Risk Warning Notice

H2 2023

GROUP

1.1 General risk warning

a) Different instruments involve different levels of exposure to risk and may therefore be inappropriate to your circumstances or risk appetite. You should not deal in any of the instruments described below unless you are satisfied that you understand their nature and the extent of potential risk.

b) You should have the relevant expertise, experience and knowledge to enable you to make your own investment decisions and to understand the nature and extent of the risks involved. You should be satisfied that the instrument is appropriate in the context of your financial circumstances and desired exposure to risk. This Risk Warning Notice may not disclose all of the risks and other significant aspects of the investments in respect of which Westpac may give advice or of the investments which may be the subject of dealings by Westpac with you or on your behalf. Neither does this Risk Warning Notice constitute a personal recommendation to you.

c) In relation to warrants and derivatives, this Risk Warning Notice cannot disclose all the risks and other significant aspects of warrants and/or derivative products such as futures and options. You should not deal in these products unless you understand their nature and the extent of their exposure to risk. You should also be satisfied that the product is suitable for you in light of your circumstances and financial position.

d) Certain strategies, such as a ‘spread’ position or a ‘straddle’, may be as risky as a simple ‘long’ or ‘short’ position. Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments, you should be aware of the points outlined below.

1.2 Bank recovery and resolution directive

a) Different instruments involve different levels of exposure to risk and may therefore be inappropriate to your circumstances or risk appetite. You should not deal in any of the instruments described below unless you are satisfied that you understand their nature and the extent of potential risk.

b) We may offer, issue, or provide advice or other services in relation to BRR Financial Instruments and liabilities and obligations of BRR Entities and in deciding to deal with us generally, and in any particular case, you should ensure that you understand the resolution tools and powers under the BRR Directive which may be exercised in respect of a BRR Entity and the potential consequences on any BRR Financial Instrument or other liability or obligation of a BRR Entity. You should also note that: (i) the tools and powers under the BRR Directive are subject to EEA member state implementation and (ii) that additional powers and tools may apply in EEA member states and non-EEA equivalents of BRR Entities.

c) For the purpose of this Risk Warning Notice:

i) “**BRR Directive**” means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council;

ii) “**BRR Entity**” means those EEA entities within the scope of the BRR Directive, including EEA credit institutions, certain EEA investment firms and/or certain EEA subsidiaries or parents of such entities;

iii) “**BRR Financial Instruments**” means all financial instruments issued by a BRR Entity.

1.3 Bonds

a) Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different rates determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable and often linked to reference rates. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).

b) Investments in bonds may involve risks including but not limited to the following:

i) Issuer risk: The value of the bond and the payment of any amounts are also on the creditworthiness of an issuer, which may vary over the term of the bond. Any ratings of the issuer reflect the independent opinion of the rating agencies as to the safety of payments of principal and coupon. These ratings are not a guarantee of credit quality. The ratings do not take into consideration any risk associated with fluctuations in the market value of the bonds, or where factors other than the issuer's credit quality determine the level of principal and coupon payments.

ii) Tax: An investment in bonds may give rise to tax consequences. Any tax liability is dependent on the taxpayer's personal circumstances. The basis and level of any taxes may change during the term of the bond.

iii) Currency risk: Investors whose base currency is not the settlement currency of the bonds should be aware of exchange-rate risk.

iv) Secondary market risk: Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid or sustainable. Therefore, investors may not be able to sell their bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed liquid secondary market. This is particularly the case for bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors or for notes the outstanding number of which is very low. These types of bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of bonds. Accordingly, the bonds should not be viewed as trading instruments and investors should be prepared to hold the bonds to maturity.

1.4 Derivatives

a) These risk warnings cannot disclose all the risks and other significant aspects of warrants and/or derivative products such as futures, options, and contracts for differences. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.

b) Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for certain investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments you should be aware of the following points.

1.5 Warrants

a) A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

b) It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined timescale then the instrument becomes worthless.

c) You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges. Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a covered warrant).

d) Transactions in off-exchange warrants may involve greater risk than dealing in exchange traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is. Westpac must, in the circumstances set out in its Order Execution Policy, obtain your consent before executing an off-exchange transaction with or for you and Westpac shall be under no obligation to execute any such order in the absence of any such requested consent.

