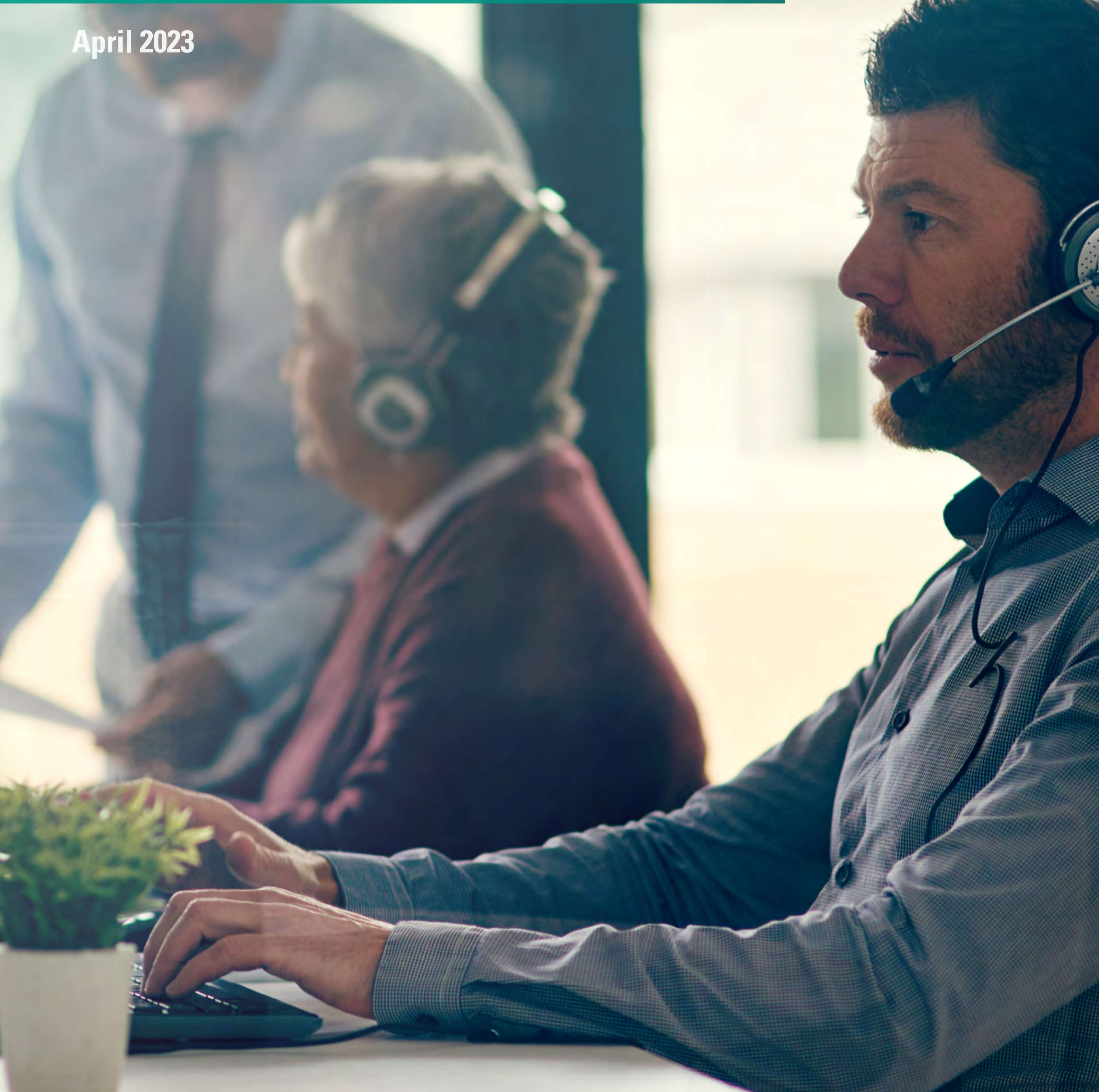
ABN·AMRO

ABN AMRO Treasury Services Information Sheet

April 2023



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1 Introduction

This Information Sheet provides an explanation of ABN AMRO's Treasury Service. Investment firms, such as ABN AMRO, are required by law to provide their customers with a general description of the features and risks of financial instruments.
This Information Sheet provides this information for "Over-The-Counter" derivative transactions (OTC-transactions) that you may execute through ABN AMRO. It provides a global overview of the key OTC-transactions offered by ABN AMRO and their associated risks, but does not provide a full overview of all the potential risks associated with each specific product. In the ABN AMRO Product Information Sheets, you will find detailed descriptions for specific products. In addition, the information contained in this Information Sheet should not be considered as investment advice based on your individual situation, nor as a recommendation to trade in the products described. You should always judge for yourself whether the products and services mentioned are suitable and appropriate for your particular situation.

