



Agricultural Swaps

Product Disclosure Statement

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Part 1: Features at a glance

Defined terms are in italics and are set out in the “Definitions” section of this PDS

Topic	Description	Part in PDS
Purpose	An agricultural swap transaction (“ <i>AS transaction</i> ”) may be commercially useful for people seeking to manage the risk of adverse movements in <i>commodity prices</i> , for example, producers of agricultural commodities such as wheat farmers looking to protect against falling <i>commodity prices</i> , or consumers of agricultural commodities such as dairy farmers, requiring cattle feed and looking to protect against rising <i>commodity prices</i> . An <i>AS transaction</i> should not be used for speculation.	2
Significant benefits	Provide protection against adverse <i>commodity price</i> movements	7
Significant disadvantages	<ul style="list-style-type: none"> Do not cover basis risk Do not allow <i>you</i> to benefit from favourable <i>commodity price</i> movements 	8
Significant risks	Significant risks include basis risk, operational risk, market risk, currency risk, production or consumption risk, credit risk and sanctions risk. <i>AS transactions</i> can result in a hedging loss.	9
Minimum <i>transaction amounts</i>	<ul style="list-style-type: none"> Grains & Oilseeds – 250 metric tonnes Cotton – 100 bales Sugar – 100 metric tonnes Smaller <i>transaction amounts</i> and other commodities may be available on request.	10.1
Terms	3 <i>business days</i> to 3 years (5 years for sugar). Other terms may be available on request.	10.1
Costs	See “What are the costs involved in <i>AS transactions</i> ?” at Part 14 of this PDS.	14
Settlement	<i>Cash settlement amount</i> exchanged on the <i>settlement date</i> . No physical settlement is permitted. The <i>settlement date</i> , once agreed, cannot be varied.	10 and 11
Early termination	An amount may be payable to or by <i>you</i> , depending on the <i>mark-to-market value</i> of the transaction upon termination.	12

Important Information: When you make a agricultural swap transaction that does not settle immediately, you are entering into a agricultural swap contract which is a financial product. By providing this service to you the Bank is providing a financial service which requires this Product Disclosure Statement (“PDS”) to be provided to you. This PDS provides information about agricultural swap transactions and does not take into account your personal objectives, financial situation and needs. Before trading in any of

these products, you should be satisfied that such product is suitable for you in view of those objectives, and your financial situation and needs. We also recommend that you consult your investment adviser or obtain other independent advice. Unless you are familiar with agricultural swap dealings and products of this type, the product may not be suitable for you. The information in this PDS has been prepared without taking into account of the objectives, financial or taxation situation or needs of any particular individual and is limited to

Australian taxation implications. Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.

The Bank is not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law. This PDS relates to agricultural swap between the Bank and persons who are residents of Australia. The distribution of this PDS in any jurisdiction outside of Australia may be restricted by law. This PDS does not constitute an offer or invitation in any jurisdiction in which, or to whom it would be unlawful to offer or invite a person to enter into an agricultural swap. The information in this PDS is subject to change from time to time and is up to date as at the date stated on the front page. Where the new information is materially adverse information the Bank will either issue a new PDS or a supplementary PDS setting out the updated information. Where the new information is not materially adverse we will not issue a new PDS or a supplementary PDS, but we will make the updated information available to you on our website commbank.com.au, or you can call 13 2221 between 6.00am and 10.00pm (Sydney time), from Monday to Friday. If you ask us to, we will send you a hard copy of the information.

We will provide you (free of charge) with information about the current standard fees and charges applicable to your product, if you ask us.

AS transactions are financial products which involve dealing in agricultural derivatives. The information in this PDS provides information about *AS transactions* and does not take into account your personal objectives, financial situation and needs. Before trading in any of these products, you should be satisfied that such product is suitable for you in view of those objectives, and your financial situation and needs. We also recommend that you consult your investment adviser or obtain other independent advice. Unless you are familiar with agricultural derivatives and products of this type, the product may not be suitable for you.

This information has been prepared without taking account of the taxation situation or needs of any particular individual. Taxation considerations are general and based on present taxation laws and may be subject to change. You should seek independent, professional tax advice before making any decision based on this information.

The Bank is not a registered tax (financial) adviser under the Tax Agent Services Act 2009 and you should seek tax advice from a registered tax agent or a registered tax (financial) adviser if you intend to rely on this information to satisfy the liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law.

This PDS relates to *AS transactions* between the Bank and persons who are residents of Australia. The distribution of this PDS in any jurisdiction outside of Australia may be restricted by law. This PDS does not constitute an offer or invitation in any jurisdiction in which, or to whom it would be unlawful to offer or invite a person to enter into an *AS transaction*.

The information in this PDS is subject to change from time to time and is up to date as at the date stated on the cover. Where the new information is materially adverse information, the Bank will either issue a new PDS or a supplementary PDS setting out the updated information. Where the new information is not materially adverse information, we will not issue a new PDS or a supplementary PDS but we will make the updated information available to you on our website www.commbank.com.au, or you can call 13 2221. If you ask us to, we will send you a hard copy of the information.

We will provide you (free of charge) with information about the current standard fees and charges applicable to your product, if you ask us.

Part 2: Purpose of a Product Disclosure Statement (PDS)

A PDS aims to provide you with enough information to help you decide whether the financial product listed in this document will meet your needs. It also helps you to compare the product with others you may be considering.

This PDS provides information about *AS transactions*.

If you decide to enter into an *AS transaction*, you should keep this PDS and all other documentation relating to your *AS transactions* for future reference.

If you have any questions or wish to contact us, please call 13 2221 between 6am and 10pm (Sydney time), Monday to Friday, visit our website at www.commbank.com.au, call CBA Commodities, Trade & Carbon, or contact your relationship manager.

