MPC MARKETS

FIXED COUPON NOTE ASX BANKS

Delivering steady income
with a safety barrier

CBA, ANZ, NAB, MQG

2026

DISCLAIMER: WHOLESALE, PROFESSIONAL OR SOPHISTICATED INVESTORS ONLY

FIXED COUPON NOTE - ASX

Large-cap Banks

STRATEGY FEATURES

Term
2-3 Years
Autocall from 6M

Coupon Rate
9.5% to 11.00%pa
Pricing range

Downside Barrier
40%

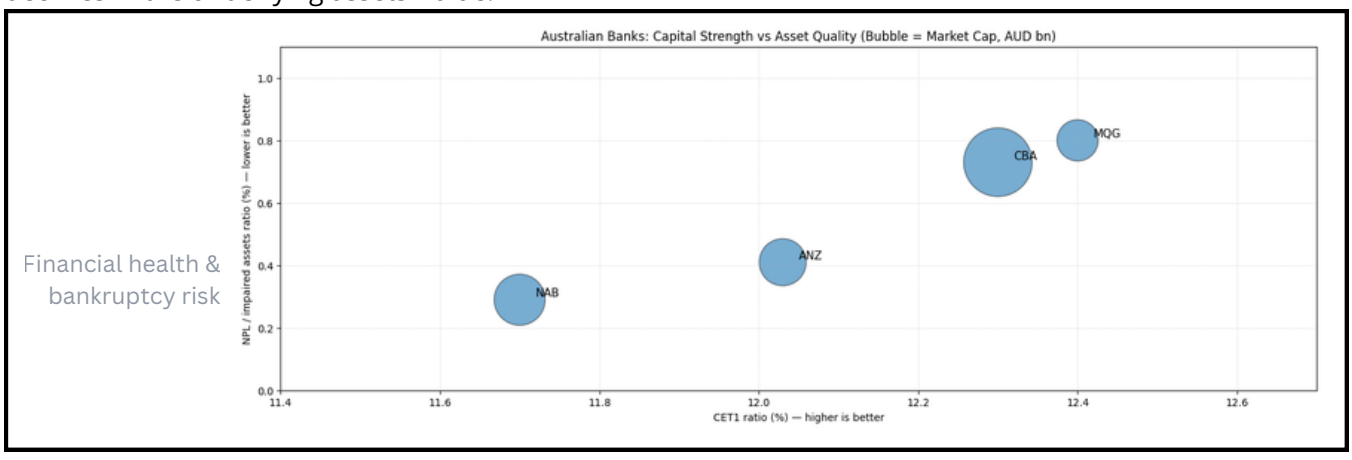
Coupon Freq.
Monthly

Strategy Profile

Fixed Coupon Note linked to a diversified basket of Australian major banks. Each note will consist if 3 of the "Big4" CBA, ANZ, NAB, WBC and Macquarie Group, providing exposure to systemically important, well-capitalised financial institutions.

You receive a fixed annual Coupon at an interest rate of 9.5%pa to 11.00%pa*. These are paid in cash monthly to your nominated bank account, ensuring regular cash flow throughout the investment term

- **Term:** The investment has a duration of 2 years
  - The duration is set to 2 years to give a stock time to recover in the event of a company specific or broader market fall. **This does not mean the investors capital is tied up for 2 years.** Investors may exit after the autocall period for a penalty fee if the reference assets are below the entry or "breakeven" price. If the reference assets are above the breakeven price, the strategy will be "Autocalled"
- **Auto-call:** If all reference assets are above the entry price after 6 months, the counterparty will exit the note automatically, returning your capital in addition to the coupons
- **Downside Barrier:** Set at 40% of the initial strike price. Stocks chosen in the basket are specifically selected based on extensive back-testing and financial modelling for each company to ensure the reference assets are a low single digit probability of ever being delivered. This feature offers partial protection against significant declines in the underlying assets' value.