1.1 Purpose of the information

After reading this Information Sheet, you should be aware of the features of the OTC-transactions offered by ABN AMRO, and their main risks. Should the information be unclear or incomplete to you, we encourage you to consult your ABN AMRO contact or an independent (financial) adviser. Each product has specific features and risks. In order to understand these products properly, please read the information below carefully, as well as the Product Information Sheets describing the features and risks of each of the various financial instruments. If you have any questions, you can always ask us for clarification. We recommend that you should only execute OTC-transactions if you are aware of the features and risks of these financial instruments.

If OTC-transactions are executed incorrectly, it can lead to exposure to undesirable risks and/or lead to (high) costs or losses.

2. Service type: execution-only

The type of service provided by ABN AMRO with respect to OTC-transactions is typically referred to as "execution- only". This means that ABN AMRO simply executes your order for an OTC-transaction. We will explain that further below.

If you execute OTC-transactions using a Trading Platform, e.g. Dealstation or the platform Franx, this is an execution-only service. If you enter into an OTC- transaction over the phone with the relevant ABN AMRO desk, that is also an execution-only service. Orders that you execute through a Trading Platform or by telephone on an execution-only basis are deemed to be performed on your initiative. If you are a non-professional investor, ABN AMRO will collect information from you about your knowledge and experience with the type of OTC- transactions to which the execution-only services relate.
ABN AMRO will check if the type of OTC-transactions you are proposing to execute is appropriate for you, given the information provided by you about your knowledge and experience. Based on this information, ABN AMRO will assess whether you have the necessary knowledge and experience to understand the risks associated with the proposed type of OTC-transactions. ABN AMRO does not need to take into account any information other than what you have provided. If ABN AMRO believes that the intended type of OTC-transaction is not appropriate for you, ABN AMRO will refuse to provide execution-only services. This means that you cannot execute the proposed type of OTC-transactions at ABN AMRO.

3. What are OTC-derivatives?

OTC-derivatives are financial instruments that are not listed on a regulated stock exchange. OTC-derivatives can be used to hedge (future) financial risks or to achieve (investment) returns.

The value of an OTC-derivative is based on the changes in a so-called underlying instrument. This underlying instrument can consist of an interest rate, foreign exchange, commodities or a stock exchange index. OTC-derivatives are agreed directly with a contract counterparty, for example with ABN AMRO.

The significant differences between exchange-traded derivatives and OTC-derivatives are:

- Exchange-traded derivatives are generally standardised contracts, whereas OTC-derivatives tend to be custom contracts.
- The parties to an OTC-derivative know each other and are aware of the creditworthiness of the other contracting counterparty. With an exchange-traded derivative, the contracting counterparties do not know each other.
- OTC-derivatives are not transferable without permission, in contrast to exchange-traded derivatives.
- The market in OTC-derivatives is sometimes illiquid. This means that it is not always possible to buy, terminate or sell OTC-transactions at a favourable price. The execution of OTC-derivatives should always be carefully thought through.

4. Position of the parties in an OTC-transaction

With OTC-transactions, ABN AMRO is acting as your contract counterparty. ABN AMRO has an independent interest in this, that may run contrary to your interest. ABN AMRO can provide you with information on the operation of an OTC-transaction. This does not mean that ABN AMRO is acting as your investment adviser. You should always read and review the information provided independently. You should also assess the market situation and market trends independently, as well as your own legal, tax, accounting and credit position.

4.1 Hedges

Unless you have agreed otherwise with ABN AMRO, you may use OTC-transactions either for hedging or for investment purposes. Hedging means mitigating or managing (future) financial risks that may arise due to price fluctuations in the underlying instrument. For example, these may be price fluctuations in currency rates. Hedging also brings its own risk. If the actual price fluctuations differ from what you are expecting in terms of price trends, in retrospect, it would have been better to take a different approach.