To assist you in understanding this PDS, the definitions of some words are provided in the "Definitions" section of this PDS. When used in this PDS, these words usually appear in italics.

Part 3: What is an AS transaction?

An *AS transaction* is an agreement between *you* and the *Bank*, which effectively fixes the price *you* receive, or pay, for a nominated quantity of a commodity (the fixed price) on a future date (*settlement date*).

Under the *AS transaction*, *you* agree to swap a floating price for a fixed price for a nominated quantity of the underlying commodity, on a nominated *settlement date*. *AS transactions* therefore allow *you* to achieve a fixed price, being *your* level of *commodity price* certainty.

The floating price or *commodity reference price* in an *AS transaction* is based on the settlement price of an agreed *futures contract* for the underlying commodity on an agreed *futures exchange*, or an index or on the settlement price quoted in a price guide for the underlying commodity.

The *futures exchanges*, indices and price guides, from which *commodity reference prices* are sourced, will vary depending on the commodity underlying the *AS transaction* and will be agreed between *you* and the *Bank* on the *trade date*. Please refer to Appendix A for examples of some of the *futures exchanges*, from which *commodity reference prices* could be sourced. Details of current *commodity reference prices*, including the commodities in which the *Bank* offers *AS transactions*, are available on request from *your* relationship manager.

Where the *commodity reference price* is not in the same currency as the fixed price, the settlement price from the *futures contract*, index or price guide will be converted to the same currency as the fixed price, using the *reference rate*. An example of a *reference rate* is the *Hedge Settlement Rate Average (HSRA)* that is a *reference rate* that is published on Reuters page *HSRA*.

The fixed price of an *AS transaction* is determined by the *Bank*. For more information on how the *Bank* determines the fixed price see Part 5. The fixed price of the underlying commodity can be denominated or expressed in *AUD*, *USD* or *CAD* or another currency as agreed between *you* and the *Bank*.

3.1 How does it work?

Under an *AS transaction*, a *cash settlement amount* is payable on a *settlement date*, either by the *Bank* to *you* or by *you* to the *Bank*.

The *cash settlement amount* is an amount based on the net difference between the fixed price and the *commodity reference price* on the *pricing date*. The *pricing date* will generally be 2 *business days* before the *settlement date*.

Depending on the *commodity reference price* on the *pricing date*, a *cash settlement amount* may be payable by *you* to the *Bank* or by the *Bank* to *you* on the *settlement date* as follows:

- If *you* have entered into the *AS transaction* to provide protection against a rise in a *commodity price* by agreeing to pay the fixed price and on the *pricing date*:
 - if the *commodity reference price* is higher than the fixed price, the *Bank* must pay *you* the *cash settlement amount*; or
 - if the *commodity reference price* is lower than the fixed price, *you* must pay the *Bank* the *cash settlement amount*; or
 - if the *commodity reference price* is equal to the fixed price, there is no further obligation between *you* and the *Bank*, with respect to the *settlement date* under the *AS transaction*.
- If *you* have entered into the *AS transaction* to provide protection against a fall in a *commodity price* by agreeing to receive the fixed price and on the *pricing date*:
 - the *commodity reference price* is lower than the fixed price, the *Bank* must pay *you* the *cash settlement amount*; or
 - the *commodity reference price* is higher than the fixed price, *you* must pay the *Bank* the *cash settlement amount*; or
 - the *commodity reference price* is equal to the fixed price, there is no further obligation between *you* and the *Bank* with respect to the *settlement date* under the *AS transaction*. There may be one or more *pricing dates* and *settlement dates* over the *transaction period*, for example *pricing dates* and *settlement dates* may occur quarterly, semi-annually or annually.

See Part 6 for some worked examples of the settlement of *AS transactions*.

3.2 Are there credit or document requirements?

The entry into each *AS transaction* is subject to prior credit approval by the *Bank* and *your* entering into a *master agreement*. Please see Part 10 for more information.

Part 4: Uses of AS transactions

AS transactions may be commercially useful for people seeking to manage the risk of adverse movements in *commodity prices*, for example:

- producers of agricultural commodities such as wheat farmers, looking to protect against falling *commodity prices*;
- consumers of agricultural commodities such as dairy farmers, requiring cattle feed, looking to protect against rising *commodity prices*; and
- other clients who have exposure to agricultural *commodity price* movements.

AS transactions should not be used for speculation.

Part 5: Determining the AS fixed price

The *Bank* will calculate the fixed price of the underlying commodity under the *AS transaction*, by taking the following factors into account:

- the *commodity reference price* from the agreed *futures exchange*, index or price guide. All prices and products are heavily influenced by domestic and international commodities markets. Some of these *futures exchanges*, from which *commodity reference prices* could be sourced, are listed in Appendix A;
- the *forward exchange rate* for the currency in which the *commodity reference price* is expressed – the *forward exchange rate* is the expression of the value of one currency in terms of another, when the currencies are exchanged at a future date, that is

more than 2 *business days* after the contract to exchange the currencies is entered into. The fixed price of the underlying commodity can be denominated or expressed in *AUD*, *USD* or *CAD* or another currency as agreed to between *you* and the *Bank*;

- the *forward exchange rate* for the currency in which the fixed price is expressed;
- the *transaction amount*. This is the agreed quantity of the underlying commodity;
- the *pricing date*. This is the date on which the *commodity reference price* is set and the outcome of the *AS transaction* is determined;
- the *transaction period*. This is the period from and including the *trade date* (date on which an *AS transaction* is entered into by the *parties to the AS transaction*) and the final *settlement date* (the *business day* on which a *cash settlement* amount will be exchanged between the *parties to the AS transaction*);
- an allowance for the *Bank's* costs, both fixed and variable. These costs are dependent on the liquidity of the underlying product, ability to hedge, basis risk and whether or not there is a *futures contract* that enables the *Bank* to hedge the risk; and
- the *Bank's* profit margin. This is dependent on the client credit rating, the *Bank's* market risk exposure and the *Bank's* appetite to manage risk.

