

PRODUCT DISCLOSURE STATEMENT

This Product Disclosure Statement (“**Statement**”) has been prepared for and is sent to the Customer to provide the Customer with information about the Product and to assist the Customer with evaluation and assessment of suitability of the Product to the business requirements of the Customer.

THE STATEMENTS LIST OUT THE VARIOUS PRODUCTS OFFERED BY THE BANK TO ITS CUSTOMERS AND THE DETAILS PROVIDED IN THIS STATEMENT ARE FOR THE GENERAL UNDERSTANDING OF THE CUSTOMER. THIS STATEMENT IS NOT A RECOMMENDATION OF THE PRODUCT BY THE BANK TO THE CUSTOMER. BASED ON THE COMMERCIAL NEEDS OF THE CUSTOMER, THE SUITABILITY AND APPROPRIATENESS OF THE PRODUCT WILL BE DISCUSSED WITH THE CUSTOMER.

Product	: Forward Rate Agreement (“FRA”) on Government of India bonds
Description of the Product	: A Forward Rate Agreement is an agreement between two parties for exchanging cash flows based on fixed rates (i.e. Fixed Amounts based on Fixed Rate) for cash flows based on floating rates (i.e. Floating Amounts based on Floating Rate). Fixed and/or Floating Amounts for a Calculation Period may be calculated based on fixed notional amounts or a customised schedule of notional amounts. The purpose of the Forward Rate Agreement is to hedge risk of lower yields of the Reference Obligation in future. The Forward Rate Agreement locks-in the yields of the Reference Obligation and thereby hedges the risk of lower yields in the future.
Benefits	: The Forward Rate Agreement helps hedging risk of lower yields of the Reference Obligation in future. The Forward Rate Agreement locks-in the yield of the Reference Obligation and thereby hedges the risk of lower yield in the future. Life Insurance Companies have long-dated liabilities whereas the premium receivables are typically front-loaded. This creates an asset-liability mismatch, apart from the risk of yield mismatch. The risks are further compounded in case of guaranteed assurance products, whereby the Insurance Company has typically guaranteed the return rate of investment to the policyholder. By entering into this the Forward Rate Agreement Transaction, the Life Insurance Company can hedge the risks arising due to one of the following three forecasted transactions: (i) Reinvestment of maturity proceeds of existing fixed income investments (ii) investment of interest income receivable (iii) Expected policy premium income receivable on the Insurance Contracts which are already underwritten in Life and Pension & Annuity business in the case of Life Insurers. Thus where the FRA derivative is used for hedging, it can help in reducing the asset- liability mismatches and yield mismatches in the portfolio.
Terms and Conditions	: Each transaction will be governed by and subject to the 2002 ISDA Master Agreement executed between the parties. The contractual terms and conditions for each Transaction will be as determined between the parties to the transaction under the confirmation per transaction. The terms and conditions will include the spot rate for the transaction, payable amounts, costs and fees applicable per transaction.

CONTRACT TERMS AND CONDITION

Party A	:	UBS AG, acting through its Mumbai Branch
Party B	:	[●]
Trade Date	:	[●]
Effective Date	:	[●]
Termination Date	:	[●], subject to adjustment in accordance with the Business Day Convention.
INR Notional Amount	:	As per the Appendix 1 below
Reference Obligation	:	Indian Government Bond due on 17 December 2050 with a coupon of 6.670% per annum ISIN: IN0020200252
Initial Spot Yield	:	[●] (7.0681%)
Spread	:	[●] (0.1376%)
Fixed rates for interest rate swaps against INR-MIBOR-OIS-COMPOUND as of the Trade Date	:	1 Year 4.32%; 2 Year 4.89%; 3 Year 5.21%; 4 Year 5.44%; 5 Year 5.63%; 7 Year 0.00%; 10 Year 0.00%
Settlement	:	Cash
Initial exchange	:	None
Final Exchange	:	None
Party B Dealer	:	[●]
Periodicity of Valuation Statements	:	At least monthly
<u>Fixed Amounts</u>		
Fixed Rate Payer	:	Party B
Fixed Rate Payer Currency Amount	:	INR [●] Notional Amount
Fixed Rate	:	Forward Price
Fixed Rate Payer Payment Dates or Settlement Dates	:	As set out in Appendix 1 below, each such date subject to adjustment in accordance with the Business Day Convention.
Fixed Rate Day Count Fraction	:	1/1
Forward Price	:	All-in dirty price of the Reference Obligation for settlement on each Fixed Rate Payer Payment Date based on the implied yield of Forward Yield as set out in Appendix 1 below
Forward Yield	:	Initial Spot Yield + Spread. <i>To clarify further and just for reference the Forward Yield is calculated such that</i>

