Product & Risk Disclosure – FX European Option (Call & Put)

FX European Option – Call

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

Product Features

- Call options are products that give the option buyer the right, but not the obligation, to buy USD against INR at a specified rate (strike, X) at expiration and the buyer pays upfront premium for the same
- Buy Call: Users with FCY liabilities/payables can hedge their exposure against INR depreciation above Strike Rate, X and can still participate in favorable movements below Strike Rate, X
- Sell Call: Users collect the premium and are obliged to sell USD against INR at the strike rate X, if the buyer exercises their right upon expiry

Benefits & Features

- If USDINR goes higher than X, option buyer's liabilities/payables are protected at X, but if USDINR goes lower than X, the buyer benefits from buying at market spot rate
- Downside for the buyer is limited to premium payment
- The seller receives the premium but is exposed to downside if USDINR goes higher than X

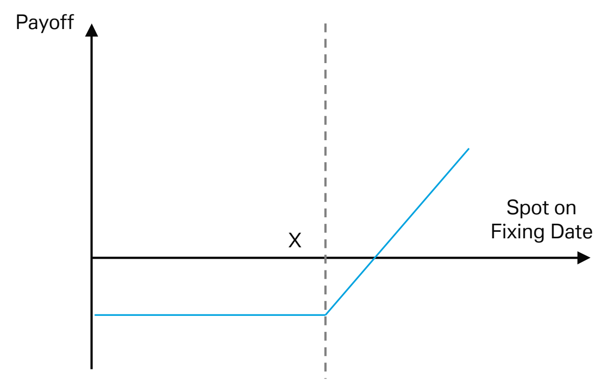
Building Blocks

- FX Implied Volatility
- FX Spot
- FX Forward Premium

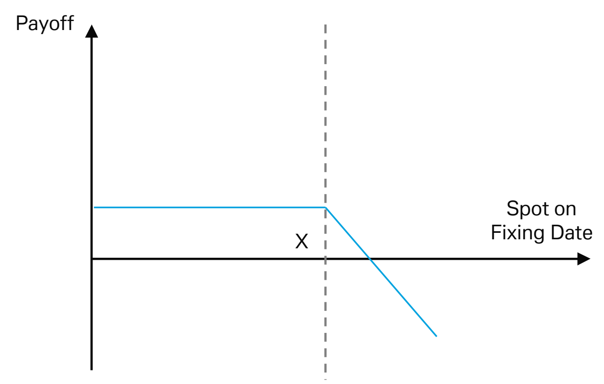
Primary Risk Factors in Buy (Sell) Call Option

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

Payoff Illustration – Buy Call



Payoff Illustration – Sell Call



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.

FX European Option – Call

Scenario Analysis

Scenarios below indicate potential payoff in INR million on expiry date at different USD/INR Spot for a USD 1 Million Call at 85.00 and premium of INR 1 million

USDINR	Strike	Payoff (Buy)	Payoff (Sell)
75	85	-1.00	1.00
80	85	-1.00	1.00
85	85	-1.00	1.00
90	85	4.00	-4.00
95	85	9.00	-9.00

The above table illustrates possible scenarios of this Transaction and the resulting payoff. 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 – Option to Unwind and Early unwind date

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 Deutsche Bank 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
User has the option to unwind this trade as specified in the relevant confirmation and subject to unwind costs.

Costs and Fees

Transactions of this nature are executed at an all-inclusive price and there would not be any separate breakup and recovery of costs, fees and other charges. Breakup will however be provided as per the extant RBI guidelines. This doesn't include statutory charges/levies and same will be recovered separately as applicable.

FX European Option – Call

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.

FX European Option – Put

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

Product Features

- Put options are products that give the option buyer the right, but not the obligation, to sell USD against INR at a specified rate (strike, X) at expiration and the buyer pays upfront premium for the same
- Buy Put: Users with FCY assets/receivables can hedge their exposure against INR appreciation below Strike Rate, X and can still participate in favorable movements above Strike Rate, X
- Sell Put: Users collect the premium and are obliged to buy USD against INR at the strike rate X, if the buyer exercises their right upon expiry

Benefits & Features

- If USDINR goes lower than X, option buyer's assets/receivables are protected at X, but if USDINR goes higher than X, the buyer benefits from selling at market spot rate
- Downside for the buyer is limited to premium payment
- The seller receives the premium but is exposed to downside if USDINR goes lower than X

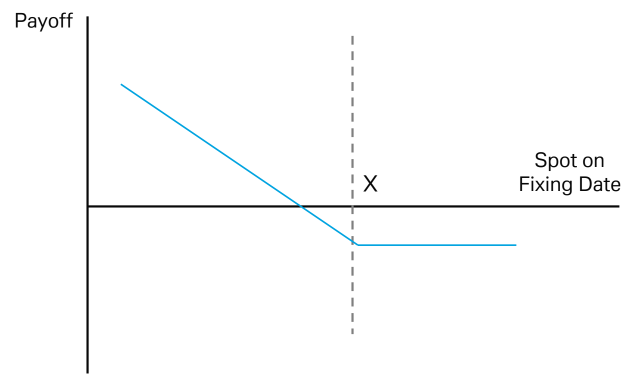
Building Blocks

- FX Implied Volatility
- FX Spot
- FX Forward Premium

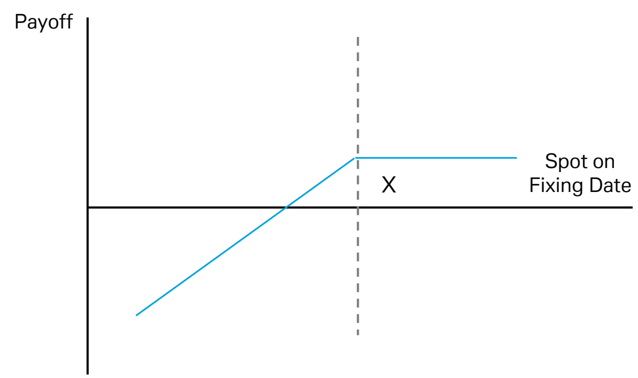
Primary Risk Factors in Buy (Sell) Put Option

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

Payoff Illustration – Buy Put



Payoff Illustration – Sell Put



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FX European Option – Put

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