All the above factors, individually and in combination, will have a positive or negative impact on the fixed price.

Part 6: Examples of how an AS transaction works

The following examples set out how AS transactions work for producers (sellers) of a commodity (in this example, wheat) and for consumers (buyers) of a commodity (in this example, wheat).

It is important to note that in these examples, the financial outcomes have been determined without allowing for basis risk (refer to “What are the Significant Risks of AS transactions” at Part 9 for a further discussion of basis risk). Examples are used for illustrative purposes only, and do not reflect current market prices or outcomes or the Bank’s (or any of its associates’) view on future matters.

6.1 Example 1

You are a producer (seller) of wheat

You would like to receive a fixed price in AUD for 300 metric tonnes of wheat in 1 years’ time, based on the commodity reference price on the futures exchange agreed to between you and the Bank.

Assume the following for Example 1

Commodity	CBOT Wheat
Transaction amount	300 metric tonnes
1 year AUD fixed price per metric tonne at the trade date (calculated by the Bank)	300.00
Pricing date	1 year from the trade date
HSRA date	1 business day after the pricing date
Settlement date	2 business days after the HSRA date

* In this example, if you agreed with the Bank to use the commodity reference price based on the closing AUD price of the wheat futures contracts on ASX on the pricing date instead of CBOT, there would be no requirement to convert the commodity reference price to AUD.

In this example, the commodity reference price will be based on the closing USD price of the wheat futures contract on CBOT on the pricing date, converted to AUD* at the HSRA AUD/USD exchange rate on the following business day (HSRA date). The settlement date will be 2 business days after the HSRA date.

Assuming the current commodity reference price for wheat to be AUD 309.00 per metric tonne, a fall in the commodity price in AUD terms would mean that you would receive less AUD when you sell your wheat in the market.

You are therefore seeking protection against a fall in the commodity price of wheat.

The Bank will calculate the fixed price of the AS transaction based on certain factors including your specified transaction amount and specified transaction period (for more information please see “Determining the AS fixed price” at Part 5).

Example 1 Continued

Possible outcomes on the <i>settlement date</i> (Producer)	Possible price achieved**
<p>If the <i>commodity reference price</i> is lower than the fixed price, then on the <i>settlement date</i>, the <i>Bank</i> must pay you the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD 280.00 per metric tonne, then on the <i>settlement date</i> the <i>Bank</i> will pay you the following <i>cash settlement amount</i>:</p> $300 \times (\text{AUD } 300.00 - \text{AUD } 280.00) = \text{AUD } 6,000.00$ <p>This <i>cash settlement amount</i> will compensate for the lower price you will receive when you sell your physical wheat.</p> <p>For example, if you sell your physical wheat at AUD 280.00 per metric tonne you will receive:</p> $300 \times \text{AUD } 280.00 = \text{AUD } 84,000.00$ <p>This means that you have received a net total of AUD 90,000.00 (AUD 84,000.00 + AUD 6,000.00).</p> <p>This equals AUD 300.00 per metric tonne:</p> $\text{AUD } 90,000.00 \div 300 \text{ metric tonnes} = \text{AUD } 300.00 \text{ per metric tonne}$	AUD 300.00 per metric tonne
<p>If the <i>commodity reference price</i> is higher than the fixed price, then on the <i>settlement date</i> you must pay the <i>Bank</i> the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD 320.00 per metric tonne, then on the <i>settlement date</i>, you must pay the <i>Bank</i>:</p> $300 \times (\text{AUD } 320.00 - \text{AUD } 300.00) = \text{AUD } 6,000.00$ <p>For example, if you sell your physical wheat at AUD 320.00 per metric tonne you will receive:</p> $300 \times \text{AUD } 320.00 = \text{AUD } 96,000.00$ <p>This means that you have received a net total of AUD 90,000.00 (AUD 96,000.00 – AUD 6,000.00).</p> <p>This equals AUD 300.00 per metric tonne:</p> $\text{AUD } 90,000.00 \div 300 \text{ metric tonnes} = \text{AUD } 300.00 \text{ per metric tonne}$	AUD 300.00 per metric tonne
<p>If the fixed price is equal to the <i>commodity reference price</i>, you and the <i>Bank</i> will have no further obligations to each other with respect to the <i>settlement date</i> under the AS transaction.</p>	AUD 300.00 per metric tonne

The examples do not include “basis risk”. An explanation of Basis risk is included at Part 9.1.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates’) view on future matters. If you have chosen more than one *pricing date* for the *transaction period*, the same calculation method will be used to determine the *cash settlement amount* on each specified *settlement date*.

6.2 Example 2

You are a consumer (buyer) of wheat

You would like to pay a fixed price in AUD for 300 metric tonnes of wheat in 1 year's time, based on the *commodity reference price* on the *futures exchange* agreed to between you and the *Bank*.

In this example, the *commodity reference price* will be based on the closing USD price of the wheat *futures contract* on CBOT on the *pricing date*, converted to AUD* at the HSRA AUD/USD exchange rate on the following *business day* (HSRA date). The *settlement date* will be 2 *business days* after the HSRA date.

Assuming the current *commodity reference price* for wheat is AUD 309.00 per metric tonne, a rise in the *commodity price* in AUD terms would mean you would pay more AUD when you buy your wheat in the market. You are therefore seeking protection against a rise in the *commodity price* of wheat.

The *Bank* will calculate the fixed price based on your specified *transaction amount* and specified *transaction period*.