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Accelerated Termination Amount is zero (0) as of Trade Date where the INR OIS Discount Curve used to calculate such Accelerated Termination Amount will be as determined by the Calculation Agent using the prevailing fixed rates for interest rate swaps of various tenors as determined by Calculation Agent in good faith and a commercially reasonable manner against the INR-MIBOR-OIS-COMPOUND as of the Trade Date (as defined in the 2006 ISDA Definitions as amended and supplemented from time to time) plus a spread of 0.95% per annum, and Accelerated Cash Settlement Price will be determined as the all-in dirty price of Reference Obligation for settlement on the day that is one Business Day following the Trade Date based on the Initial Spot Yield and other relevant information as the Calculation Agent may determine in its sole discretion

Floating Amounts

Floating Rate Payer	:	Party A
Floating Rate Payer Currency Amount	:	INR [●] Notional Amount
Floating Rate	:	Reference Obligation Price
Observation Date	:	The day that is one Business Day prior to the relevant Floating Rate Payer Payment Date
Reference Obligation Price	:	All-in dirty price of Reference Obligation for settlement on the relevant Floating Rate Payer Payment Date based on the Index Yield as determined on the Observation Date.
Index Yield	:	“Index Yield” shall mean the yield of the Reference Obligation determined in the manner prescribed in Appendix 2.
Floating Rate Payer Payment Dates or Settlement Dates	:	As set out in Appendix 1 below, subject to adjustment in accordance with the Business Day Convention.
Floating Rate Day Count Fraction	:	1/1

Other Terms and Conditions

Business Days for Payment	:	Mumbai
Business Day Convention	:	Following
Calculation Agent	:	As per the Documentation
Payment Netting	:	To the extent any INR amounts payable under the Transaction are payable on the same date, then (in accordance with the terms of the Agreement) each party’s obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.
Early Termination Event	:	In the event that: a) Party A is served a notice by Party B or any Regulatory Authority to early terminate the Transaction then Party A will; or b) Party A becomes aware, that a Jurisdictional Event has occurred (which may or may not be continuing) then Party A may (but shall not be obliged to) give notice in writing to Party B designating a date which is not earlier than two Business Days after the date on which such notice (“Early Termination Event Notice Date”) is validly given as the “Accelerated Termination Date”. In the same notice Party A shall also designate any Business Day prior to Accelerated Termination Date to be the “Accelerated Termination Amount Determination Date” to determine the

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Accelerated Termination Amount on.

Following such designations, no further settlement occurs for this Transaction from and including such Early Termination Event Notice Date with the exception of the Accelerated Termination Amount to be settled on the Accelerated Termination Date.

On the Accelerated Termination Date, the Accelerated Termination Amount shall be paid by Party A or Party B, as the case may be, and the Transaction shall terminate on the Accelerated Termination Date. If the Accelerated Termination Amount is a positive number then Party A shall pay the Accelerated Termination Amount to Party B. If the Accelerated Termination Amount is a negative number then Party B shall pay the Accelerated Termination Amount to Party A.

For these purposes "Regulatory Authority" means any governmental, financial or regulatory authority having competent jurisdiction in India or any part thereof including, without limitation, the Government of India, any government of any State or Union Territory in India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India and the Reserve Bank of India.

Party B Partial Early Termination

Party B may on any Business Day notify Party A stating its intention to terminate this Transaction in part ("Partial Termination Notice Date").

