Range Forward

Product Disclosure Statement ("PDS")
(This Product Disclosure Statement is to be read in conjunction with the Terms and Conditions available on this website.)

Purpose
The purpose of this document is to provide you with key information about the various products offered by ICICI Bank. ICICI Bank has provided you with this PDS so that you can receive adequate information about Range Forward, to help you understand their features, risks, benefits, an illustration of how the product works, and to assist you in making an informed decision about entering into Range forwards and also facilitate comparisons with other products (please refer to the PDS for other FX products, to refer to key information on other FX products). Please read this PDS in entirety, before deciding to enter into a Range forward.

Components determining Value of Options
Option value would be determined by the prevailing spot rate, strike rate, forward rates, volatility, tenor and interest rate differentials.

Termination
If you wish to terminate the Range Forward before the expiry date, the Range Forward will be terminated at the prevailing market rate. The termination value may either be positive (gain), or negative (loss). The termination value would be a function of the prevailing spot rate, strike rate, forward rate, volatility, residual tenor, interest rate differentials for the residual tenor, and the discount factors. Any illiquidity in the market for the specific currency or tenor or notional, could lead to a wider bid-offer spread, which would adversely impact the market value of the outstanding derivative contract.

Currency markets are highly volatile and the prices of the underlying currencies can fluctuate rapidly and over wide ranges, and may reflect unforeseen events or changes in the conditions. Thus, fluctuations in the underlying currencies will affect the benefit or cost to you, when you terminate a Range Forward.
The risks mentioned in this document are not exhaustive. There may be other risks that are relevant to you when entering into a Range forward.

Costs and Fees
Any specific transaction of this nature will be concluded at the all-inclusive price and there would not be any separate costs, fees and charges. The break-up of all-inclusive price will be provided as per the extant RBI guidelines. The statutory levies and charges will be recovered separately as applicable from time to time.

General information
Please refer to the disclaimer at the end of this document.
Please note that all products are also subject to regulatory risks (not limited to changes in regulation, product discontinuation by the regulator, etc.).

Range Forward

Description and Features

A Range Forward consists of a buy call (put), and a sell put (call). It is a cost reducing strategy wherein the buyer of a vanilla call (put) can reduce the cost of the vanilla option, by selling another put (call) option, thereby leading to a reduction in the participation, up to the level of the sell option.

There are two types of Range Forward:

- Importer Range Forward: A combination of the buy call option and the sell put option, of the lower strike.
- Exporter Range Forward: A combination of the buy put along with the sell call option, of the higher strike.

Purpose

A call (put) option helps the buyer of the option in hedging the risk of the underlying foreign currency payables (receivables), against the movements in the exchange rate beyond the strike rate of the bought call (put) option. Selling a put (call) option in this structure, reduces the cost of this transaction and defines the range beyond which the hedge is effective.

Illustration for USD/INR Range Forward

Parameters

1. Strike: Buy USD call / INR put at <76.14 >
   Sell USD put / INR call at <74.37>
2. Spot reference: <74.37>
3. Forward: <1.77>
4. Tenor: <6> months
5. Notional: USD <1> Million
6. Upfront Premium: INR <0.71>/USD

Pay off Profile Possible Scenarios at Expiry

USD/INR spot rate is below <74.37>

For example if the USD/INR spot rate is <74.00>, the USD/INR put option at <74.37> will be exercised. The contract holder will buy USD/INR at <74.37>.

USD/INR spot rate is at or above <74.37> but below <76.14 >

For example, if USD/INR spot rate is <75.00>, none of the options get exercised the contract holder can buy USD/INR at the prevailing market rate of <75.00>.

USD/INR spot rate is at <76.14> or higher

For example, if the USD/INR spot rate is at <77.00>, the USD/INR call option at <76.14> will be exercised and the contract holder can buy the USD/INR at <76.14> instead of the market rate.

Benefits

- Protection from unfavourable forex movements beyond the buy option strike rate
- Participation when the spot at the expiry trades between the bought option and the sold option range.
- Lower cost vis-a-vis the vanilla option.

Predominant Risks

- A premium may be payable for the buying option structure, irrespective of the scenario at expiry.
- Participation is limited when the spot moves beyond the sell option strike level.