Reference Asset	CET1 Ratio %	Impaired Asset Ratio	Comments
Commonwealth Bank (CBA)	12.3	0.73	Scale leader with strong capital and stable credit quality
ANZ Group Holdings Ltd (ANZ)	12.03	0.41	Solid capital, conservative lending, reliable regional exposure
National Australia Bank (NAB)	11.7	0.29	Slightly lower capital, still robust asset quality
Macquarie Group Ltd (MQG)	12.4	0.8	Highest capital strength, low credit risk, market-driven model

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FIXED COUPON STRATEGY

Why Start with ASX Banks and Why 6 or More?

Australia's Big Four banks - CBA, ANZ, NAB and Westpac-are among the most structurally resilient major banks in global equity markets. Since 1990, the "Four Pillars" policy has prevented mergers among them, avoiding the concentration risk that amplified failures in the US and Europe during the GFC. Australian banks needed no government bailouts, stayed profitable throughout the crisis, and recovered to pre-GFC highs well ahead of global peers.

Structural Resilience

- APRA CET1 ratios of 11.7-12.0% above the "unquestionably strong" 10.25% benchmark
- Dominant positions in retail banking, business lending and wealth management
- Franked dividends of 4-6 % maintained through multiple downturns

Ideal FCN Underlyings

- Attractive coupon rates of 10-12.3% p.a. with meaningful capital bufers
- Resource-rich economy with near-zero sovereign default risk
- Minimal exposure to risky ofshore assets insulates the sector

A Single FCN is Binary - Diversification Changes the Maths

A single FCN is binary risk - either the barrier holds and you receive full coupons plus principal, or it breaches and you suffer a capital loss. That is not a strategy; it is a coin flip. Spreading capital across six or more notes turns individual binary risk into a robust, income-driven portfolio.

Note: example below is based on 3 year strategies., We use 3-year strategies where possible

INVESTMENT	RATE	AMOUNT	BARRIER BREACH	YEARS	COUPONS	CAPITAL RETURNED
Banks FCN	10.0%	$100,000	0	3	$30,000	$130,000
FCN 2	12.3%	$100,000	0	3	$36,750	$136,750
FCN 3	12.3%	$100,000	0	3	$36,750	$136,750
FCN 4	12.3%	$100,000	0	3	$36,750	$136,750
FCN 5	12.3%	$100,000	0	3	$36,750	$136,750
FCN 6	12.3%	$100,000	-45%	3	$36,750	$91,750

CASH INVESTED	TOTAL COUPONS	CAPITAL LOSS	NET YIELD P.A.
$600K	$213,750	-$45,000	9.4%

Five notes pay full coupons totalling $213,750. One note breaches its barrier at −45%, producing a $45,000 capital loss. The coupon income more than covers the loss, leaving $168,750 cash profit over three years.

Net 9.4% per annum — even with a 16.67% failure rate

Six is the minimum where the numbers start to work. The more notes you hold, the more insulated you become from any single outcome. For risk-adjusted income investors, a diversified portfolio of ASX Banks FCNs is built to deliver attractive, resilient returns.

FIXED COUPON NOTE - ASX

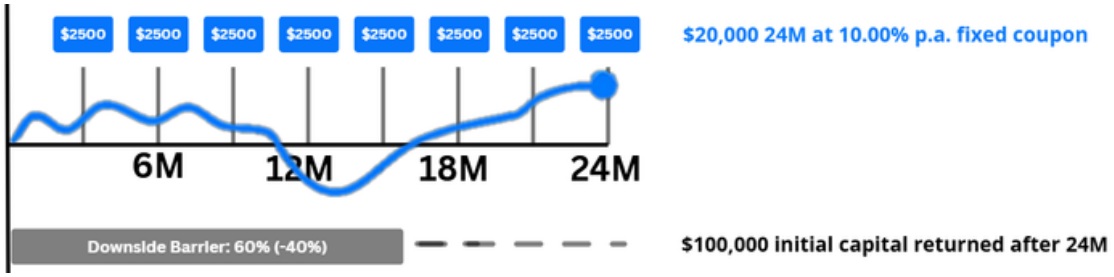
Large-cap Banks

STRATEGY FEATURES

Scenario 1: Stocks Remain Above the Barrier at Expiry

- The worst performing stock in the basket is +10%.
- The downside barrier (40% of the strike price) is not breached by any stock at maturity.