In the notice Party B will specify as set out in the Confirmation

- a) the portion of INR Notional Amount(s) for each Settlement Date(s) which Party B intends to terminate (such amount(s) will be "Partial Early Termination Amount(s)"). To clarify further such Partial Early Termination Amount(s) will always be less than or equal to the relevant INR Notional Amount(s); and
- b) a date which is not earlier than two Business Days after the Partial Termination Notice Date to be the proposed early termination date (the "Proposed Partial Early Termination Date")

Once Party A receives such notice, the Transaction ("Original Transaction") will be split into two Transactions effectively on the Partial Termination Notice Date as follows

- i) First Transaction will continue as per the terms of Original Transaction with only change being outstanding INR Notional Amount(s) be equal to the relevant INR Notional Amount(s) of the Original Transaction less the relevant Partial Early Termination Amount(s)
- ii) Second Transaction will go through the provisions of Early Termination Event of the Original Transaction save that the INR Notional Amount(s) will be assumed to be equal to the relevant Partial Early Termination Amount(s), Early Termination Event Notice Date will be assumed to be Partial Termination Notice Date and Accelerated Termination Date will be assumed to be Proposed Partial Early Termination Date. For this Transaction, as soon as practically possible, Party A shall also designate any Business Day prior to Accelerated Termination Date to be the "Accelerated Termination Amount Determination Date" to determine the Accelerated Termination Amount on such date.

Accelerated Termination Amount

An amount in INR determined by the Calculation Agent on the Accelerated Termination Amount Determination Date or as soon as reasonably practicable thereafter in good faith and in a commercially reasonable manner in accordance with the following:

- a) Reference Obligation Cash Settlement Amount; less
- b) An amount in INR equal to the aggregate of all the Fixed Amount(s) for the Fixed Rate Payer Payment Date(s) scheduled to occur on or after the Early Termination Event

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Notice Date discounted by the INR OIS Discount Curve; less

- c) An amount in INR equal to the aggregate of all the Distribution(s) for the Reference Obligation in a principal amount equal to the relevant INR Notional Amount(s) corresponding to the Fixed Rate Payer Payment Date(s) scheduled to occur on or after the Early Termination Event Notice Date discounted by the INR OIS Discount Curve

		To clarify further, discounted value of any Distribution(s) and Fixed Amount(s) scheduled to occur on or after the Early Termination Event Notice Date to and including the Accelerated Termination Amount Determination Date will be considered to be equal to the relevant Distribution(s) or Fixed Amount(s)
Reference Obligation Cash Settlement Amount	:	An amount equal to the aggregate of the INR Notional Amount(s) corresponding to the Fixed Rate Payer Payment Date(s) scheduled to occur on or after the Early Termination Event Notice Date multiplied by Accelerated Cash Settlement Price, as determined by the Calculation Agent in good faith and in a commercially reasonable manner and in accordance with applicable market standards.
Accelerated Cash Settlement Price	:	The value as a percentage of the principal amount of the Reference Obligation as determined by the Calculation Agent to be the all-in dirty price of the Reference Obligation for settlement on the Accelerated Termination Date based on the implied yield of " Accelerated Cash Settlement Yield " as determined on the Accelerated Termination Amount Determination Date. Where " Accelerated Cash Settlement Yield " shall be determined by the Calculation Agent on the Accelerated Termination Amount Determination Date acting in good faith and in a commercially reasonable manner as per the provisions relating to determination of the Index Yield save that (i) provision of "a)" of determination of Index Yield will not be considered; ii) Observation Date will be Accelerated Termination Amount Determination Date; and iii) "Notional Amount" means the aggregate of all the INR Notional Amount(s) corresponding to the Fixed Rate Payer Payment Date(s) scheduled to occur on or after the Early Termination Event Notice Date.
INR OIS Discount Curve	:	A discount curve determined by the Calculation Agent using the prevailing fixed rates for interest rate swaps of various tenors against the INR-MIBOR-OIS-COMPOUND (as defined in 2006 ISDA Definitions as amended and supplemented from time to time) plus a spread of 0.75% per annum and other relevant information as the Calculation Agent may determine in its sole discretion.
Distribution(s)	:	Scheduled payment(s) that Party A would have received on or after the Early Termination Event Notice Date to and including the relevant Fixed Rate Payer Payment Date assuming that it was the holder of the relevant Reference Obligation in the relevant amount
Jurisdictional Event	:	Means either: (A) The occurrence of any event or condition (whether induced by an action of, or failure to act by, the State or Government of the India or any agency, court or regulatory authority thereof or otherwise howsoever) that has the effect of imposing or declaring a moratorium (whether de facto or de jure) on, or suspension of, or prohibiting, restricting, delaying, cancelling, restructuring or generally causing a material change to, the whole or any part of any payment obligation of the Government of India (including any successors thereto); and/or (B) The occurrence of any event or condition which would, or will, make it illegal or contrary to any applicable regulations issued by any Regulatory Authority for bank branches in India to continue to deal in this Transaction or to hold or deal in the Reference Obligations or any other asset or instrument to hedge the risk of this Transaction.

