you may not receive timely, or full, payment of amounts payable to you by the Bank. Any claims you may have against the Bank in relation to Markets Commodity Products will rank equally with all unsecured creditors, but behind secured creditors and those creditors preferred by statute.
- ***Markets Commodity Products can be complex:*** Some Markets Commodity Products are complex and entering into Markets Commodity Products in any structured or varied form, or in any combination, may increase that complexity. If you do not fully understand a Markets Commodity Product, the risks associated with the Markets Commodity Product and your risk profile, the Markets Commodity Product may have unexpected consequences. In order to properly understand Markets Commodity Products, you should seek independent advice (including tax, legal and financial advice).
- ***Different risks for investment:*** Amounts payable by you or the Bank under a Markets Commodity Product may change significantly as a result of fluctuating Market Prices. If you do not have a corresponding Supply Agreement and have entered into a Markets Commodity Product solely as an income generating product, you will be exposed to risks which would not exist if you had a corresponding Supply Agreement. Your overall loss in these circumstances may be unlimited.
- ***Individual circumstances are crucial:*** The risks to you arising from, and the suitability for you of, Markets Commodity Products cannot be assessed in isolation. They can only be properly assessed and understood in the context of your own particular, individual circumstances. This Document describes generally the terms of Markets Commodity Products and the principal risks associated with them. However, the Bank does not assess the risks to you of any Markets Commodity Products, whether any Markets Commodity Products are suitable for you, whether you should enter into any Markets Commodity Product or to advise you or make recommendations about these matters.

7. SPECIFIC INFORMATION ABOUT THE MARKETS COMMODITY PRODUCTS

Commodity Swaps

7.1 Commodity Swaps are commonly used to manage Commodity Price Risk.

7.2 Important information about the nature of Commodity Swaps and other information relating to Commodity Swaps is set out in previous sections of this document. However, in summary, a typical Commodity Swap will operate as follows:

- one party, the "Fixed Price Payer", agrees to pay amounts to the other party, the "Floating Price Payer", calculated by applying the Fixed Price to the Notional Quantity for each Calculation Period;
- the Floating Price Payer agrees to pay amounts to the Fixed Price Payer calculated by applying the Floating Price to the Notional Quantity for each Calculation Period;
- the parties' payment obligations under each Commodity Swap may be settled on a Net Basis; and
- the Payment Dates will be set out in the terms of the Commodity Swap.

7.3 If Optional Early Termination is applicable, the Commodity Swap may be terminated prior to its termination date and an amount will be payable by one party to the other. Further information on Optional Early Termination is set out in paragraph 5.12.

Commodity Swaps with Capped Floating Price

7.4 Commodity Swaps with Capped Floating Price are commonly used:

- by a Fixed Price Payer to manage Commodity Price Risk by offering protection from a rise in a Floating Price up to the level of the Capped Floating Price; and
- by a Floating Price Payer to manage Commodity Price Risk by offering protection from a fall in a Floating Price while retaining the ability to take advantage of an increase in a Floating Price above the level of the Capped Floating Price.

7.5 Important information about the nature of Commodity Swaps with Capped Floating Price and other information relating to Commodity Swaps with Capped Floating Price are set out in previous sections of this document. However, in summary, a typical Commodity Swap with Capped Floating Price will operate as follows:

- one party, the "Fixed Price Payer", agrees to pay one or more amounts to the other party, the "Floating Price Payer", calculated by applying the Fixed Price to the Notional Quantity for each Calculation Period;
- the Floating Price Payer agrees to pay amounts to the Fixed Price Payer calculated by applying the lesser of the Floating Price and the "Capped Floating Price" to the Notional Quantity for each Calculation Period. You and the Bank agree the Capped Floating Price, which is set out in terms of the Commodity Swap with Capped Floating Price;
- for example for a Calculation Period:
  - if the Floating Price is higher than the Capped Floating Price, the Floating Price Payer will pay an amount to the Fixed Rate Payer calculated by applying the Capped Floating Price to the Notional Quantity; or
  - if the Capped Floating Price is higher than the Floating Price, the Floating Price Payer will pay an amount to the Fixed Rate Payer calculated by applying the Floating Price to the Notional Quantity;
- the parties' payment obligations under each Commodity Swap with Capped Floating Price may be settled on a Net Basis; and
- the Payment Dates will be set out in the terms of the Commodity Swap with Capped Floating Price.