Barrier not breached at maturity: +20% ROI



Scenario 2: Stocks Drop Below the Barrier but Recover by Expiry

- During the term, one or more stocks fall below 40% of the strike price, but the final prices of all stocks recover above the barrier by expiry.
- The downside barrier (40% of the strike price) is not breached by any stock at maturity.

Barrier not breached at maturity: +20% ROI

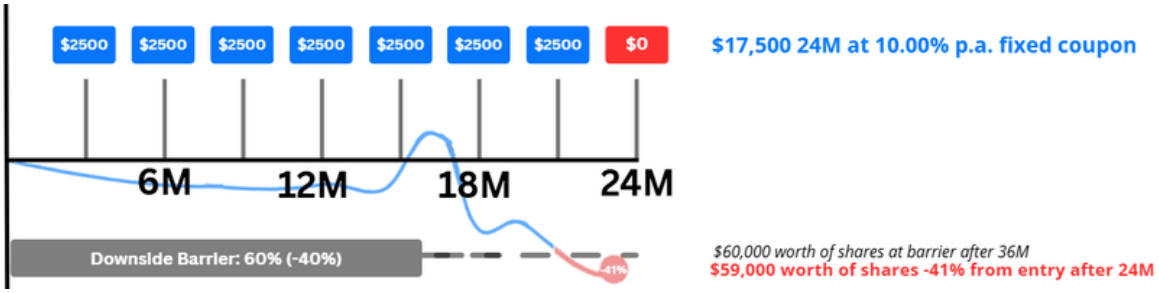
After 24 months Investor Receives = $120,000.00

$100,000 initial capital + $20,000.00 (2 years at 10% p.a. fixed coupon)

Scenario 3: Stocks Remain Below the Barrier at Expiry

- At expiry, one or more stocks remain below the 40% downside barrier, the investor would receive $60,000 worth of shares in that stock (or cash equivalent) at the barrier
- Outcome: If the worst-performing stock drops 41% from its initial price, the investor would receive $59,000 worth of shares in that stock (or cash equivalent) -41% from the entry price

Barrier <u>breached</u> at maturity: -21% ROI



After 24 months Investor Receives = $79,000

$59,000 in worst stock + $20,000 (2 years at 10% p.a. fixed coupon)

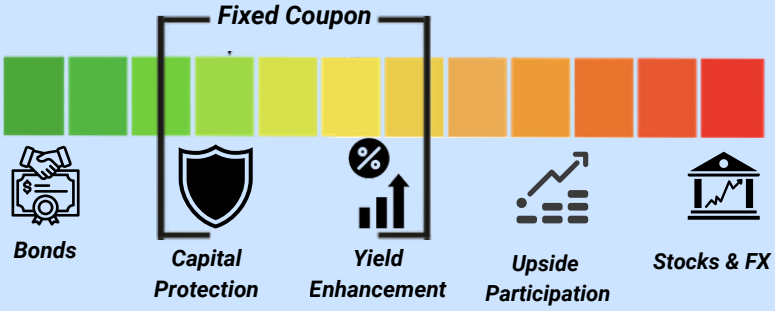
FIXED COUPON NOTE - ASX

Large-cap Banks

STRUCTURED INVESTMENT RISKS

Fixed Coupon

On the risk scale, this fixed coupon falls in the category of Capital Protection and yield enhancement on the structured products scale with income payments prioritised above upside participation