For example, this might mean that it would have been cheaper for you if you had not executed the relevant OTC-transaction in the end. The main risks of hedging are described hereafter in Chapter 7.

5. Documentation

If you wish to enter into an OTC-transaction with ABN AMRO, then the ABN AMRO Bank N.V. General Terms for Derivative Transactions (April 2023) ("**GTD**") and the ABN AMRO Bank N.V. Terms for Treasury Services (April 2023) (the "**Terms**") will apply. In addition, ABN AMRO will sign an ABN AMRO Bank N.V. Derivative Transactions Agreement with you.

6. Product information

There are many different types of OTC-transactions, although most of them are based on the same few basic forms. Here we will provide just a brief explanation of those basic forms. A separate product information sheet is available for each product variant, which explains the specific features and risks of that variant. It is important that you read this information. Your decision to execute a certain OTC-transaction is assumed to be based on the information contained in the specific product information sheet and the information contained in this Information Sheet. The basic forms we see here are:

1. Forward contracts
2. FX Forward Transaction
3. Swaps
4. Options
5. Structured deposits

6.1 Forward contracts

A forward contract is an agreement between two parties, with one party being obliged to purchase a specific instrument at a specific time in the future at an agreed price. The other party agrees to sell the relevant instrument at that time and at that price. Therefore, in a forward contract, both parties have rights and obligations in the performance of the forward contract. The underlying instruments often involve foreign exchange, but can also be commodities or interest rates. Forward contracts and their variations include foreign exchange forward transactions and swaps. Forward contracts can involve a high level of risk because the price of the underlying instrument may increase or decrease (strongly) during the period between the contract closure and the delivery and payment.

6.2 FX Forward transaction

An FX forward transaction is an agreement between two parties to exchange a quantity of a certain currency at a fixed time in the future (the "value date"), for a quantity of another currency, at a predefined forward rate. The exchange rate on the value date is therefore fixed for both parties. It cannot be affected by rate movements between the time of the contract and the value date. The agreed forward rate is made up of two components:
the rate as it applies at the time of the contract for transactions with immediate delivery: the "spot rate"; and the difference in rate between the two currencies concerned over the period from the date of the contract to the agreed value date.

6.3 Swaps

Although swaps can be classified under forward transactions, we have chosen to treat them as a specific base form in their own right. An FX swap is an agreement between two parties to buy (or sell) a quantity of a certain currency at the "spot rate" and to sell (or buy) the same amount at a later time at the "forward rate". A currency swap consists of two transaction components: a transaction with immediate delivery and an FX forward transaction.

6.4 Options

In the case of options, one party has the right to buy or sell a predetermined product or financial instrument at a future time at a predetermined price from/to the other party. The person obtaining this right (the option) is the "buyer" and pays an advance fee (the "premium") to the seller of the option, also known as the "writer". Unlike forward transactions, the parties therefore do not have mutual rights and obligations in respect of the performance of an option contract: upon payment of the premium the buyer has a right, and on receipt of the premium the seller has only an obligation. Option contracts can be split into two basic types: call options and put options.

Call option

The buyer of a call option will be entitled, on payment of the premium, to purchase an underlying instrument at a fixed price at a fixed time in the future. The seller of the call option receives the premium and then accepts the obligation to sell the underlying instrument at that specific price at the agreed time if the buyer exercises his right.

Example

The buyer of an FX Call Option has the right, in exchange for a premium, to buy a certain amount of a currency at the defined strike price at a specific time. The seller of the FX Call Option must deliver this quantity at the agreed strike price, if the buyer decides to exercise its right.

Put option

The buyer of a put option is entitled, in exchange for a premium, to sell an underlying instrument at a certain price at a certain time in the future. The seller of the put option receives the premium and accepts the obligation to buy the underlying instrument at that particular price at the agreed time, if the buyer decides to exercise his right

Example

The buyer of an FX Put Option has the right, in exchange for a premium, to sell a certain amount of a currency at the defined strike price at a specific time. The seller of the FX Put Option must purchase this quantity at the agreed strike price, if the buyer decides to exercise his right.