7.6 If Optional Early Termination is applicable, the Commodity Swap with Capped Floating Price may be terminated prior to its termination date and an amount will be payable by one party to the other. Further information on Optional Early Termination is set out in paragraph 5.12.

Commodity Options

7.7 Commodity Options are commonly used by the Option Buyer to manage a Commodity Price Risk, while retaining the ability to take advantage of favourable Commodity price movements.

7.8 Important information about the nature of Commodity Options and other information relating to Commodity Options is set out in previous sections of this document. However, in summary, a typical Commodity Option will operate as follows:

- the Option Buyer agrees to pay a Premium to the Option Seller to purchase the Option. The Premium will be payable on the date or dates set out in the terms of the Commodity Option;
- the Commodity Option may be exercised on any of the exercise dates set out in the terms of the Commodity Option (which may be expressed as exercise dates, an exercise period or, in the case of a "European" style Commodity Option, the expiration date), or the Commodity Option may be automatically exercised if "Automatic Exercise" is specified as being applicable to the Commodity Option and the conditions to the automatic exercise of the Commodity Option have been satisfied;
- if the Commodity Option is exercised, the Option Seller on the Payment Date will be required to pay the cash settlement amount (if any) to the Option Buyer;
- the amount to be paid will depend on the Notional Quantity, the Applicable Specified Price and the Strike Price for the Commodity Option.
- the Payment Dates, Notional Quantity, Applicable Specified Price, the Strike Price and other relevant matters will be set out in the terms of the Commodity Option.

7.9 Commodity Options may also be described as **"call"** or **"put"** Options:

- a **"call"** can offer protection for an Option Buyer (typically a Commodity purchaser) from a rise in a Commodity price. The Option Buyer of a call pays a Premium to the Option Seller and agrees a Strike Price to apply to a Notional Quantity. On the exercise date, if the Applicable Specified Price is higher than the Strike Price the Commodity Option may be exercised, or (if automatic exercise applies and the conditions to the automatic exercise of the Commodity Option have been satisfied) the Commodity Option will be automatically exercised. If the Commodity Option is exercised, the Option Seller must on the Payment Date pay to the Option Buyer an amount equal to the difference between the Strike Price and the Applicable Specified Price in relation to the Notional Quantity. If the Applicable Specified Price is equal to or lower than the Strike Price on the exercise date the Commodity Option cannot be exercised or, if automatic exercise applies, the Commodity Option will not be exercised, and the only amount that the Option Buyer will have paid to the Option Seller is the Premium required to be paid under the terms of the call.
- a **"put"** can offer protection for an Option Buyer (typically a Commodity seller) from a fall in a Commodity Price. The Option Buyer of a put pays a Premium to the Option Seller and agrees a Strike Price to apply to a Notional Quantity. On the exercise date, if the Applicable Specified Price is lower than the Strike Price the Commodity Option may be exercised, or (if automatic exercise applies and the conditions to the automatic exercise of the Commodity Option have been satisfied) the Commodity Option will be automatically exercised. If the Commodity Option is exercised, Option Seller must on the Payment Date pay to the Option Buyer an amount equal to the difference between the Strike Price and the Applicable Specified Price in relation to the Notional Quantity. If the Applicable Specified Price is equal to or higher than the Strike Price on the exercise date the Commodity Option cannot be exercised or, if automatic exercise applies, the Commodity Option will not be exercised, and the only amount that the Option Buyer will have paid to the Option Seller is the Premium required to be paid under the terms of the put.

7.10 If Optional Early Termination is applicable, the Commodity Option may be terminated prior to its termination date and an amount will be payable by one party to the other. Further information on Optional Early Termination is set out in paragraph 5.12.