1.6 Futures contracts

a) Futures contracts are standardised contracts to buy or sell an underlying instrument at a certain date in the future (the delivery date) at a specified price (the futures price). Once in place, the contract obliges the parties to buy/sell in accordance with the terms of the contract.

b) Whilst you can make considerable financial gains on futures contracts, they carry a high degree of risk:

   i) it is possible that you may make considerable losses if the settlement price of the underlying instrument (the price of the underlying asset on the delivery date) has changed as against the pre-set futures price through potentially unforeseen circumstances. You may place contingent orders, such as stop-loss or stop-limit orders which will not necessarily limit your losses to the intended amounts, since market conditions on the exchange where the orders are placed may make it impossible to execute such orders; and

   ii) futures contracts have a contingent liability and carry margin risks, which are explained further below. The high degree of leverage that is often obtainable in futures trading because of small margin requirements can work against you as well as for you. In particular, you may be required to pay a series of indeterminate payments against the purchase price instead of paying the whole of a certain purchase price immediately.

1.7 Options

a) There are many different types of options with different characteristics subject to the following conditions:

i) Buying options: Buying options involves less risk than selling or writing options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the futures risks described above.

ii) Selling or writing options: If you write an option, the risk involved is considerably greater than buying options. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as 'covered call options') the risk is reduced. If you do not own the underlying asset ('uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

b) Certain options markets operate on a margined basis under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of its premium. If you fail to do so as required, its position may be closed or liquidated in the same way as a futures position.

1.8 Contracts for differences

a) Futures and options contracts can also be referred to as a contract for differences. These can be options and futures on the FTSE 100 index or any other index, as well as interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and you should be aware of these as set out above. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out below (see Margin trading in paragraph 1.14 below).

b) It may not always be apparent whether or not a particular derivative is effected on exchange or in an off-exchange derivative transaction. We must make it clear to you if you are entering into an off-exchange derivative transaction.

c) While some off-exchange markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk.

d) Bid and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

1.9 Commodities and energy trading

a) Energy products and, in particular, commodities have historically been volatile asset classes and a wide range of different market conditions and events affect their value. For example:

i) the weather, which can affect short-term demand or supply;

ii) the future rates of economic activity and inflation, particularly in countries which are major consumers;

iii) political, military or natural influences may impair the production of or trade in commodities;

iv) terrorist or criminal activities may affect the availability of a particular commodity;

v) commodity related investments may also carry foreign market risk;

vi) trading volumes may also impact supply and demand. Not all commodities markets are liquid and able to quickly and adequately react to changes in supply and demand. The fact that there may be only a few market participants in the commodities markets may mean that speculative investments can have negative consequences and may distort prices;

vii) major discoveries of sources of commodities;

viii) the planning and management of commodities supplies is very time-consuming. This means that the scope for action on the supply side is limited and it is not always possible to adjust production swiftly to take account of demand. Demand can also vary on a regional basis. Transport costs for commodities in regions where they are needed also affect their prices. The fact that some commodities take a cyclical pattern can also result in major price fluctuations. Alternative and substitutes for commodities may be identified, become cheaper and/or more readily available which may result in a decrease in the demand for such commodity and a decrease in the price thereof;

ix) changes in law and regulation (including tax) and/or the action of any applicable government or regulatory body may have a positive or a negative impact on the prices of commodity or energy products.

1.10 Not readily realisable investments

Where the investments are or include any investments which are:

a) not government or public securities; or

b) securities other than those which are or will be admitted to official listing in Germany or an EEA state or securities which are or will be regularly traded on or under the rules of an exchange in Germany or an EEA state or recognised investment exchange or designated investment exchange,

you accept and recognise that there is no certainty that market makers will be prepared to deal and that adequate information for determining current value of the relevant investment may be unavailable.

1.11 Foreign markets

Foreign markets will involve different risks from the German markets. In some cases the risks will be greater. Emerging markets are characterised by an under-developed or developing infrastructure, with significant potential for economic growth and increased capital market participation by foreign investors. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts may be affected by fluctuations in foreign exchange rates outlined below.

1.12 Currency risk

You accept and recognise that, if a liability in one currency is to be matched by an asset in a different currency, a movement in exchange rates may have an effect, favourable or unfavourable, on the gain or loss attributable to an investment, separate from and additional to a gain or loss in the currency in which the investment is denominated.

1.13 Off-exchange transactions in derivatives

a) It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction.

b) Westpac must in the circumstances set out in its Order Execution Policy, obtain your consent before executing an off-exchange transaction with or for you and Westpac shall be under no obligation to execute any such order in the absence of any such requested consent.

c) While some off-exchange markets are highly liquid, transactions in off-exchange or ‘non-transferable’ derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position.

d) It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

1.14 Margin trading

a) Many types of investment carry contingent liability – that is, you may be required under the contract to pay sums additional to the initial payment.

b) Contingent liability investment transactions are frequently margined, that is they require you to make an initial instalment payment and then they may require a series of further payments against the purchase price, instead of requiring an initial and certain payment as satisfaction of the full purchase price.

c) If you trade in futures, contracts for differences or sell options, you may sustain a total loss of the margin you deposit with Westpac to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position.

d) If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit. Even if a transaction is not margined, you may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract.