Assume the following for Example 2

Commodity	CBOT Wheat
Transaction amount	300 metric tonnes
1 year AUD fixed price per metric tonne at the trade date (calculated by the Bank)	318.00
Pricing date	1 year from the trade date
HSRA date	1 business day after the pricing date
Settlement date	2 business days after the HSRA date

The examples do not include "basis risk". An explanation of Basis risk is included at Part 9.1.

* In this example, if you agreed with the *Bank* to use the *commodity reference price* based on the closing AUD price of the wheat *futures contracts* on ASX on the *pricing date* instead of CBOT, there would be no requirement to convert the *commodity reference price* to AUD.

Example 2 Continued

Possible outcomes on the <i>settlement date</i> (Consumer)	Possible price achieved**
<p>If the <i>commodity reference price</i> is higher than the fixed price, then on the <i>settlement date</i> the <i>Bank</i> must pay you the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD 320.00 per metric tonne, then on the <i>settlement date</i> the <i>Bank</i> will pay you:</p> $300 \times (\text{AUD } 320.00 - \text{AUD } 318.00) = \text{AUD } 600.00$ <p>This <i>cash settlement amount</i> will compensate for the higher price you will pay when you buy your physical wheat.</p> <p>For example, if you buy your physical wheat at AUD 320.00 per metric tonne you will pay:</p> $300 \times \text{AUD } 320.00 = \text{AUD } 96,000.00$ <p>This means that you have paid a net total of AUD 95,400.00 (AUD 96,000.00 – AUD 600.00). This equals AUD 318.00 per metric tonne.</p> $\text{AUD } 95,400.00 \div 300 \text{ metric tonnes} = \text{AUD } 318.00 \text{ per metric tonne}$	<p>AUD 318.00 per metric tonne</p>
<p>If the <i>commodity reference price</i> is lower than the fixed price, then on the <i>settlement date</i> you must pay the <i>Bank</i> the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD 280.00 per metric tonne, then on the <i>settlement date</i>, you must pay the <i>Bank</i>:</p> $300 \times (\text{AUD } 318.00 - \text{AUD } 280.00) = \text{AUD } 11,400.00$ <p>This <i>cash settlement amount</i> will offset the price you pay when you buy your physical wheat.</p> <p>For example, if you buy your physical wheat at AUD 280.00 per metric tonne you will pay: $300 \times \text{AUD } 280.00 = \text{AUD } 84,000.00$</p> <p>This means that you have paid a net total of AUD 95,400.00 (AUD 84,000.00 + AUD 11,400.00). This equals AUD 318.00 per metric tonne:</p> $\text{AUD } 95,400.00 \div 300 \text{ metric tonnes} = \text{AUD } 318.00 \text{ per metric tonne}$	<p>AUD 318.00 per metric tonne</p>
<p>If the fixed price is equal to the <i>commodity reference price</i>, you and the <i>Bank</i> will have no further obligations to each other with respect to the <i>settlement date</i> under the AS transaction.</p>	<p>AUD 318.00 per metric tonne</p>

* In this example, if you agreed with the *Bank* to use the *commodity reference price* based on the closing AUD price of the wheat futures contracts on ASX on the *pricing date* instead of CBOT, there would be no requirement to convert the *commodity reference price* to AUD.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates') view on future matters. If you have chosen more than one *pricing date* for the *transaction period*, the same calculation method will be used to determine the *cash settlement amount* on each specified *settlement date*.

Part 7: What are the significant benefits of AS transactions?

The benefits include:

- protection against adverse *commodity price* movements by providing the ability for *you*
- to receive or pay a fixed price for an agreed quantity of a commodity on an agreed future date;
- the ability for *you* to set the agreed *transaction amount* and the *transaction period* to match the level of *commodity price* protection that *you* require; and
- the ability for *you* to set the currency of the fixed price in respect of an AS transaction, as agreed to between *you* and the *Bank*.

Part 8: What are the significant disadvantages of AS transactions?

The disadvantages include:

- an AS transaction does not cover the basis risk, which is the risk arising from entering into an AS transaction that is not identical with the risk *you* are seeking to hedge against (see “Basis risk” at Part 9.1);
- it does not allow *you* to benefit from future favourable *commodity price* movements:
 - If *you* are a producer, *you* will not receive a benefit from the AS transaction, if the *commodity reference price* is more than the fixed price on the *pricing date*; or
 - If *you* are a consumer, *you* will not receive a benefit from the AS transaction, if the *commodity reference price* is less than the fixed price on the *pricing date*; and
- there may be a cost if the AS transaction is terminated before the *termination date* (see “Terminating an AS transaction” at Part 12 of this PDS).

Part 9: What are the significant risks of AS transactions?

Risks result from factors that are beyond *your* control. Starting from the time at which *you* enter into an AS transaction with the *Bank*, risk factors may lead to unfavourable changes in the financial outcomes for *you*. Monitoring any risks associated with this product is *your* responsibility (subject to the responsibility of the *Bank* for its own operational processes, see “Operational risk” at Part 9.7).

The risks described here may not include all risk considerations that may be relevant to *you* when entering into an AS transaction.

Before entering into an AS transaction, *you* should be satisfied that the product is suitable for *you*. We recommend that *you* consult *your* financial adviser or obtain other independent advice.

9.1 Basis risk

Basis risk is the risk arising from entering into an AS transaction that is not identical with the risk *you* are seeking to hedge against. The risk is a result of the difference between the *commodity reference price* and the *commodity price* at which *you* will buy or sell *your* physical commodity in the market. For example, an AS wheat transaction uses a *commodity reference price* sourced from a *futures exchange*. However, the *commodity price* which a producer will receive upon the sale of their physical wheat takes into account the grade of the wheat, transportation costs, location and other factors. As such, the fluctuations in the *commodity reference price* may not match those in the *commodity price*.