Commodity Collars

7.11 A Commodity Collar allows a party to protect itself against an unfavourable movement in a Commodity price (so that it will receive a payment from the other party under the Commodity Collar in the event of an agreed unfavourable movement) while at the same time agreeing to forego some of the benefit of a favourable movement in the Commodity price (by agreeing to make a payment to the other party under the Commodity Collar in the event of an agreed favourable movement). You and the Bank agree a "Floor Price", a "Cap Price" (see below) and the Notional Quantity, which are set out in the terms of the Commodity Collar. A Premium may be payable, or the Floor Price and Cap Price may be set at levels so that no Premium is payable.

7.12 The Specified Price above which a party must make a payment under a Commodity Collar is the "Cap Price". The Specified Price below which a party must make a payment under a Commodity Collar is the "Floor Price".

7.13 For example, if you are a Commodity purchaser or otherwise wish to protect yourself against a rise in a Commodity price and have entered into a Commodity Collar to do so, and:

- the Applicable Specified Price is **higher** than the Cap Price, the Bank must on the Payment Date pay the cash settlement amount to you; or
- the Applicable Specified Price is **lower** than the Floor Price, you must on the Payment Date pay the cash settlement amount to the Bank; or
- the Applicable Specified Price is equal to or **lower** than the Cap Price, but equal to or **higher** than the Floor Price, no payments are made (other than any Premium required to have been paid under the terms of the Commodity Collar).

7.14 For example, if you are a Commodity seller or otherwise wish to protect yourself against a fall in a Commodity price and have entered into a Commodity Collar to do so, and:

- the Applicable Specified Price is **lower** than the Floor Price, the Bank must on the Payment Date pay the cash settlement amount to you; or
- the Applicable Specified Price is **higher** than the Cap Price, you must on the Payment Date pay the cash settlement amount to the Bank; or
- the Applicable Specified Price Rate is equal to or **higher** than the Floor Price but equal to or **lower** than the Cap Price, no payments are made (other than any Premium required to have been paid under the terms of the Commodity Collar).

7.15 Whether you are wishing to protect yourself against a rise or fall in a Commodity price by entering into a Commodity Collar, no payment will be made by you or the Bank unless, on the exercise date, the Applicable Specified Price is lower than the Floor Price or higher than the Cap Price.

7.16 In all cases where a payment must be made under a Commodity Collar (other than the payment of a Premium), the payer must on the Payment Date pay an amount equal to the difference between either the Cap Price or the Floor Price and the Applicable Specified Price, applied to the Notional Quantity.

7.17 If Optional Early Termination is applicable, the Commodity Collar may be terminated prior to its termination date and an amount will be payable by one party to the other. Further information on Optional Early Termination is set out in paragraph 5.12.

Tailored Markets Commodity Products

7.18 It is possible to enter into variations of one or more Markets Commodity Products.

7.19 Any variation will be agreed with you and set out in the terms and conditions for the Markets Commodity Product. You should be aware that your rights, obligations and risks under a variation of one or more Markets Commodity Products may differ markedly from the standard Markets Commodity Product.

Combined Markets Commodity Products

7.20 It is also possible to enter into combinations of Markets Commodity Products. You should be aware that different outcomes can be achieved by entering into more than one Markets Commodity Product or entering into a Markets Commodity Product which is a combination of other Markets Commodity Products. As expected, your rights, obligations and risks under a combined Markets Commodity Product may differ markedly from those of the individual Markets Commodity Products.

8. GLOSSARY

Applicable Specified Price
In relation to a Commodity Option, is the price which is compared to the Strike Price to determine if the Commodity Option may be exercised and, if so, the amount of the payment which must be made by the Option Seller.

In relation to a Commodity Collar, is the price which is compared to the Cap Price and the Floor Price to determine if a payment must be made and, if so, the amount of the payment and which party is required to make it.

In each case, the Applicable Specified Price will be determined by reference to the Specified Price. In some cases (for example, European Style Commodity Options and European Style Commodity Collars) the Applicable Specified Price will be the Specified Price for one day. In other cases (for example, Asian Style Commodity Options and Asian Style Commodity Collars) the Applicable Specified Price will be the Specified Price for a number of specified days, possibly aggregated, averaged or otherwise subject to a formula to achieve one Applicable Specified Price.

Bank
ANZ Bank New Zealand Limited.