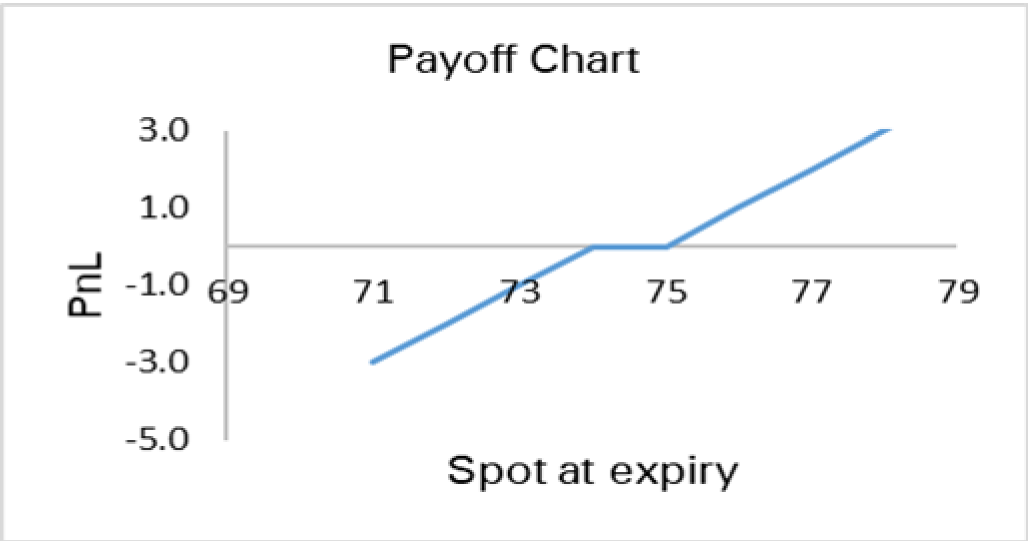
Other Risks

- Please refer to the section listing 'Various risks associated in the transaction'.

Alternates

- A series (strip) of Range Forwards can be entered into, for periodic settlements.
- Adjustments in strikes can be made to adjust the premium amount, thus, changing the level of participation/protection accordingly.

Payoff (*excludes premium)



Various risks associated in the transaction

The Counterparty acknowledges that before entering into derivative transactions, it understands the underlying risk of the above mentioned transaction. The Counterparty acknowledges that derivative transactions are in general exposed to various types of risk, including but not restricted to the following:

1. **Credit risk:** the risk of loss due to Counterparty's failure to perform on an obligation to the institution. Credit risk in derivative products comes in two forms:

   a. Pre-settlement risk: the risk of loss due to a Counterparty defaulting on a contract during the life of a transaction. The level of exposure varies throughout the life of the contract and the extent of losses will only be known at the time of default.

   b. Settlement risk: the risk of loss due to the Counterparty's failure to perform on its obligation after an institution has performed on its obligation under a transaction on the settlement date. Settlement risk frequently arises in international transactions because of time zone differences. This risk is only present in transactions that do not involve delivery versus payment and generally exists for a very short time (less than 24 hours).

2. **Market risk:** the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposure occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates, equity prices, and commodity prices or in the volatility of these factors.

   a. Liquidity risk: the risk of loss due to failure of an institution to meet its funding requirements or to execute a transaction at a reasonable price. Institutions involved in derivatives activity face two types of liquidity risk: market liquidity risk and funding liquidity risk.

   b. Market liquidity risk: the risk that an institution may not be able to exit or offset positions quickly, and in sufficient quantities, at a reasonable price. This inability may be due to inadequate market depth in certain product (e.g. exotic derivatives, long-dated option), market disruption, or inability of the bank to access the market (e.g. credit down-grading of the institution or of a major counterparty).

3. **Funding liquidity risk**: the potential inability of the institution to meet funding requirements, because of cash flow mismatches, at a reasonable cost. Such funding requirements may arise from cash flow mismatches in swap books, exercise of options, and the implementation of dynamic hedging strategies.

4. **Operational risk**: the risk of loss occurring as a result of inadequate systems and control, deficiencies in information systems, human error, or management failure. Derivatives

activities can pose challenging operational risk issue because of the complexity of certain products and their continual evolution.

5. **Legal risk**: the risk of loss arising from contracts which are not legally enforceable (e.g. the counterparty does not have the power or authority to enter into a particular type of derivatives transaction) or documented correctly.

6. **Regulatory risk**: Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.

7. **Reputation risk**: the risk of loss arising from adverse public opinion and damage to reputation.