9.2 Worked Examples demonstrating the possible impact of Basis Risk

9.2.1 Example 3 (please refer to assumptions made in Example 1 at Part 6.1):

Possible outcomes on the <i>settlement date</i> , if basis changes (Basis Risk) (Producer)	Possible price achieved**
<p>If the <i>commodity reference price</i> is lower than the fixed price, then on the <i>settlement date</i>, the <i>Bank</i> must pay you the difference between the fixed price and the <i>commodity reference price</i>.</p> <p>For example, if the <i>commodity reference price</i> is AUD 280.00 per metric tonne, then on the <i>settlement date</i> the <i>Bank</i> will pay you the following <i>cash settlement amount</i>:</p> $300 \times (\text{AUD } 300.00 - \text{AUD } 280.00) = \text{AUD } 6,000.00$ <p>However, this <i>cash settlement amount</i> will not compensate for the price you will receive when you sell your physical wheat, if the <i>commodity price</i> is less than the <i>commodity reference price</i>.</p> <p>For example, if you sell your physical wheat at a <i>commodity price</i> of AUD 270.00 per metric tonne you will receive:</p> $300 \times \text{AUD } 270.00 = \text{AUD } 81,000.00 \text{ when you sell your physical wheat.}$ <p>When the amount received from the <i>Bank</i> under the AS transaction is taken into account, this means that you have received a total of AUD 87,000.00 (AUD 81,000.00 + AUD 6,000.00).</p> <p>While the AS transaction sought to achieve a price of AUD 300.00 per metric tonne, because the fluctuations in the <i>commodity reference price</i> did not match the fluctuations in the <i>commodity price</i>, the price achieved was AUD 290.00 per metric tonne:</p> $\text{AUD } 87,000.00 \div 300 \text{ metric tonnes} = \text{AUD } 290.00 \text{ per metric tonne.}$	<p>While the AS transaction sought to achieve a price of AUD 300.00 per metric tonne, the actual price achieved was AUD 290.00 per metric tonne (given the AUD 10.00 difference between the <i>commodity price</i> and the <i>commodity reference price</i>).</p>

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates') view on future matters.

9.3 Market risk

In AS transactions, the key market risk to you is that you do not receive any benefit after you enter into an AS transaction with the Bank. This will occur if the fixed price is equal to the commodity reference price on the pricing date or if you must pay a cash settlement amount to the Bank on a settlement date because the commodity reference price is less favourable to you than the fixed price. A less favourable rate would be a higher price for a producer or lower price for a consumer.

Early termination of an AS transaction may result in you paying more or receiving less than the fixed price. For more information about early termination, see Part 12 of this PDS.

Additionally, there is a risk that you will pay more or receive less than you would have, if no AS transaction had been entered into at all.

9.4 Currency Risk

The Bank expects that AS transactions will be used for managing your total exposure in both commodity and currency terms. As shown in Example 1, the commodity price is managed by choosing a fixed price, and the currency is managed through the fixed price being denominated in AUD. If you enter into an AS transaction for a purpose other than the management of your total exposure i.e. you hedge the commodity and not the currency, you may be directly exposed to changes in the foreign exchange market.

For example, if the fixed price is denominated in USD, you will be exposed to changes in the exchange rate between AUD and USD, if you wish to convert any USD received from the Bank on the settlement date into AUD. These changes may result in losses to you.

9.5 Production/Consumption Risk

You bear the risk that you will not be able to either produce, or consume, the transaction amount (quantity) of the underlying commodity that you forecast and agreed to, when entering into the AS transaction. For example, a producer impacted by drought may not be able to produce the transaction amount specified in the AS transaction.

9.6 Credit risk

Credit risk is the risk of financial loss (or other disadvantage) associated with a counterparty not being able to meet their obligations under an AS transaction. Credit risk is common to all financial market products that you may enter into with the Bank. In all cases, you are reliant on the ability of the Bank to meet its obligations to you under the terms of each AS transaction. This risk is sometimes described as "counterparty risk".

You can view additional information about the Bank, including financial statements and annual reports, at www.commbank.com.au.

9.7 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events.

You are reliant on the ability of the Bank to price and settle your AS transaction in a timely and accurate manner. The Bank in turn is dependent on the reliability of its own operational processes that include communications, computers and computer networks.

Disruptions in the Bank's processes may lead to delays in the execution, settlement or determination of price of your AS transaction. Such disruptions may result in outcomes that are less favourable to you.

However once you have entered into the AS transaction, the management of risks associated with its own operational processes is the responsibility of the Bank.

If for any reason the commodity reference price cannot be determined, the relevant price will be determined by the Bank acting in good faith and in a commercially reasonable manner.

9.8 Financial Crime Risk

The *Bank* is required to ensure that money laundering, terrorist financing and sanctions matters are detected, managed and reported. This may involve the *Bank* disclosing information held about *you* to relevant regulatory and/or law enforcement agencies in Australia or overseas.

Other necessary activity may include the imposition of financial restrictions and/or the termination of arrangements. In certain circumstances, the *Bank* may be prohibited from dealing with or may decline to deal with, certain persons (including *you*), entities and transactions.

If there is any information which causes the *Bank* to be aware, or have reasonable grounds to suspect, that there are connections, however incidental, to financial crime matters, or that *you* are a *proscribed person* or entity under *sanctions law*, or any person, entity, good or service involved in a transaction is a *proscribed person* or entity or is subject to sanctions, or is dealing with persons, jurisdictions or services that are outside of the *Bank's* sanctions risk appetite, or if any dealings with *you* are otherwise in breach of applicable *sanctions laws*, then the *Bank* may be required to suspend, cancel, or refuse *you* services, or close or terminate any account, facility, transaction (including an *AS transaction*), arrangement or agreement with *you*.

The *Bank* may also be required to freeze *your* assets and/or any assets involved in a transaction to which *you* are a party.

