

PRODUCT AND RISK DISCLOSURE DOCUMENT

PURPOSE

This document provides you with key information about this product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

PRODUCT

Name : **Bond Forward**
Party A : First Abu Dhabi Bank PJSC Mumbai – Offeror of the product
Party B : Client of Party A (You) – User of the product

You may contact Party A on +91 22 33311131/32/33 for any additional information.

WHAT IS THIS PRODUCT?

This is an over the counter (OTC) derivative transaction (the “Transaction”) that enables the user to lock in the future purchase price of a bond and, correspondingly, the forward yield of an underlying bond with the desired maturity. The Transaction may be used to hedge against adverse movements in bond prices.

Under a Bond Forward transaction, the user enters a contractual obligation to purchase an underlying bond or a specified bond portfolio at a predetermined Forward Purchase Price, and therefore at a fixed Forward Yield, on a specified future Settlement Date. The Transaction is physically settled and requires no upfront payment from the user.

All CONTRACT TERMS AND CONDITIONS *(for illustrative purposes only)*

General Terms for Bond Forward

Party A: First Abu Dhabi Bank PJSC Mumbai

Party B: XYZ

Trade Date: [•]

Effective Date: [•]

Termination Date: [•], subject to adjustment in accordance with the Modified Following Business Day Convention.

Business Days: [•]

Reference Security[ies] Issuer: [Government of India / SDLs]
ISIN : []
Coupon: [] %, Semi Annual, ISMA-30/360
Maturity: []

Notional Amount []

Reference Yield []

Settlement Physical Settlement

Settlement Date	[]
Forward Purchase Price	[]
Calculation Agent	Party A, unless otherwise stated in the ISDA
Documentation	ISDA Master Agreement and confirmation Incorporating the 2006 ISDA definitions and ISDA 2021 Interest rate derivatives and two-way credit support
Settlement Payments	Party B will receive reference security(ies) in an Outstanding principal amount equal to Notional Amount From Party A on settlement Date Party A shall receive Notional Amount * Forward Purchase Price From Party B on settlement Date
Termination/Unwinding	Termination/unwind value shall be calculated by Party A, and any gain/loss arising therefrom shall be As per extant guidelines of the Reserve Bank of India (“RBI”)

ILLUSTRATION

Market Maker	Party A
User	Party B
Notional Amount	INR 100 million
Forward Purchase Price	101
Bond Face Value	INR 100

On basis of above trade illustration.

Scenario Analysis

Dirty Price of Ref. Security	Notional in INR	Net P&L in INR (From Party B)
99	100,000,000	= $(101 - 99)/100 * 100,000,000 = 2,000,000$
101	100,000,000	= 0
103	100,000,000	= $(101 - 103) /100 * 100,000,000 = - 2,000,000$

PAY OFF PROFILE

On Expiration Date	Payoff
Dirty Price of Reference Security	On Settlement Date Party B receives the reference security Party B pays Forward P

GENERIC RISKS

- **Tenor of Transaction**
Party B should be satisfied with the full tenor of the Transaction. Party B should note that any transaction with a longer tenor will be associated with higher risks and will usually involve a higher cost of early termination, if early termination is permitted.
- **Party B suitability**
Party B should ensure that it understands the characteristics of the Transaction and the nature of the associated risks, and that it considers the suitability of the Transaction in light of its own circumstances and financial condition. Party B should also ensure that it has the ability to enter into the Transaction and to withstand the potential financial loss.
- **Concentration risk**
Party B should be satisfied that it is not over-exposed to any particular interest rate, currency, or type of transaction. Party B should also ensure that the Transaction does not form a substantial portion of its investment portfolio.
- **Fixing Risk**
If the Reference Security Price for the relevant Settlement Date is lower than the Forward Purchase Price, the payments to be received by Party B will be lower than the payments to be made by Party B.
- **There are potential conflicts of interest**
Party A and its affiliates play a variety of roles in connection with the Transaction, including acting as calculation agent and hedging their obligations under the Transaction. Party A and/or its affiliates may also enter into, adjust, and unwind transactions relating to the relevant interest rates and/or currencies, whether for their proprietary accounts, for accounts under management, or to facilitate transactions on behalf of other counterparties. In carrying out these roles, Party A's economic interests and those of its affiliates may be adverse to Party B's interests in the Transaction.
- **Pricing, valuation and unwind:**
Party A may price, value, and unwind the Transaction or any part thereof on the basis of such pricing models, methodologies, assumptions, and factors as Party A, acting in good faith and in a commercially reasonable manner, deems appropriate.
- **Liquidity risk**
The Transaction is a contractual obligation of Party B from the trade date to the maturity or termination date. No early uplift, withdrawal, modification, or termination of the Transaction is permitted except with Party A's prior agreement or as otherwise provided under the Transaction. If the Transaction is terminated early or modified, Party B may suffer losses and may be required to compensate Party A for costs (if any) incurred by Party A in replacing or obtaining the economic

equivalent of the Transaction as a result of such modification or early termination, and such losses and costs may be substantial.