8. **IBOR Discontinuation:** If the Counterparty transacts in any derivatives linked to an interbank offer rate (IBOR) such as LIBOR, or any synthetic rate (such as MIFOR) that use an IBOR in its calculation, please note that there is a risk that such IBOR may be discontinued prior to the maturity of the derivatives contract. There are public consultations by different industry groups, including by ISDA for derivatives contracts, to develop contractual fallbacks that will apply in the event of an IBOR discontinuation. A contractual fallback will define the events that will trigger the benchmark fallback and the methodology that will determine the fallback rate. ISDA has consulted on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain IBORs. As and when the benchmark fallbacks are finalized, market participants are expected to incorporate them into existing derivatives contracts, by way of bilateral amendment or multilateral protocol adherence, to enhance contractual robustness. Please note that application of the benchmark fallbacks may cause a change in value of existing derivatives contracts. In addition, there is no assurance that the same trigger events and fallback methodologies will be incorporated into cash products (such as bonds, loans or other non-derivative products). Accordingly, you may run basis risks if you are using derivatives contracts to hedge your obligations or investments in cash products (or another financial instrument) that adopt different triggers and fallbacks. The potential mismatches may impact the hedge effectiveness, financial reporting and value of existing derivatives contracts.

DISCLAIMER

This document has been prepared for providing standard information on the products mentioned in this document and for facilitating an understanding of the product alternatives. ICICI Bank Limited, ("ICICI Bank") does not make any representation or warranty as to the completeness or accuracy of the information contained in this document, and accepts no liability whatsoever with respect to the use of this document or its contents. This document does not constitute or contain advice, an offer, invitation to offer, advertisement, invitation or recommendation by ICICI Bank to the counter party ("Counter Party"), or any other person or persons, to enter into an agreement, or any form of commitment to enter into any transaction in relation to the subject matter of the document.

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The information herein is not to be taken in substitution for the exercise of judgment by the Counter Party who should obtain separate transaction, product, legal, accounting, tax and financial advice. Before entering into any transaction, the Counter Party should take steps to ensure that he/she/they understand/understands the transactions contemplated hereunder and risks thereof, and has/have made an independent assessment of the appropriateness of the transactions contemplated hereunder in the light of the Counter Party's own specific objectives, risk appetite, financial situation and particular needs. In particular, the Counter Party may wish to seek advice from a licensed or exempt financial adviser, or make such independent investigations, as he/she/they consider/considers necessary or appropriate for such purposes.

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ICICI Bank

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Other Risks

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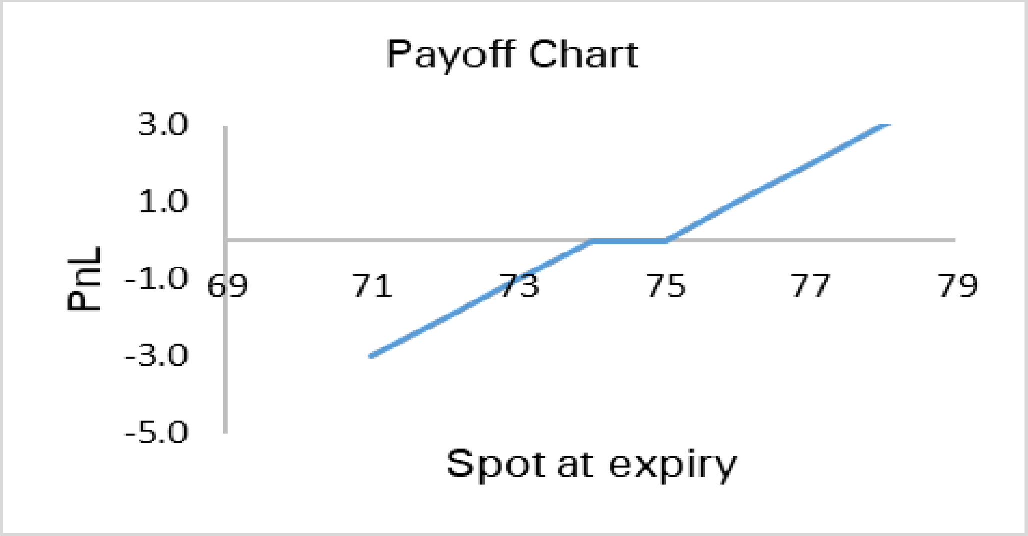
Payoff (*excludes premium)



Various Risks associated with the Transaction

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