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Documentation : The complete terms of the Transaction will be set out in the Confirmation and the 2002 ISDA Master Agreement and Credit Support Annex dated as of [•] entered into between the parties, as amended or supplemented from time to time (the “**Agreement**”) incorporating the 2006 ISDA Definitions. Capitalised terms used herein shall be as defined in the Agreement.

APPENDIX 1

Settlement Dates / Fixed Rate Payer Payment Dates/ Floating Rate Payer Payment Dates**	INR Notional Amount(s)	Forward Price (based on the implied yield of Forward Yield)
2 September 2022	1,000,000,000	94.9442%
** subject to adjustment as per Business Day Convention		

APPENDIX 2

“**Index Yield**” shall mean the yield of the Reference Obligation determined in the following manner:

a) Index Yield shall be the sum of the FBIL Yield of the Reference Obligation as on the Fixing Date and Yield Variation provided that the below two conditions are satisfied:

- (i) The absolute difference between (A) the FBIL Yield of the Reference Obligation as on the Fixing Date and (b) the yield based on the CRISIL Valuation of the Reference Obligation as on the Fixing Date is equal to or less than 5 basis points; and
- (ii) The absolute difference between (A) the sum of the FBIL Yield of the Reference Obligation as on the Fixing Date and Yield Variation; and (B) the NDS-OM Yield of the Reference Obligation on the Observation Date is equal to or less than 5 basis points

b) If the conditions present in clause (a) above are not satisfied, the Index Yield shall be determined by mutual agreement between Party A and Party B. While mutually determining the Index Yield, both parties may take into account among other things, the traded yield of the Reference Obligation on the Observation Date, the sum of yield based on the CRISIL Valuation of the Reference Obligation as on the Fixing Date and Yield Variation; or any other information that may be deemed necessary by both parties.

c) In the event that Party A and Party B are unable to mutually agree on the Index Yield in accordance with clause (b) above by the cut-off time (12.00 PM IST) on the Observation Date, the Index Yield shall be determined in accordance with the INR Reference Bank Methodology as described herein below.

“**INR Reference Bank Methodology**”: It is the manner in which Index Yield of the Reference Obligation for an Observation Date is determined by seeking firm bid quotes from Eligible Dealers. Each party shall elect, in its sole discretion, up to two Eligible Dealers to provide a firm bid quotation for purchase of an amount of the Reference Obligation equal to the Notional Amount (“Full Quotation”) and such quotation will need to be provided to the Calculation Agent before 01.00 PM on the Observation Date. In the event that more than one (1) Full Quotation is received by the Calculation Agent, the Index Yield shall be determined corresponding to the highest of such Full Quotation(s) obtained and received by the Calculation Agent.

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d) In the event that no Full Quotation is available through the INR Reference Bank Methodology, the Index Yield of the Reference Obligation for that Observation Date will be determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner.

e) In the event that either of FBIL Yield or NDS-OM Yield or CRISIL Valuation for the Reference Obligation is not available due to system constraints, outage or whatsoever other reason, the Index Yield of the Reference Obligation for that Observation Date will be determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner.

“Notional Amount” means the INR Notional Amount corresponding to the relevant Fixed Rate Payer Payment Date

“Fixing Date” means the day which is 1 (one) Business Day preceding the Observation Date

“Benchmark Security” means the security issued by the Government of India which is a nodal point for 10 year tenor as published by Financial Benchmark India Pvt. Ltd. (FBIL) on its official website at the end of the first Business Day prior to the Observation Date. It is hereby clarified that the Benchmark Security for a particular Fixing Date shall be the same for the immediately following Observation Date

“CRISIL Valuation” means the valuation of the Reference Obligation as provided by CRISIL at the end of relevant day.