- **Interaction risk**
Different types of risks may interact unpredictably, particularly in times of market stress.
- **Mark-To-market risk**
Party B bears the downside risk of mark-to-market (MTM) fluctuations in the value of the Transaction. Party B should be aware that the MTM value of the Transaction is determined by various market factors and is calculated in accordance with Party A's internal valuation model. Accordingly, the value may differ significantly from the intrinsic value calculated by a simple arithmetical method.
- **Credit risk**
Party B assumes the credit risk of Party A with respect to all payments due under the Transaction. In the worst-case scenario, if Party A defaults on its payment obligations under the Transaction, Party B may receive no payment.
- **No assurance of The Transaction achieving your desired hedging objectives**
Where the Transaction is used by Party B as a hedging tool, Party B should note that there may be imperfect correlation (sometimes referred to as "basis risk") between changes in the value of the Transaction and the particular exposures that Party B wishes to hedge. Party B should be comfortable with the risks associated with any potential mismatch between its exposure under the Transaction and the exposure under its other businesses or transactions. Such mismatch may arise from excessive hedging, inadequate hedging, or loss of hedge in certain circumstances.

INTENDED CLIENT

This product is intended for clients who:

- Have sufficient knowledge and experience in dealing in Bond Forward products such as the one described in this document and are willing and able to bear an unlimited loss.
- Have a risk tolerance consistent with the summary risk indicator in this document.
- Have an investment horizon consistent with the term of this product, as determined independently or on the basis of professional advice.

WHAT ARE THE COSTS INVOLVED AND HOW CAN THE USER EXIT THIS TRANSACTION?

Consistent with standard over-the-counter (OTC) derivative transactions, Party B may request the early termination of this Transaction on any Business Day prior to the scheduled termination date. In such circumstances, Party B may request Party A to provide an early termination quote.

The early termination quote shall be based on the mid mark-to-market value of the Transaction from Party A's perspective, adjusted for applicable costs including, without limitation, unwind costs, hedging costs, funding costs, and any other related expenses. In determining the early termination quote, Party A, acting as Calculation Agent, shall take into account prevailing market conditions, liquidity, pricing considerations, its hedging obligations, and such other factors as it deems relevant in its sole and absolute discretion.

Party B shall notify Party A whether it elects to proceed with the early termination and confirms its acceptance of the quoted amount.

a. If the early termination quote is positive, Party B shall pay such amount to Party A.

b. If the early termination quote is negative, Party A shall pay Party B an amount equal to the absolute value thereof.

For the avoidance of doubt, upon settlement of the early termination amount, the Transaction shall be terminated, and no further amounts shall be payable by either party.

CHARGES AND FEES TO BE PAID BY THE USER

Unless stated otherwise in the term sheet 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 to offer the transaction to the user.

OTHER RELEVANT INFORMATION

The information contained in this Product Disclosure Document does not constitute a recommendation to engage in this product and is no substitute for individual consultation with an advisor.

You can obtain further information about this product from your financial advisor.

The following documents are available upon request:

- any master agreement relating to the product, including the schedule thereto.
- the confirmation relating to the product.

DISCLAIMER

This statement has been prepared for general information purposes only and is provided to you on a confidential basis and it does not constitute either (i) legal, commercial, or professional advice or (ii) an offer, an invitation, or a recommendation to enter into any transaction, and (in each case) should not be relied on as such.

This statement is provided to you on the understanding that (i) you have sufficient knowledge, experience, and professional advice to make your own evaluation of the merits and risks of a transaction of this type and (ii) you are not relying on us or on any of our affiliates for information, advice, or recommendations of any sort. You should enter into a transaction only if you fully understand the nature of the transaction, any applicable margin requirements and the nature and extent of your exposure to risk and to loss as well as the legal, tax, accounting or other material characterizations and consequences of the transaction. You should carefully consider whether and be satisfied that the transaction is appropriate for you in the light of your objectives, experience, financial position, risk management and operational resources and other relevant circumstances. In case of doubt, you should consult your own professional advisers.

Further, the information contained herein may be incomplete or condensed and may be based on information or opinions obtained from third party sources which Party A believes to be reliable as at the date it was provided however, and to the maximum extent permitted by law, Party A makes no representation or warranty (express or implied) as to its accuracy, completeness or correctness of that information or opinion for any particular purpose. Party A does not accept or assume any liability for the information set out in the statement nor for any loss or damages of any kind incurred by the recipient or anyone in connection with acting or refraining to act on such information. Information contained in the statement may not be reproduced, quoted, or disseminated (in whole or part) without prior consent of the Party A and is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability, or use would be contrary to applicable law or regulation (including any licensing or registration requirement). You acknowledge the receipt of this statement if there is no communication from your end within five days from the day this statement is sent to you.

We are acting on a principal-to-principal basis and not acting as your advisor or agent or in any fiduciary capacity to you. This statement does not purport to identify all the risks (direct or indirect) or other material considerations which may be associated with you entering into the transaction.

Subsequent changes to applicable laws, regulation and industry guidance may have an impact or affect the contents of this statement. By providing the statement, Party A is under no obligation to update or review the information comprised in the statement after the date it was provided or to notify the recipient of any subsequent changes affecting the statement (whether in whole or part) arising following updates to applicable laws, regulation, or industry guidance. Where the statement is publicized to the recipient by way of a website the date it was first uploaded electronically by Party A shall be construed as the date the statement was initially published and accordingly, if any revisions are made to the website after it is published, Party A shall not be required to notify the recipient of all or any such amendments or revisions. Failure to respond within five (5) Local Business Days of receipt of this Statement shall be deemed to be an affirmation and acceptance of all the terms set out in this Statement.