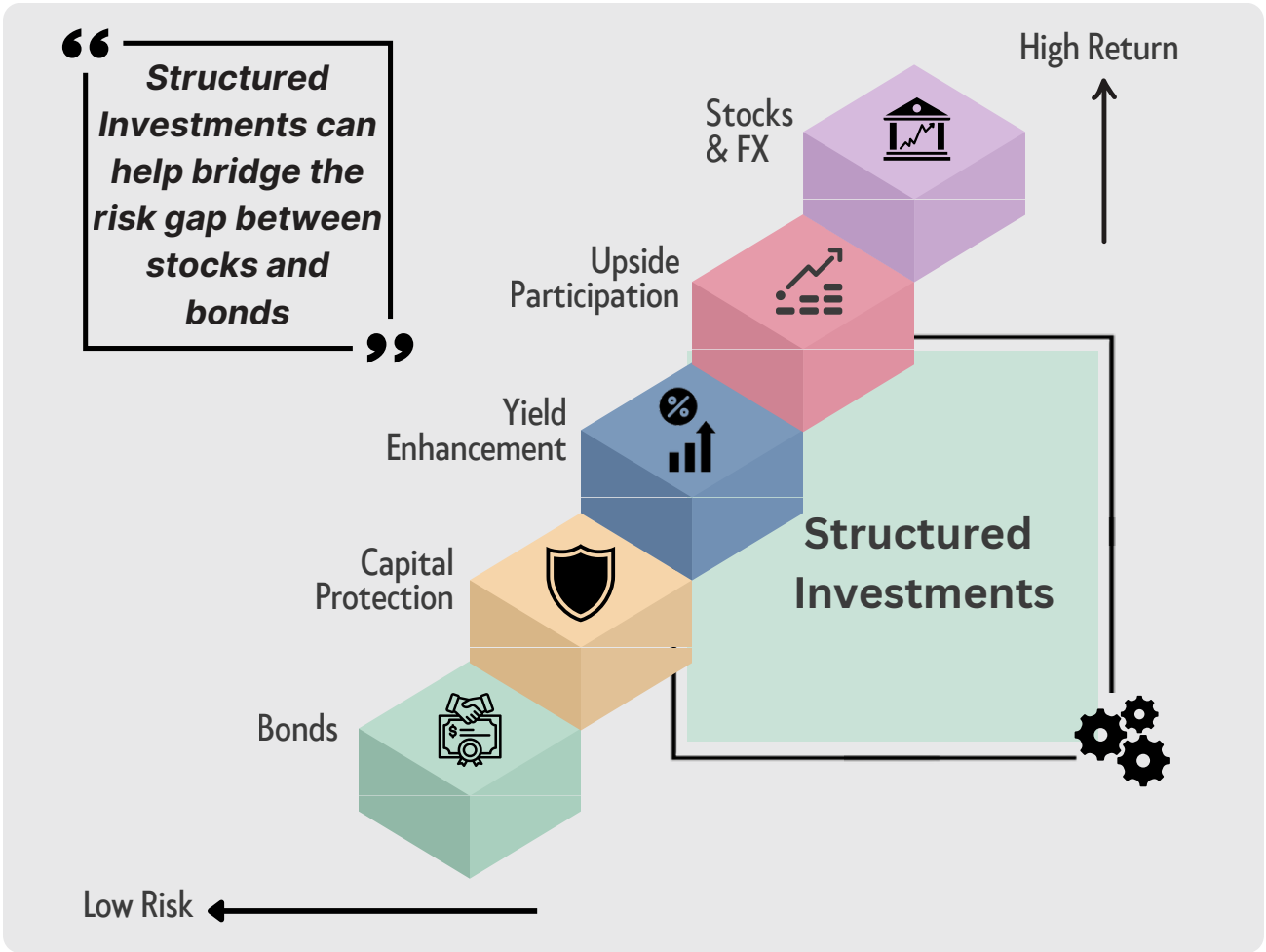


Risk profile - Where do structured Investments fit in a portfolio?

Protection
Help Reduce Risk
Reposition a portion of equity exposure
- *Reduce downside risk*
- *Maintain a level of equity upside*

Growth
Help Increase Returns
Reposition a portion of a balanced portfolio
- *Maintain upside potential*
- *Establish downside protection*

Income
Shift out of cash
Reposition a portion of cash off the sidelines
- *Increase yield*
- *Preserve risk targets*



MPC MARKETS

MORE ABOUT FIXED COUPON NOTES

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FIXED COUPON NOTE (FCN)

What are they?

VS HYBRIDS AND PRIVATE CREDIT

Fixed Coupon Notes (FCNs), such as those offering a generous 12.75% p.a. yield over 3 years with a 40% downside barrier offered by MPC Markets, are innovative structured investments from major banks.