“Eligible Dealers” means, any financial institutions that are dealers in the type of Reference Obligation for which Full Quotations are required and who, amongst other things, have already fulfilled all "know your customer" related requirements towards Party A or have completed other similar procedures satisfactory to the Calculation Agent such that Party A is able to sell the relevant Reference Obligation to them and are of the creditworthiness acceptable to the party appointing them and includes Financial Institutions such as Bank of America, Citigroup, Deutsche Bank, Goldman Sachs, JP Morgan Chase, Morgan Stanley, Barclays Capital and UBS or any principal affiliate entity of such entities; provided that such entity is not an affiliate of Party A or Party B, does not act as Party B's prime broker or custodian and is a leading dealer in the relevant market.

“FBIL Yield” means the yield published by Financial Benchmark India Pvt Ltd. (FBIL) on its official website at the end of relevant day.

“NDS-OM Yield” means the last traded yield of the Reference Obligation or Benchmark Security traded on the Negotiation Dealing System-Order Matching Platform (“NDS-OM Platform”) as observed at 11:00 AM IST on the relevant day.

“Yield Variation” means the difference between the NDS-OM Yield of the Benchmark Security as on the Observation Date and the FBIL Yield of Benchmark Security as on the Fixing Date.

REPRESENTATIONS

General Representations:

Party B will be deemed to represent to **Party A** that:

- (a) it is entering into this Transaction for the purposes of hedging risk of lower yields of the Reference Obligation in future. The Forward Rate Agreement locks-in the yield of the Reference Obligation and thereby hedges the risk of lower yield in the future. It is entering into this Transaction to hedge the risks arising due to one of the following three forecasted transactions: (i) Reinvestment of maturity proceeds of existing fixed income investments (ii) investment of interest income receivable (iii) Expected policy premium income receivable on the Insurance Contracts which are already underwritten in Life and Pension & Annuity business in the case of Life Insurers. It further represents that while entering into this Transaction, it is adhering to the overriding principle of any use of the derivative is that it must be used for hedging purposes only to reduce the interest rate risk in the company.
- (b) it has obtained all necessary corporate authorisations, approvals and consents, whether regulatory or otherwise, for entering into and performing the Transaction hereunder;
- (c) its Board of Directors has drawn up a risk management policy, laid down clear guidelines for concluding the transactions and institutionalized the arrangements for a periodical review of operations and annual audit of the Transactions to verify compliance with such legislation, circulars, guidelines and regulations, as may be applicable.
- (d) its applicable laws and regulations, and its constitutional documents do not, and there are no director's or shareholder's resolutions in existence that, restrict or prohibit its entering into the Transaction. No specific directions have been given to it by its governing or regulatory authority with respect to its entering into the Transaction nor has its governing or regulatory authority issued to it any restrictions or prohibitions with respect to its entering into the Transaction, which in either case, would render entering into and/or performance under the Transaction in breach of the same.

Specific Representations:

Party B will be deemed to represent and/or acknowledge to **Party A** on each day of the Transaction that:

- (a) the Reference Obligation (and the use of its price as an interest benchmark) is identified and chosen on the basis of the business exposure of, and as per the request of, Party B; and as an appropriate reference asset considering the exposure it is seeking to hedge;
- (b) Given that the settlement of the hedge will be in accordance with, and as per the settlement dates provided for, in this term sheet, Party B may still be subject to hedge mismatch and reinvestment risk during the tenor of this Transaction.

FEATURES/ BUILDING BLOCKS OF THE PRODUCT

- INR OIS curve which is a reflection of interest rates
- Reference Obligation Price

Product Variation:

- **Buy FRA:** User holds obligation to pay a pre agreed Forward Price at the relevant Settlement Date of the Transaction and receive market value of the underlying bond on the Settlement Date

PRODDUCT ILLUSTRATION AND PAY-OFF

Example of protection via Bond FRA on Indian Govt. Bond

- Market maker is Party A, user is Party B
- Notional Amount: INR 1 million
- Forward Purchase Price: 102.35
- Face Value of the Bond: INR 100

Illustration of best and worst case scenarios:

Favorable Case: The Dirty Price of Reference Security on Settlement Date is 105.35 (i.e. above Forward Purchase Price),