Brief summary of option contracts' rights and obligations

Parties have no obligations to each other until the expiration date. As a buyer of an option, you purchase the right to buy or sell. You can exercise this right, sell it or let it expire. The maximum risk that you have as a buyer is that you lose the premium you have already paid if you do not exercise your option. As the seller ("writer") of an option, you can run significantly more risk. Writing a call option means that you accept the obligation to sell the underlying instrument if the buyer wants it. If you already own the underlying instrument, your risk is limited to a loss due to adverse timing. You have entered into an obligation to sell at an agreed, predefined price. If, at the time of exercising the option, the market price of the underlying instrument has increased, you will lose this profit. This is also known as "opportunity loss". If, on the other hand, you write a call option without already holding the underlying instrument, this is known as an uncovered option. The writer of an uncovered call option is running a major risk. After all, the buyer will likely exercise his right if the market price is higher than the predefined strike price. In that case, the writer of the option must buy the underlying instrument in the market at the then current (higher) market price to meet the obligation to deliver it at the (lower) strike price. Depending on how much the market price has increased, the loss may exceed the premium received many times over (see also Chapter 7 under "Leverage").

If you write a put option, you run the same risk, with the difference that you are required to purchase the underlying instrument at the predefined strike price. If, at the time of exercising the option, the market price of the underlying instrument is lower than the strike price, the purchaser of the put option will exercise his right. This means that you must buy the underlying instrument at the higher strike price. Your loss may exceed the premium you received many times over. The exercise of options is also often completed by netting off the (price) difference and not by physical delivery of the underlying instrument.

6.5 Structured deposits

A structured deposit is a deposit where the return depends on a derivative component. The realisation of the return depends on the selected variables and on market developments in interest and foreign exchange markets or other markets. You may run a foreign exchange risk on the principal with some variants of structured deposits, resulting in you being paid the principal amount in a currency other than the initial currency at the end of the term. Some variants do not guarantee return of the principal in full at the end of the term.

7. Key derivative risks

Executing OTC-transactions can involve different risks. While mitigating risks for one party, it creates risks for the other party. Below we provide a general overview of the key financial risks that can occur in OTC-transactions. It is important that you know these risks before you decide to execute OTC-transactions. Derivatives' risks are very dependent on market trends in the financial markets. ABN AMRO has no influence on this. The level of risk may vary by type of OTC-derivative. In addition, the level of risk is determined by, among other things:

- the conditions, structure and complexity of the financial instrument;
- the objective and expectations when agreeing the transaction;
- the diversification and concentration of your portfolio (applicable only if used for investment purposes); and
- the possible leverage.

If OTC-transactions are not applied properly, or if market trends differ from expectations, they can lead to undesirable risks and cause (high) costs or losses. We provide a brief description of the key risks of OTC-transactions below.

7.1 Leverage

OTC-transactions sometimes involve leverage. This means that a small price change in the underlying instrument can lead to a large price change in the OTC- transaction. An example to clarify this: the EUR/USD rate is 1.20 at one point and rises rapidly to 1.26. Expressed as a percentage, that is an increase of 5%. An option on the EUR/USD with a strike price of 1.20 was traded at a price of USD 0.05. After the price increase, the same option needs to be bought at USD 0.11: a change in value of over 50%. The increase in the EUR/USD rate therefore has a much stronger effect with the option. This is called "leverage". Leverage effects can cause (higher) costs or losses.

7.2 Liquidity risk

The liquidity of an OTC-derivative is determined directly by the market's demand and the ratio between supply and demand, and indirectly by other factors such as market disruption or the settlement of the transaction. The liquidity of an OTC-derivative is also dependent on the specific conditions under which the transaction is agreed. Finally, OTC-transactions are not inherently transferable.

7.3 Credit risk

OTC-transactions are executed directly between the parties. The creditworthiness of the parties is important. Credit risk is the risk that your contracting party to the OTC-transaction is unable to meet their payment obligations following from the OTC-transaction or that their creditworthiness (strongly) drops.

7.4 Market risk

The market price of an OTC-transaction depends on, among other things, the demand and supply in the market, market players' expectations, underlying instrument prices, industry-related circumstances and economic developments. The development of these different factors is unpredictable and is also affected by international events. A position taken, or an investment with a cross-border element may be subject to cross-border market risk. These risks can sometimes be greater, and the potential financial advantage or disadvantage in cross-border transactions can be influenced by fluctuations in the foreign exchange markets.