They blend zero-coupon bonds with derivatives to deliver high fixed interest payments and significant capital protection—principal is fully preserved unless the underlying asset falls more than 60% at maturity. This robust 40% barrier provides strong downside buffering, while consistent coupons are paid unconditionally, making them highly attractive for enhanced income with controlled risk.

Summary Table of Features

Feature	Fixed Coupon Notes	Private Credit	ASX-listed Hybrids
Main exposure	Equity/indices via options on structured note	Private, negotiated corporate or asset-backed loans	Bank or corporate capital instruments (debt-equity mix)
Income profile	High fixed coupons	Floating or fixed loan interest plus fees, often above public credit	Floating or fixed distributions, higher than senior bonds but deferrable
Liquidity	OTC, Daily Liquidity, issuer secondary market	Very illiquid; multi-year fund lock-ups typical	Listed on ASX with daily trading but can be thin in stress
Key risks	Equity downside, barrier/knock-in risk, issuer credit	Default and low recovery risk, illiquidity, manager selection	Conversion/write-off, subordination, deferrable income, market volatility

Scenario Performance Examples*

The table compares the expected performance of three income-focused investments—Fixed Coupon Notes (12.75% p.a., 3-year term with 40% downside barrier), Private Credit, and ASX Listed Hybrids—across three market scenarios: a Black Swan GFC-like crash, average conditions, and a high-growth stock year.

Investment Type	Black Swan (GFC-like: ~50-60% market crash)	Average Market Conditions	High Growth Year for Stocks
Fixed Coupon Notes *MPC Average FCN (12.75%pa, 3 years, 40% downside barrier)*	In extreme crashes like the GFC (~55% drop in major indices), the 40% barrier would likely be breached, exposing principal to the underlying's loss (e.g., ~55-60% capital reduction). ***However, investors still receive all fixed 12.75% coupons throughout, providing substantial income cushioning during turmoil***—far better than unprotected equities suffering full declines.	In normal conditions, FCNs deliver full 12.75% annual coupons unconditionally, plus 100% principal return (barrier intact in mild fluctuations). This ensures strong, predictable enhanced yields with excellent protection. Likely result: Outstanding steady income and capital preservation.	In strong bull markets, investors enjoy the full 12.75% fixed coupons plus 100% principal (barrier easily preserved). Many include autocall features for potential early redemption with gains. Likely result: Excellent high yields with full capital return, capturing stability amid growth.
Private Credit	In GFC-like crises, private credit risks sharp default spikes (10-15% in leveraged loans), liquidity freezes akin to the 2008 MBS seizure—causing valuation plunges, fund redemption pressures, gates, or forced sales. Opacity and interconnectedness can amplify contagion, leading to 20-40% drawdowns in undiversified portfolios despite covenants. Likely result: diversified senior positions may cap net declines at 5-10% via recoveries.	Reliable 8-12%+ yields from illiquidity premiums, low correlation to markets. Likely result: Consistent high income and diversification.	Steady ~10% returns in booming economies (lower defaults), though lags pure equity upside. Likely result: Stable performance focused on income.
ASX Listed Hybrids	Significant price drops in GFC-style events (often 40-50%), with potential distribution pauses or conversions in severe stress. Likely result: Volatility and drawdowns, though some income continuity.	Solid ~6-7% running yields with liquidity and franking. Likely result: Reliable distributions in stable banking sector.	Benefits from optimism/floating rates, ~6-8% yields with price appreciation. Likely result: Good income plus moderate gains, but regulatory phase-out looms.

these scenarios are examples only

FIXED COUPON NOTES FAQ's

VS HYBRIDS

Why do I need to replace my Hybrids: The Australian Prudential Regulation Authority (APRA) is phasing out hybrid securities (Additional Tier 1 capital instruments) from bank capital structures by 2032 to simplify capital frameworks and enhance financial stability, following concerns about their effectiveness in absorbing losses during crises-particularly highlighted by the Credit Suisse collapse in 2023.

With the phase out of Hybrids over the next 7 years, the switch is not urgent, but it's best to be prepared.