Part 10: Entering into and settling AS transactions

10.1 Entering into an AS transaction

Following credit approval by the *Bank* and *your* entering into a *master agreement* with the *Bank* (see "*AS transaction documentation*" at Part 10.3), *you* may enter into an *AS transaction* with the *Bank*.

The minimum amount of an *AS transaction* is 250 metric tonnes of grains and oilseeds, 100 bales of cotton, or 100 metric tonnes of sugar. The term of an *AS transaction* is from 3 *business days* to 3 years (5 years for sugar). Transactions for smaller *transaction amounts*, other commodities or longer terms may be available on request.

10.2 The next steps for an AS transaction

You should contact the *Bank* and ask for an *AS transaction* for a specified amount of an agricultural commodity for a specified *settlement date*.

1. The *Bank* will determine the fixed price. If the *Bank* offers *you* an *AS transaction*, and *you* accept the offer (which in most cases is done verbally by telephone), an *AS transaction* will be entered into between *you* and the *Bank*. All telephone conversations between *you* and the *Bank's* Commodities desk will be recorded.
2. The *Bank* will send *you* a *confirmation letter*, setting out the details of *your AS transaction*. *You* must notify the *Bank* as soon as practicable if the confirmation differs from what was agreed. *You* must sign and return this *confirmation letter* to the *Bank*. However, even if *you* do not do this, the *AS transaction* will be binding on *you*.

10.3 *AS transaction* documentation

The *AS transaction* documentation consists of a *master agreement* and a *confirmation letter*. These documents set out in full the terms and conditions and the particulars of the *AS transaction* you have entered into.

Samples of the *AS transaction* documentation can be obtained from the *Bank* on request.

10.4 Settling an *AS transaction*

Subject to the terms and conditions of the *AS transaction* documentation, a *cash settlement amount* may be payable by or to you on a *settlement date*. In the event that you must pay to the *Bank* a *cash settlement amount*, you must ensure that you have sufficient *cleared funds* accessible to the *Bank*.

Part 11: Variations to the *settlement date(s)*

Variations to *settlement date* are not available after the *AS transaction* has been entered into.

Part 12: Terminating an *AS transaction*

An *AS transaction* may be terminated prior to the last *settlement date*, either:

- by agreement between you and the *Bank*; or
- as set out in the *AS transaction* documentation.

Upon termination, the *Bank* will calculate the *mark-to-market value* of the *AS transaction*, using prevailing market rates chosen by the *Bank* acting reasonably and in good faith.

If the transaction has a *mark-to-market value* in your favour, then the *Bank* must pay you an amount equal to that *mark-to-market value*.

If the transaction has a *mark-to-market value* in the *Bank's* favour, then you must pay the *Bank* an amount equal to that *mark-to-market value*.

If more than one *AS transaction* is terminated, the sum of all *mark-to-market values* of those transactions in your favour and any other transactions in your favour also terminated under the *master agreement* and transactions addenda governing the transactions, will be set-off against the sum of all *mark-to-market values* of such transactions in the *Bank's* favour. If, as a result of this calculation, the overall sum is in the *Bank's* favour, you must pay the *Bank* an amount equal to that total sum. Alternatively, if as a result of this calculation, the overall sum is in your favour then the *Bank* must pay you an amount equal to that total sum.

The *Bank* must notify you as soon as practicable after calculating these amounts. All calculations and determinations of any amounts made by the *Bank* must be made in good faith and in a commercially reasonable manner. Upon request, the *Bank* must provide you with reasonable details about the sum payable, including applicable calculations, market data or other relevant information. If you wish to dispute the calculations or determinations, you can contact your relationship manager.

12.1 Worked Examples demonstrating the possible impact of early termination

12.1.1 Example 5 (please refer to assumptions made in Example 1 at Part 6.1):

Possible outcomes if you terminate early (Producer)	Possible Outcome**
<p>If on the date the transaction is terminated, the <i>commodity reference price</i> is lower than the fixed price, then the <i>Bank</i> must pay you the <i>mark-to-market value</i>.* The <i>Bank</i> will calculate the <i>mark-to-market value</i> of the transaction, using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD 260.00 per metric tonne, then the <i>Bank</i> will calculate the following <i>mark-to-market value</i>:</p> $300 \times (\text{AUD } 300.00 - \text{AUD } 260.00) = \text{AUD } 12,000.00$ <p>For example, if the above transaction was terminated 90 days early and the interest rate was 2.00%, the present value of the <i>mark-to-market value</i> is calculated as:</p> $\text{AUD } 12,000.00 \times [1/(1+(90/365 \times 2.00\%))] = \text{AUD } 11,941.11$	Variable
<p>If on the date the transaction is terminated, the <i>commodity reference price</i> is higher than the fixed price, then you must pay the <i>Bank</i> the <i>mark-to-market value</i>.*</p> <p>The <i>Bank</i> will calculate the <i>mark-to-market value</i> using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD 380.00 per metric tonne, then the <i>Bank</i> will calculate the following <i>mark-to-market value</i>:</p> $300 \times (\text{AUD } 380.00 - \text{AUD } 300.00) = \text{AUD } 24,000.00$ <p>For example, if the above transaction was terminated 90 days early and the interest rate was 2.00%, the present value of the <i>mark-to-market value</i> is calculated as:</p> $\text{AUD } 24,000.00 \times [1/(1+(90/365 \times 2.00\%))] = \text{AUD } 23,882.22$	Variable
<p>If the fixed price is equal to the <i>commodity reference price</i> on the date the transaction is terminated you and the <i>Bank</i> will have no further obligations to each other with respect to the AS transaction.</p>	No payment is made

* This amount can either be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies, the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY***), or paid to you, or by you (as applicable), in full on the last *settlement date*.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates') view on future matters.