- Party B receives INR 1mio * 105.35% = INR 1,053,500.00
- Party B pays INR 1mio * 102.35% = INR 1,023,500.00
- Net profit from the Transaction to the user is INR 30,000.00

Unfavorable Case: The Dirty Price of Reference Security on Settlement Date is 98.35% (i.e. below Forward Purchase Price),

- Party B receives INR 1mio * 98.35% = INR 983,500.00
- Party B pays INR 1mio * 102.35% = INR 1,023,500.00
- Net loss from the Transaction to the user is INR 40,000.00

Pay-off:

Forward Purchase Price: F

On Expiration Date	Payoff
Dirty Price of Reference Security: S	On Settlement Date <ul style="list-style-type: none"> • Party B receives S • Party B pays F

Fees:

Unless stated otherwise in the termsheet or trade confirmation of the Transaction agreed with the user, the price that Party A quotes to its users is inclusive of any charges, costs etc. that Party A needs to bear in order to offer the Transaction to the user.

Early Exit:

Will follow as defined in the terms and conditions of the contract.

SENSITIVITY ANALYSIS - FOR ILLUSTRATIVE AND INFORMATIONAL PURPOSES ONLY

A sensitivity analysis identifies the market parameters that affect the potential profit or loss to a party under a transaction. This section displays some (but not all) of the market parameters which may affect the transaction and is not exhaustive. As such, no representation or warranty is made as to the accuracy or completeness of the information provided, which shall not be treated as professional or investment advice. The key parameters that affect the value of this transaction are - INR OIS curve and Reference Obligation Price.

This sensitivity analysis illustrates the effect that changes in the level of INR OIS curve and Reference Obligation Price may have on the indicative Mark to Market of the transaction. This sensitivity analysis has been prepared based on assumptions and parameters that reflect good faith determinations. The assumptions and parameters used are not the only ones that might reasonably have been selected or that could apply in connection with the preparation of this sensitivity analysis. A variety of other or additional assumptions, parameters, market factors and other considerations could result in different indicative values of the transaction. UBS AG expressly makes no representation or warranty that any valuation indicated below will apply in the future. Although this sensitivity analysis is based upon materials, sources and systems believed by us to be reliable, UBS AG or its affiliates do not guarantee its accuracy or completeness in any way whatsoever.

This sensitivity analysis is not intended to, and does not necessarily, illustrate the effect that changes in the level of INR OIS curve or Reference Obligation Price may have on the actual Mark to Market of the Transaction. In fact, the below indicative values may be significantly different to the actual unwind price of the transaction at any given time, but are intended to merely provide some indication of the possible Mark to Market based on the selected assumptions and parameters set forth herein.

SCENARIO ANALYSIS

The following scenarios assume that only the variable under examination changes and all other variable remain constant. It is expressly assumed Party B suffers no reinvestment risk and that there is no significant change or abnormal/excessive volatility in the Reference Obligation Price in the period preceding the Observation Date

- Table 1: INR OIS curve is changed and all other variables remain constant, and
- Table 2: Reference Obligation Price is changed and all other variables remain constant

The two tables below indicate the mark to market of the transaction, in INR. A positive value indicates that the transaction is in the money for Party B and a negative valuation indicates that the transaction is in the money for Party A.

The two tables below show the indicative sensitivity to parallel shifts in INR OIS curve and changes in Reference Obligation Price respectively, assuming all other variables are constant.

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Table 1:

Parallel shift in INR OIS curve	Indicative Mark to Market for Client (INR Mn)
-5.00%	-41
-2.00%	-17
-1.00%	-9
-0.50%	-5
+0.50%	2
+1.00%	6
+2.00%	14
+5.00%	35

Table 2:

Change in Reference Obligation Price	Indicative Mark to Market for Client (INR Mn)
-10.00%	-10
-5.00%	-52
-3.00%	-32
-1.00%	-12
+1.00%	8
+3.00%	28
+5.00%	48

MAXIMUM LOSS & WORST DOWNSIDE ON PAY-OFF PROFILE

While OIS rates can go negative so theoretically the worst case can be unlimited once the Early Termination Event occurs. However, assuming that OIS rates go to zero and an Early Termination Event occurs, then under this scenario at worst if Reference Obligation Cash Settlement Amount is determined to be zero then client will have to pay all the Fixed Amount(s) and Distribution(s) still pending.