What does it mean for my portfolio: Many investors use Hybrids as their Fixed Income allocation in their portfolios. The impact of APRA's regulatory changes on AT1 hybrids will inevitably result in a gap in attractive income investment options

What are Structured Investments and how can they help: Structured investments are customized financial products that combine traditional securities with derivatives to achieve specific investment goals, in this case income investments with Fixed Coupon Notes

Why are Fixed Coupon Notes a suitable alternative to Hybrids: Fixed Coupon Notes have many similarities in terms of risk profile and income and liquidity

Fixed Coupon Notes:

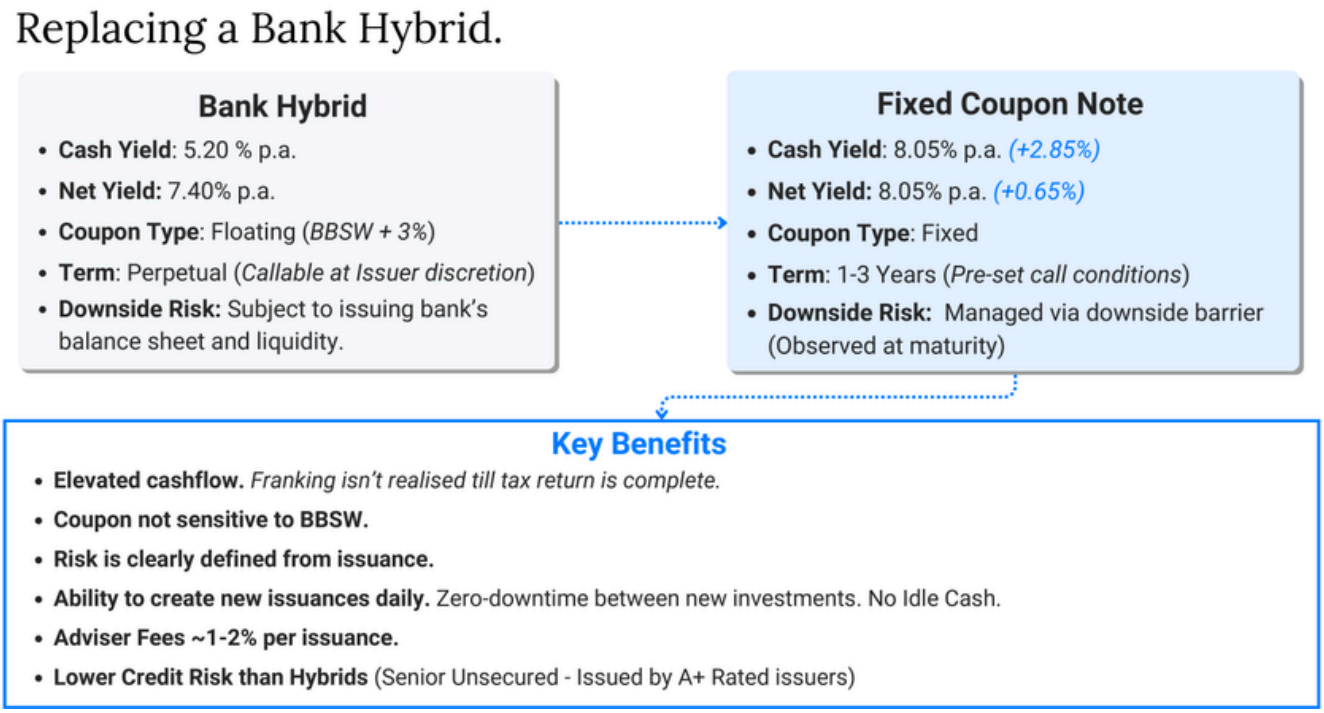
Key Features

- **Coupon:** Periodic interest payments paid monthly or quarterly - typically between 7-12% p.a.✓
- **Reference Assets:** Basket of market-linked assets (i.e. stocks, commodities, bonds, ETFs or funds). ✓
- **Downside Barrier:** A defensive feature that secures capital up to a certain level of downside risk. ✓
- **Term:** 6 months - 5 years✓
- **Callability** ✓
- **Daily Liquidity** ✓