7.5 Foreign currency risk

Foreign currency risk exists because exchange rates fluctuate against each other. This means that the value of payments or revenue in foreign currency is uncertain. This is also true for OTC-transactions involving foreign exchange. If OTC-transactions are executed in a currency other than the company's base currency, this creates a foreign currency risk. Fluctuations in interest rates related to the underlying currency may also affect the value of OTC-transactions.

Fluctuations in foreign exchange values depend among other things on the local economic developments in the home country of the currency, and on social and political developments. Some countries have a strict policy controlling trade in their local currency. Such policies may include the authorities (severely) restricting or temporarily banning trading in the local currency. Devaluation of a local currency is also one of the potential risks.

7.6 Interest rate risk

Interest rate increases and decreases can have a positive and negative impact on the value of an OTC-transaction or an investment.

7.7 Price risks for options

Options may be either exchange-traded derivatives or OTC-derivatives. Like other financial instruments, options are subject to the effects of demand and supply. An important factor in establishing the option price is the existence of a sufficiently liquid market for the relevant option and (expectations about) the price trend of the underlying instrument.

A purchased call option loses value when the price of the underlying instrument drops, while the opposite is true for a purchased put option. The value of an option is not solely determined by fluctuations in the value of the underlying instrument, but also by other factors, for example the term of the option or the frequency and intensity of fluctuations in the price of the underlying instrument. Therefore, the risk of a loss in value for an option may exist, even if the price of the underlying instrument does not change. Writing an option generally carries a higher risk than buying an option. The loss for the buyer of the option is limited to the premium paid. However, the loss for the seller of an unsecured option may be unlimited.

8. Settlement differences

For some options or forward contracts, it is possible that at the agreed time, the underlying instrument will not be delivered, instead only the difference between the predefined strike price and the market price of the underlying instrument is settled. These transactions involve the same risks as if the underlying instrument were delivered.

9. Early termination costs

If, for any reason, you wish to or have to terminate an OTC-transaction before it reaches maturity, you may incur (high) costs or losses. An OTC-transaction always relates to an underlying instrument.

Therefore, the value of an OTC-transaction depends on the fluctuations in the price or rate of that underlying instrument. If an OTC-transaction has to be terminated early, you need to consider whether that transaction has a positive or negative value at that time (valuation at market value). If there is a positive value, ABN AMRO will pay (or credit) this to you. In the event of a negative value, you need to pay an amount to ABN AMRO.

10. Transaction fees

For most OTC-transactions, no separate charges are applied for setting up the OTC-transaction or for the provision of ABN AMRO services on top of the agreed transaction price. The costs you pay to ABN AMRO are included in the price or the option premium that is agreed (the "transaction price"). If a separate fee is charged in addition to the transaction price, this is stated in the relevant Product Information Sheet. ABN AMRO will always inform you of the costs of OTC-transactions.

11. Market customs with OTC-transactions

The transaction agreement

OTC-transactions can be set up through the relevant ABN AMRO desk, via Dealstation or by another means that ABN AMRO offers you for the execution of OTC- transactions. Once an OTC-transaction has been set up, both parties are bound by it. As soon as possible after executing an OTC-transaction, ABN AMRO will send you the key information about the OTC-transaction either in writing or electronically. ABN AMRO will also send you a transaction confirmation in writing or electronically which includes our agreements.

A transaction confirmation states among other things the type of OTC-transaction, the agreement date the OTC-transaction is, the date the OTC-transaction takes effect, the due date(s), the strike date, the transaction currency and the amounts. For the purposes of due diligence, you are required to verify that the information in the confirmation is accurate and complete upon receipt. If you believe that the transaction confirmation contains incorrect data, you are required to contact ABN AMRO immediately.

If you agree with the transaction confirmation, you are requested to sign it and send it in writing or electronically to the address listed in the transaction confirmation, within the number of business days stated.

12. Payments

Payments arising from OTC-transactions will be debited or credited directly to your account at ABN AMRO. On your bank statement, this payment will be listed with the description "DCM", followed directly by the reference number of the OTC-transaction and the message "Derivatives Transaction Settlement". ABN AMRO sends you a "payment message" prior to the payment.

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