***If BBSY is 2.00%, the *reference rate* used will be in the range of 1.50% and 2.50%. The interest rate reference used from within that range will be at the discretion of the *Bank*.

12.1.2 Example 6 (please refer to assumptions made in Example 2 at Part 6.2):

Possible outcomes if you terminate early (Consumer)	Possible Outcome**
<p>If on the date the transaction is terminated, the <i>commodity reference price</i> is higher than the fixed price, then the <i>Bank</i> must pay you the <i>mark-to-market value</i>.*</p> <p>The <i>Bank</i> will calculate the <i>mark-to-market value</i> of the transaction, using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD 360.00 per metric tonne, then the <i>Bank</i> will calculate the following <i>mark-to-market value</i>:</p> $300 \times (\text{AUD } 360.00 - \text{AUD } 318.00) = \text{AUD } 12,600.00$ <p>For example, if the above transaction was terminated 90 days early and interest rate was 2.00%, the present value of the <i>mark-to-market value</i> is calculated as:</p> $\text{AUD } 12,600.00 \times [1/(1+(90/365 \times 2.00\%))] = \text{AUD } 12,538.17$	Variable
<p>If on the date the transaction is terminated, the <i>commodity reference price</i> is lower than the fixed price, then you must pay the <i>Bank</i> the <i>mark-to-market value</i>.*</p> <p>The <i>Bank</i> will calculate the <i>mark-to-market value</i> using the difference between the fixed price and the <i>commodity reference price</i> on the date the transaction is terminated.</p> <p>For example, if the <i>commodity reference price</i> is AUD 210.00 per metric tonne, then the <i>Bank</i> will calculate the following <i>mark-to-market value</i>:</p> $300 \times (\text{AUD } 318.00 - \text{AUD } 210.00) = \text{AUD } 32,400.00$ <p>For example, if the above transaction was terminated 90 days early and interest rate was 2.00%, the present value of the <i>mark-to-market value</i> is calculated as:</p> $\text{AUD } 32,400.00 \times [1/(1+(90/365 \times 2.00\%))] = \text{AUD } 32,241.00$	Variable
<p>If the fixed price is equal to the <i>commodity reference price</i> on the date the transaction is terminated, you and the <i>Bank</i> will have no further obligations to each other with respect to the AS transaction.</p>	No payment is made

* This amount can either be present valued and settled up-front (in which case an interest rate adjustment will likely apply. If an interest rate adjustment applies, the interest rate reference used will be within the range of +/- 50 basis points either side of BBSY***), or paid to you, or by you (as applicable), in full on the last *settlement date*.

** Examples are used for illustrative purposes only and do not reflect current market prices or outcomes or the *Bank's* (or any of its associates') view on future matters.

***If BBSY is 2.00%, the *reference rate* used will be in the range of 1.50% and 2.50%. The interest rate reference used from within that range will be at the discretion of the *Bank*.

Part 13: Payments netting

In accordance with the *AS transaction* documentation, if *you* have more than one transaction under this documentation, with the same *settlement date* and for the same currency, the payments and receipts may be “net settled”. This means that all settlements are combined to a single net payment between *you* and the *Bank*.

Part 14: What are the costs involved in an *AS transaction*?

There are no up-front fees and charges for entering into an *AS transaction*. The *Bank's* costs and profit margin in respect of the *AS transaction* are built into the fixed price. The factors used in determining the fixed price, including an allowance for the *Bank's* costs and profit margin, are set out in Part 5.

Part 15: Are there any tax implications *you* should be aware of?

AS transactions may have tax implications. These can be complex, may change over time and are invariably specific to *your* circumstances including, but not limited to, *your* tax status, any elections *you* have made and the purpose for which *you* have entered into the *AS transaction*. The outcomes may vary depending, amongst other things, on the type of entity transacting and whether *you* have made any elections. Therefore, *you* should discuss any taxation issues with *your* independent tax adviser before entering into an *AS transaction*.

Your AS transaction may be subject to Government taxes and duties (if any). These may vary from State to State.

Part 16: Notification of changes

Where there is a material change to a matter or circumstances where the *Corporations Act 2001* (Cth) requires a new PDS or a supplementary PDS, we will issue a new PDS or a supplementary PDS.

Part 17: Banking Code of Practice

The Banking Code of Practice (the Code), outlines standards of practice for *Banks*, their staff and their representatives when dealing with small businesses and individuals. A business will be a small business for the purposes of the Code where its annual turnover for the previous financial year is less than \$10 million and it has fewer than 100 full-time equivalent employees and it has less than \$3 million total debt outstanding. The Code does not apply to financial products and financial services that are provided to wholesale clients for the purposes of the *Corporations Act 2001* (Cth) (unless *you* are a wholesale client only because of section 761G(7)(b)).

If *you* would like more information about the Code and whether it applies to *you*, please contact us on **13 2221** (between 6am and 10pm, Monday to Friday (Sydney time)).

Part 18: What to do if you have a complaint?

Most problems can be resolved quickly and simply by talking with us. *You* can talk to us by:

- Calling one of our branches
- Phoning our Customer Complaints team on **1800 805 605** or, if *you* are overseas, calling **+61 2 9687 0756**;
- Completing the online feedback form at www.commbank.com.au/feedback, where *you* can also view our complaint process, or
- Writing to us at CBA Group Customer Relations, Commonwealth Bank Group, Reply Paid 41, Sydney NSW 2001

If *you* are not satisfied with the resolution and wish to proceed further, *you* can contact the Commonwealth *Bank's* Customer Advocate for a further review of *your* complaint.

The Customer Advocate can be contacted via:

Telephone: 1800 832 806 (between 8.30am and 5pm (Sydney time), from Monday to Friday);

Email: customeradvocate@cba.com.au;

Writing: Customer Advocate
Commonwealth *Bank*
Reply Paid 88915
Sydney NSW 2001

Please quote the case reference number we provide *you* in all correspondence.