1.15 Limited liability transactions

a) Before entering into a limited liability transaction, you should obtain from Westpac a formal written statement confirming that the extent of your loss liability on each transaction will be limited to an amount agreed by you before you enter into the transaction.

b) The amount you can lose in limited liability transactions will be less than in other margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

1.16 Collateral

a) If you deposit collateral as security with Westpac, the way in which it will be treated will vary according to the type of transaction and where it is traded.

b) There could be significant differences in the treatment of your collateral, depending on whether you are trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange.

c) Deposited collateral may lose its identity as your property once dealings on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. If the collateral is lodged with a party who is not subject to English law, then you will not necessarily enjoy the protections that would be conferred by English law.

d) In the case of a specific transaction, you should ascertain from Westpac how your collateral will be dealt with. Collateral transferred on a title transfer basis (that is where you transfer full ownership to Westpac for the purpose of securing your obligations) will not be treated as safe custody collateral. You may request that we terminate an arrangement relating to the transfer of title of your money or non-cash assets by sending us a written request. However we have absolute and sole discretion as to whether we agree to such a request.

1.17 Commissions

a) Before you begin to trade, you should obtain details of all commissions and other charges for which you will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), you should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

b) In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of your initial payment.

1.18 Suspensions of trading

a) Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted.

b) Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

1.19 Clearing house protections

a) On many exchanges, the performance of a transaction by Westpac (or by a third party with whom it is dealing on your behalf) is expressed to be guaranteed by the exchange or clearing house.

b) However, this guarantee is unlikely in most circumstances to cover you, and may not protect you if Westpac or another party defaults on its obligations to you. There is no clearing house for traditional options, nor normally for off-exchange instruments.

1.20 Insolvency

Westpac's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash.

1.21 Terms & conditions of contracts

You should ask the firm with which you deal about the terms and conditions of the specific futures and options you are trading and associated obligations (e.g. the circumstances under which you may become obliged to make or take delivery of the underlying interest of a futures contract and, in respect of options, expiration dates and restrictions on time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

1.22 Trading facilities

a) Most open outcry and electronic trading facilities are supported by computer-based component systems for order routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The result of any system failure may be that your order is not executed according to your instructions or executed at all.

b) Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary and you should ask the firm with which you deal for further information in this respect.

1.23 Electronic trading

a) Trading on an electronic trading system may differ not only from trading in an open outcry market but also from trading on other electronic systems. If you undertake transactions on an electronic trading system you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or not executed at all.

b) Subject to Applicable Law, Westpac may, for and on behalf of itself and its Affiliates, cancel a transaction or adjust the execution terms of a transaction if as determined by us or our Affiliates (in our or their reasonable discretion) there are market-wide price imbalances or extreme market volatility resulting from any Market Disruption Event which causes the prices generated by electronic trading facilities to materially differ from each other or those of other market participants, provided that Westpac may, for and on behalf of its Affiliates, only exercise such rights within a reasonable timeframe (which may vary depending on the specific circumstances) after the relevant Confirmation being sent to you.

For the purpose of this paragraph, a “**Market Disruption Event**” means any event that (in our reasonable opinion) materially disrupts normal trading in an investment or asset on a market, exchange or trading facility, including major system malfunctions or disruptions, circuit breakers and other trading halts and any other market events which are outside Westpac’s or its Affiliates’ control.

c) Westpac may cancel or adjust the execution terms of transactions made via an exchange in accordance with the rules of that exchange.

1.24 Stabilisation

a) We may deal for you in investments that may have been the subject of stabilisation.

b) Stabilisation is a price fixing process that may take place in the context of new issues. The effect of stabilisation can be to make the market price of the new issue temporarily artificially higher than it would otherwise be. The market price of investments of the same class already in issue, and of other investments whose price affects the price of the new issue may also be affected.

c) This process is undertaken in order to ensure that the issue of investments is introduced to the market in an orderly fashion, and that the issue price and/or the price of associated investments is not artificially depressed because of the increase in supply caused by the new issue.

d) Stabilisation may only take place for a limited period, and there are limits on the price at which certain instruments (such as warrants) may be stabilised (although there are no limits in respect of instruments such as bonds).

Any terms used but not defined in this document shall have the meaning set out in Westpac’s Terms of Business for Professional Clients and Eligible Counterparties (the “Terms of Business”).