Product & Risk Disclosure – European Call Spread

European Call Spread

Party A – Deutsche Bank AG, Mumbai Branch; Party B - User

Product Features

- The product is a combination of two vanilla call options which provides limited protection to the Party B as compared to plain vanilla option at a reduced cost
- Buy Call Spread: Call Spread to hedge FCY liabilities/payables is a combination of Buy Call Option at strike X and Sell Call Option at strike Y, where Y > X. The strategy is to hedge the depreciation in INR against USD.
- Sell Call Spread: Call Spread to hedge FCY assets/receivables is a combination of Sell Call Option at strike X and Buy Call Option at strike Y, where Y > X. The strategy is to hedge the appreciation in INR against USD.

Benefits & Features

- Provides protection starting from the buy (sell) call strike X till sell (buy) call strike Y.
- If USDINR rate goes above (below) the sell call strike Y (X), the structure does not provide any incremental hedge
- Party B pays the net premium which is the difference between the two options

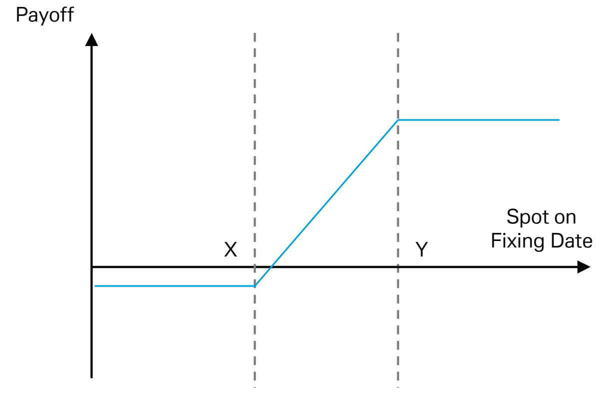
Building Blocks

- FX Implied Volatility
- FX Spot
- FX Forward Premium

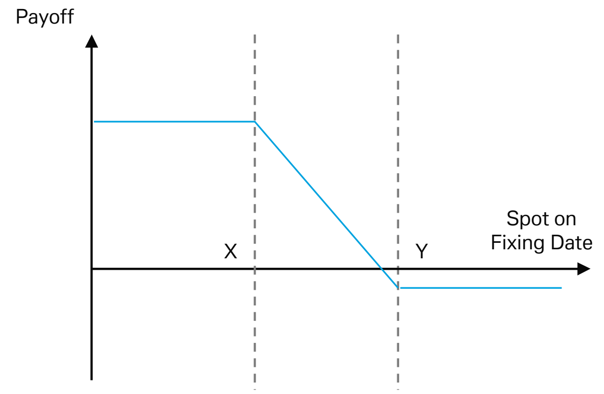
Primary Risk Factors of Long (Short) European Call Spread

- Appreciation (Depreciation) in INR against USD below (above) strike X (Y)
- Decrease (Increase) in USDINR forward premium
- Adverse movement in FX Volatility

Payoff Illustration – Buy Call Spread



Payoff Illustration – Sell Call Spread



For the purpose of the Product and Risk Disclosure Statement, the Transaction is described with USDINR as the underlying currency pair. This description of the transaction is also applicable for other underlying currency pairs.

European Call Spread

Scenario Analysis

Scenarios below indicate potential gain/loss in INR million on expiry at different USD/INR Spot Rates for USD 1 Million Buy (Sell) Call at 80.00 and Sell (Buy) Call at 90.00

Scenario	USD/INR Fix	Payoff (Buy Call Spread)	Payoff (Sell Call Spread)
1	70.00	0.00	10.00
2	75.00	0.00	10.00
3	80.00	0.00	10.00
4	85.00	5.00	5.00
5	90.00	10.00	0.00
6	95.00	10.00	0.00
7	100.00	10.00	0.00

The above table illustrates possible scenarios of this Transaction and the resulting cash-flows. It is important for Party B to acknowledge that there is no limit to the possible scenario variations on this Transaction.

The analyses are provided to the Party B for information purposes only and Party A does not make any representation or warranty to the Party B in respect of the same. Party A shall not be liable for any errors or omissions made in calculating or disseminating the below analyses, or for any inaccuracies or flaws in the methodologies, adjustments or assumptions used in deriving the analyses

Contract terms and conditions – Unwind Cost

An amount equal to Party A's total costs or loss (which shall be a positive number) or gain (which shall be a negative number) in connection with terminating all payments and contingent payments that would otherwise have been made under this transaction in the period from but excluding the relevant Optional Termination Date up to and including the originally scheduled Termination date.

Party A's total costs or loss shall include, without limitation, any loss of bargain, cost of funding, or loss or cost incurred as a result of Party A terminating, liquidating, obtaining or re-establishing any hedge or related position.

Party A shall provide the Mark to Market value of the trade as and when desired by Party B

European Call Spread - Generic Risks

Market Risk

Market Risk is the risk that the value of a Transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the Transaction or in a related market. In particular leveraged Transactions will entail a higher degree of risk as the losses arising from a small market movement will be multiplied and you may be required to provide substantial margin at short notice to meet your obligations. Failure to meet such obligations may result in us having to liquidate your position at a loss for which you would be liable. You should also note that while we will seek to observe "stop loss" and "stop limit" orders, market conditions may prevent us from executing any "stop loss" or "stop limit" orders which may have been previously agreed.

Credit Risk

Credit Risk is the risk that we may, under certain circumstances, fail to perform our obligations to you when due.

Funding Risk

Funding Risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to you under Transactions or related hedging, trading, collateral or other transactions, you will not have adequate cash available to fund current obligations.

Liquidity Risk

Liquidity Risk is the risk that due to prevailing market conditions it may not be possible to liquidate, nor to assess a fair value of your position. In addition, you should be aware that the operation of exchange rules or any power or system failure affecting electronic trading facilities may, in certain circumstances, impair or prevent us from liquidating or executing your Transactions, thus increasing the likelihood of loss..

Operational Risk

Operational Risk is the risk of loss to you arising from inadequacies in, or failures of, your internal procedures and controls for monitoring and quantifying the risks and contractual obligations associated with Transactions.

Currency Risk

Currency Risk The profit or loss from Transactions in foreign currencies will be affected by fluctuations in currency exchange rates where there is a need to convert from the currency denomination of the Transaction to another currency.

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