If an issue has not been resolved to *your* satisfaction, *you* can lodge a complaint with the Australian Financial Complaints Authority or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au

Email: info@afca.org.au

Telephone: 1800 931 678 (free call)

Writing: Australian Financial Complaints Authority, GPO Box 3, Melbourne VIC 3001

You can also contact the Australian Securities & Investments Commission, or ASIC, to make a complaint and to find further information on *your* rights. ASIC can be contacted through the following means:

Website: www.asic.gov.au

Email: infoline@asic.gov.au

Telephone: 1300 300 630

Definitions

“AS transaction”

An agricultural swap transaction.

“ASX”

Australian Securities Exchange and ASX 24, the futures market operated by it.

“AUD”

Australian dollars.

the “Bank”

Commonwealth Bank of Australia ABN 48 123 123 124.

“BBSW/BBSY”

The Bank Bill Swap Rate (BBSW) is a short-term money market benchmark interest rate. In general terms, BBSW is the average mid-rate at approximately 10.00am for Prime Bank Eligible Securities with tenors of 1 to 6 months on a Sydney business day. BBSY is the BBSW rate plus 5 basis points.

“business day”

A day on which the Bank is open for transaction of business in relation to an *AS transaction*.

“CAD”

Canadian dollars.

“cash settlement amount”

The amount payable on a *settlement date* by one party to the *AS transaction* to the other, based on the difference between the fixed price and the *commodity reference price* for the underlying commodity.

“CBOT”

Chicago Board of Trade.

“cleared funds”

Funds that are immediately available to you for settlement of your *AS transaction*.

“commodity price”

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

“commodity reference price”

The price that will be used to determine the outcome of your *AS transaction* on an exercise date or pricing date. The commodity reference price is determined with reference to the price of a particular futures contract on a particular futures exchange, index or price guide, depending on the underlying currency of the *AS transaction*.

“confirmation letter”

A letter confirming the particulars of an *AS transaction* entered into between you and the Bank on a trade date.

Definitions

“exchange rate”

The expression of the value of one currency in terms of another. For example, in the exchange rate AUD/USD 0.8000, 1 Australian dollar is equal to 0.8000 United States dollars.

“forward exchange rate”

The expression of the value of one currency in terms of another, where the currencies are exchanged at a future date, that is more than 2 business days after the contract to exchange the currencies is entered into.

“futures contract”

A contract to purchase a specific asset or financial instrument at a specified time in the future at a specified price. Nearly all futures contracts are traded on a futures exchange and are standardised in terms of delivery date, amount and contract terms.

“futures exchange”

A market in which futures contracts are bought and sold, traditionally in a central, physical location, i.e. a trading floor. Increasingly though, futures exchanges are operated by dispersed traders using computer links to post prices to buy and sell the futures contracts.

“Group”

The Bank and its subsidiaries.

“Hedge Settlement Rate Average (HSRA)”

An AUD/USD reference rate set at 9.45am each business day and published on Reuters page HSRA. The HSRA rates are compiled by the Reserve Bank of Australia by averaging the AUD/USD exchange rates of a sample of market participants in the foreign exchange market. When calculating the average, the highest and lowest rates are removed from the sample prior to computation.

“HSRA date”

For *AS transactions* where the fixed price is denominated in AUD, 1 business day after a pricing date.

“ICE”

ICE is Intercontinental Exchange.

“mark-to-market value”

A valuation method where an existing *AS transaction* is valued against current market rates to calculate any potential payment (or other non-monetary outcome) that will arise on termination (including early termination).

“master agreement”

The Bank’s Derivatives Master Agreement that sets out the terms and conditions of derivative transactions that may include one or more *AS transactions*.

“parties to the agreement”

The parties to an *AS transaction* are you and the Bank.

Definitions

“pricing date”

The date the commodity reference price is determined with respect to a settlement date.

“proscribed person”

a person who appears to us either:

- a. to be a proscribed person or entity under the Charter of the United Nations Act 1945 (Cth) or the Autonomous Sanctions Act 2011 (Cth) or any other sanctions laws;
- b. to be in breach of the laws of any jurisdiction relating to money-laundering or counter-terrorism;
- c. to appear in a list of persons with whom dealings are proscribed by the government or a regulatory authority of any jurisdiction; or
- d. to act on behalf of, or for the benefit of, a person listed in sub-clauses (a) to (c).

“reference rate”

The benchmark *exchange rate* you agree with the *Bank* on the *trade date*, to convert the commodity reference price to the same currency as the fixed price. An example is the *HSRA*.

“sanctions law”

Any sanctions, trade embargoes or similar measures imposed from time to time in Australia, the United States of America, the European Union, the United Kingdom and any other applicable jurisdiction, and their respective governmental and official institutions including the United Nations Security Council.

“settlement date”

A *business day* on which a *cash settlement amount* will be exchanged between the parties to an AS transaction. For AS transactions where the fixed price is denominated in USD or CAD, the settlement date will be 2 business days after the pricing date. For AS transactions where the fixed price is denominated in AUD, the settlement date will be 3 business days after the pricing date.

“termination date”

The last day of the transaction period of the *AS transactions*.

“trade date”

The date on which an *AS transaction* is entered into by the parties to the agreement.

“transaction amount”

The agreed quantity of the underlying commodity.

“transaction period”

The period from and including the trade date, up to and including the final settlement date.

“USD”

United States dollars.

“you”, “your”

The customer who is one of the parties to the *AS transaction*.

Appendix A – Futures exchanges/Index/Price Guide Example

Australian Securities Exchange (ASX)

Chicago Board of Trade (CBOT)

Intercontinental Exchange (ICE)

Note: From time to time, the *Bank* may add or remove exchanges that may (or may not) be listed in the table above.