Example FCN (Australian Banks)	
Coupon Rate	8% p.a. (paid quarterly)
Term	3 Years
Callability	6 months, then quarterly
Downside Barrier	-40% (60% of initial price)
Reference Asset(s)	ANZ, CBA, WBC. NAB

SWITCHING YOUR HYBRIDS to FIXED COUPON NOTES

FREQUENTLY ASKED QUESTIONS



How liquid are fixed coupon notes compared to Hybrids? *Fixed coupon notes have daily liquidity available, so are as liquid as Hybrids*

What happens if the downside barrier is breached? *If a downside barrier is breached before the maturity date then the coupon payments continue. If the downside barrier is breached at maturity, this triggers a knock in event. The investor receives the stock at a reduced capital base plus all coupons*

Can the yield of a Fixed Coupon Note be improved? *No, the coupon rate is agreed to at the start of the investment and is fixed for the period of the investment*

Can I invest via a SMSF? *Yes, structured products are available for SMSFs*

Are there Franking Credits? *No, Fixed coupons do not have franking credits*

What are the fees? *The fees are included in the packaged investment. There are no additional commissions or management fees for the life of the investment*

Are these investments available to retail investors? *Unfortunately we can only offer Structured Investments are only available to S708 qualified investors*

What do I need to get started? *Opening an account is easy, it requires 2 forms of ID, an existing bank account and a current S708 certificate.*

INVESTMENT COMMITTEE

Risk Methodology

The MPC Markets Investment Committee overlays its macroeconomic and market outlook directly onto its risk-scoring methodology to ensure a robust investment thesis. By leveraging a top-down approach, the committee first assesses the prevailing macroeconomic environment — such as inflation trends, employment strength, and consumer spending patterns — then integrates these insights into the risk evaluation of individual investment opportunities. The result is a dynamic portfolio-construction process where risk scores reflect both underlying asset quality and macro context, ensuring investments are positioned to thrive while minimising downside exposure.

RISK SCORING METHODOLOGY

Using the Piotroski Score alongside the Altman Z-Score provides a more comprehensive assessment of a company's financial health. The Piotroski Score evaluates fundamental strength, while the Altman Z-Score assesses bankruptcy risk. For banks and financial institutions, specialised models are used due to the unique nature of their risks: the Risk-Adjusted Z-Score modifies the traditional Z-Score by incorporating capital adequacy and risk-weighted assets, aligning with regulatory standards like Basel. Other models — such as the J-UK and L-Models, macro-financial early-warning models, logit regression and structural credit-risk models — combine bank-specific indicators with macroeconomic variables to predict systemic distress.

GLOSSARY

The Piotroski Score (F-Score)

A 0–9 scoring system evaluating the strength of a company's financial position. Based on nine criteria across profitability, leverage and liquidity, and operating efficiency. Scores of 7–9 signal strong financial health; 4–6 average; 0–3 indicate potential distress.

The Altman Z-Score

A composite metric predicting the likelihood of bankruptcy within two years. Combines five weighted ratios measuring liquidity, profitability, operating efficiency, solvency and asset turnover. > 2.99 safe; 1.81–2.99 grey area; < 1.81 high bankruptcy risk.

Downside Barrier

A defensive feature that secures capital up to a specified level of decline (in this strategy, 40% of the initial strike). Observed at maturity for FCNs.

Auto-call

If all reference assets close above the entry level on a designated observation date, the note redeems early — returning principal plus accrued coupons.

Coupon

Periodic interest payment, paid monthly or quarterly. Coupons are paid as scheduled regardless of underlying movements (subject to issuer credit).

s708 / Wholesale Investor

An investor who satisfies the wholesale-client tests under s708 of the Corporations Act 2001 (Cth). FCNs are only available to s708-qualified investors.

This glossary is for general understanding only and does not constitute a PDS, TMD, or regulated disclosure document. Always read the full PDS issued by the Issuer and obtain independent financial and tax advice before making any investment decision. Past performance is not a reliable indicator of future performance.

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