Calculation Period
In relation to a Markets Commodity Product, each period during which the Fixed Price, Floating Price, Capped Floating Price or difference between the Applicable Specified Price and the Strike Price, Cap Price or Floor Price is applied to the Notional Quantity.

Capped Floating Price
In relation to a Commodity Swap with Capped Floating Price, a price of a Commodity set at a specific level for the term of a Markets Commodity Product. When setting the Capped Floating Price, the Bank will take into account a variety of factors including:

- the terms and conditions of the particular Markets Commodity Product, including the Notional Quantity, the term of the Markets Commodity Product, the Fixed Price and the Floating Price and the frequency of Payment Dates;
- Market Prices prevailing at the time, and the then current Floating Price;
- market volatility; and
- your relationship with the Bank.

Cap Price
See paragraph 7.12

Commodity
Any physical product or substance capable of being bought and sold. Examples are copper, aluminium, wheat, electricity, oil and gas. Differing types, grades or other descriptions of the same generic commodity may be treated for the purposes of Markets Commodity Products as distinct and separate commodities.

Commodity Price Risk
See paragraph 3.10.

Fixed Price
A price of a Commodity set at a specific level for the term of a Markets Commodity Product. When setting a Fixed Price, the Bank will take into account a variety of factors including:

- the terms and conditions of the particular Markets Commodity Product, including the Notional Quantity, the term of the Markets Commodity Product, the Floating Price and the frequency of Payment Dates;
- Market Prices prevailing at the time, and the then current Floating Price;
- market volatility; and
- your relationship with the Bank.

Floating Price
A Commodity price that may change on a periodic basis, usually tied to movement of an outside indicator reflecting a Market Price and that may be adjusted by adding or subtracting a spread (if any). The Floating Price in relation to any Markets Commodity Product may be described as the Specified Price. Floating Prices and Specified Prices may be determined by reference to a wide range of published sources. The Floating Price and Specified Price are usually reset at the end of each Calculation Period. In relation to any one Commodity, there may be a number of different published sources which can provide varying prices – see paragraph 6.1 "Different Prices".

Floor Price
See paragraph 7.12.

Market Price
In relation to a specified Commodity at any time, the then current price per relevant unit of that Commodity. The Market Price may be specific to a particular type, grade or other description of a generic Commodity, or to that Commodity for delivery or acceptance at a specific place, on a specific date or on specific terms. Market Prices for the same Commodity may vary greatly depending on any or all of these factors.

Markets Commodity Products
The products described in this Document from time to time.

Net Basis
The payment obligations of the parties on a specified day in the same currency are set off against each other and are satisfied by the party with the greater obligation paying the net amount to the other.

Notional Quantity
The amount of a specified Commodity specified in the terms of a Markets Commodity Product to which the Fixed Price, Strike Price, Floating Price, Capped Floating Price or Specified Price is applied in order to determine your and the Bank's payment obligations. The Notional Quantity is agreed with the Bank. If the Markets Commodity Product is being used as a Risk Management Contract in respect of a corresponding Supply Agreement, to provide the appropriate risk mitigation, the Notional Quantity needs to be determined by you by reference to that Supply Agreement and the level to which you wish to mitigate your risk.

NZD
NZ Dollars.

Option Buyer
The party to the Commodity Option that may exercise the Commodity Option.

Option Seller
The party to the Commodity Option that is granting the Commodity Option to the Commodity Option Buyer.

Optional Early Termination
See paragraph 5.12.

Payment Date
A date specified in the terms of a Markets Commodity Product on which you and/or the Bank must make a payment to the other party (other than payments of Premium).

Premium
The amount (if any) that is payable by one party to the other party to enter into a Commodity Option or a Commodity Collar. The Premium will be set out in the terms of the Commodity Option or Commodity Collar.

Risk Management Contract
See paragraph 3.4.

Specified Price
See "Floating Price" above.

Strike Price
In relation to a Commodity Option, the Commodity price specified as such in the terms of a Commodity Option.

Supply Agreement
Typically, but not necessarily, this will be an arrangement for the sale and purchase of a specified Commodity for a specified price for an agreed period. It may also be any other arrangement which gives rise to obligations based upon or related to the price of a Commodity.

USD
US Dollars.

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