RISK DISCLOSURE

IMPORTANT NOTICE

We believe that clients who engage in treasury and financial transactions with us or through us should be aware of the risks which may be associated with such transactions. This risk disclosure statement is not intended as a substitute for your actually becoming reliably and adequately informed of the risks associated with such transactions by your seeking independent advice or otherwise as regards any specific transaction contemplated, and you shall accordingly be responsible for any transaction which you ultimately choose to enter into.

THIS NOTICE DOES NOT PURPORT TO DISCLOSE TO OR ADVISE YOU OF ALL OF THE RISKS AND OTHER RELEVANT CONSIDERATIONS AND ANY SIGNIFICANT ASPECT OF ANY TRANSACTION. YOU SHOULD THEREFORE CONSULT YOUR OWN LEGAL, TAX AND FINANCIAL ADVISERS PRIOR TO ENTERING INTO ANY PARTICULAR TRANSACTION.

You should not enter into a transaction unless you fully understand the transaction including at least the following:-

- (a) the nature of the transaction and the market underlying such transaction;
- (b) the terms and conditions of such transaction;
- (c) the extent of the financial and economic risk to which you are exposed as a result of such transaction;
- (d) the income tax treatment of such transaction; and
- (e) the regulatory and accounting treatment of such transaction.

Furthermore, before you enter into any transaction, you should consider, among other things, the following points:-

1. **Suitability:** You should determine whether a product and the transaction proposed to be entered into by you is appropriate in the light of your experience in similar transactions, your objectives in engaging in the transaction, your financial resources and other relevant circumstances. If you are not sure that the transaction is suitable for you, you should consult your own legal, tax and financial advisers before entering into the transaction.
2. **Market Risk:** Your gains or losses under a transaction may be linked to changes in the market(s) to which the transaction is linked and such market(s) may not perform in tandem with the local market which you may be familiar with. You may therefore be exposed to volatility in such market(s), which may be greater than the volatility of the local market you may be familiar with. Furthermore, the extent of your loss or profit in a transaction may be greater or less than the corresponding movements in the market(s).
3. **Credit Risk:** You are exposed to the credit risk of the counterparty with whom you are matched, or with whom you contract. In any transaction, you are exposed to our credit risk, other than the transactions where we act as broker or agent. In such cases, you will be exposed to the credit risk of the third party with whom you are contracting, which may be lower or higher than our credit risk.

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4. **Economic Risk:** Because the prices and characteristics of over-the-counter transactions are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in transaction pricing. We consequently cannot and do not warrant that our prices or the prices we secure for you are or will at any time be the best price available to you. We may make a profit from a transaction with you no matter what result the transaction has from your point of view.
5. **Liquidity Risk:** Execution and/or liquidation of your positions may, in certain circumstances, be difficult or impossible. These circumstances include, for example, suspension of trading, extreme market conditions, failure of telecommunications or electronic systems, and events commonly known as “force majeure”. Your ability in such circumstances to make a value or risk assessment, or to make a calculation of a fair price, would also be adversely affected. Even, if you give a “stop-loss” or “stop-limit” order, these may be impossible to execute.
6. **Transaction Costs:** Your net returns from a transaction would also be affected by the transaction costs (i.e. commission, fees and other charges) charged by us.
7. **Margin/Collateral:** We may require that you provide margin or collateral to support your obligations under transactions you trade with or through us.

Where a transaction is leveraged, you should note that a small market movement in the underlying market will have a multiplying effect on your corresponding loss, and such losses may exceed the amount of margin deposited with us. In such a situation, you would be required to top-up any such shortfall by depositing additional margin with us.

Generally, we are entitled to liquidate your positions to meet any shortfall in margin or collateral requirements.

8. **Structured Transaction with Multiple Instruments:** Where a transaction is made up of several instruments, you should be aware that there is risk associated with each instrument evaluated separately and the risk of the transaction evaluated as a whole.

We strongly suggest that you independently review all materials (as supplied by us from time to time to you and as supplemented with your own independent advice which you are encouraged to take) pertaining to the risks associated with any transaction.