

PRODUCT 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 : **Principal Only Swap (POS)**
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?

Type : An "over the counter" (OTC) derivative contract on foreign exchange rate which commits two counterparties to exchange streams of interest payments and/or principal amounts in different currencies on specified dates over the duration of the swap at a pre-agreed exchange rate.

Objective : To hedge risk arising out of the future movements of an underlying currency exchange rate, i.e., move its exposure from fixed CCY1 interest rate to fixed CCY2 rate

Term : This product is scheduled to get the respective cash flows settled on each coupon settlement date or principal settlement date, as per the terms of the trade, and it may terminate early:

- (i) following certain defined events in relation to either the underlying, you or Party A (including default), provided that in the case of events in relation to the underlying or the market Party A may have the right, in certain cases, to adjust terms to account for the relevant event rather than terminating the trade; or
- (ii) at your request, whether by specific rights to terminate included in the contract or in the absence of such rights if Party A agrees to such request for termination and in such case based on a valuation provided by Party A. The amount owed on termination depends on market and liquidity conditions as well as the credit quality of the involved parties. This could have a material adverse effect on the return on the product compared to if it had continued to its full term.

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

General Terms for CCS

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: [•]

Fixed Amounts payable

Fixed Rate Payer: Party A/ B
Fixed Rate Payer Currency Amount: [CCY2] [Notional]
Fixed Rate Payer Payment Dates: As agreed between the parties
Fixed Rate: As agreed between the parties
Fixed Rate Day Count Fraction: Actual/365

Floating Amounts payable

Floating Rate Payer: Party A / B
Floating Rate Payer Currency Amount: [CCY1] [Notional]
Floating Rate Payer Payment Dates: NA
Floating Rate Payer Calculation Period: NA
Reset Date: NA
Floating Rate Option: Zero
[Designated Maturity]: [As agreed between the parties]
[Lookback]/ [Observation Period Shift]: NA
[Compounding:]: NA
Spread: NA
Floating Rate Day Count Fraction: Actual/360

Principal Exchange

Initial Exchange Amounts: Party A will pay Party B, CCY2 Notional
Party B will pay Party A, CCY1 Notional
(Based on CCY1/CCY2 spot rate of XXX on Trade Date)
Initial Exchange Date: [Effective Date.]
Final Exchange Amounts: Party A will pay Party B , CCY1 Notional
Party B will pay Party A, CCY2 Notional
(Based on CCY1/CCY2 spot rate of XXX on Trade Date)
Final Exchange Date: Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

Other Terms:

Calculation Agent:	Party A
Termination/Unwinding:	Termination/ unwind value to be calculated and communicated by Party A and any gain/ loss on account of same to be settled as per extant guidelines of the Reserve Bank of India ("RBI").
Liability	We believe the above information to be accurate, but we assume no liability for errors. We will not be liable for any use, or any reliance by you on the information above or the information contained in any valuation. We make no representation or warranty in relation to any such information, whether as to the correctness, completeness, sufficiency, or reliability for any purpose of such information, any entitlement of you to receive, use or rely on such information or otherwise.
Documentation:	ISDA Master Agreement and Confirmation incorporating the 2006 ISDA Definitions or the ISDA 2021 Interest Rate derivative Definitions.
Costs and Fees:	Rate as may be applicable would be inclusive of margins. Any Applicable fees (unless otherwise specified), quoted by Party A shall be inclusive of all charges related to the Transaction as advised by the Calculation Agent.
Pay-off Profile:	The pay-off profile is provided solely for illustrative and information purposes. On each coupon payment date, Party B pays [●] fixed rate (on INR notional) and receives a floating rate of Applicable Benchmark + spread on USD notional Initial exchange – Party B pays USD to Party A & receives INR from Party A (equivalent to the spot USDINR exchange prevailing at the time of trade) Final exchange – Party A pays USD to Party B and receives INR from Party B. Notional amounts will remain the same as in the Initial exchange

ILLUSTRATION

Trade date	27 Jun 2025
Start date	01 Jul 2025
Maturity date	01 Jul 2030
Base currency notional (in USD)	USD 10,000,000
USDINR spot rate	85.50
Other currency notional (in INR)	INR 855,000,000
Fixed Amounts Payable	
INR Fixed rate payer	Party B (User-You)
Fixed Rate	2.50 %
Floating Amount Payable	
USD Floating rate payer	Party A

USD Floating rate	Zero
Coupon exchange frequency	Semi-Annual
Other terms	
Calculation Agent	Party A
Documentation	ISDA Master Agreement and Confirmation incorporating the 2006 ISDA Definitions or the ISDA 2021 Interest Rate derivative Definitions
Cost and Fees	Rate as may be applicable, would be inclusive of margins. Any Applicable fees (unless otherwise specified), quoted by Party A shall be inclusive of all charges related to the Transaction as advised by the Calculation Agent.
Pay-off Profile	On each coupon payment date, Party B pays 2.50% fixed rate (on INR notional) and receives a Zero rate on USD notional Initial exchange – Party B pays USD to Party A & receives INR from Party A (equivalent to the spot USDINR exchange prevailing at the time of trade) Final exchange – Party A pays USD to Party B and receives INR from Party B. Notional amounts will remain the same as in the Initial exchange.

All determinations are made by a Calculation Agent. All dates may be subject to adjustment for market disruption events, if applicable.

The recommended holding period is the full tenor of the product. However, if Party B wishes to unwind/terminate the contract early, it may request Party A to provide a termination quote considering the prevailing market rates, liquidity, Party B's hedging obligation and any other factor that the Calculation Agent may consider at its sole discretion. You may kindly refer to the pay off table below to get a better understanding.

PAYOFF / MTM EVOLUTION

The scenarios shown are only an indication of some of the possible outcomes & actual returns could differ

Scenario for exchange rate movement

Notional Outstanding in USD	Prevailing FX spot rate	Payoff/ MTM in INR
10,000,000	78.50	(70,000,000)
10,000,000	80.50	(50,000,000)
10,000,000	82.50	(30,000,000)
10,000,000	84.50	(10,000,000)
10,000,000	86.50	10,000,000
10,000,000	88.50	30,000,000
10,000,000	90.50	50,000,000
10,000,000	92.50	70,000,000

SCENARIO FOR INTEREST RATE MOVEMENT

Notional Outstanding in INR	Prevailing INR fixed rate for the CCS	Payoff/ MTM in INR*
855,000,000	1.00%	(85,500,000)
855,000,000	1.50%	(64,125,000)
855,000,000	2.00%	(42,750,000)
855,000,000	3.00%	(21,375,000)
855,000,000	3.50%	21,375,000
855,000,000	4.00%	42,750,000
855,000,000	4.50%	64,125,000

*Payoff does not consider the composite MTM evolution which can also be impacted by potential negative divergence in movements of spot & interest rates.

SENSITIVITY ANALYSIS

The product is sensitive to movements in MOD MIFOR, SOFR curves and USDINR spot rate.

If MOD MIFOR curve goes up by 50 bps, there would be an indicative MTM loss of INR 18 Mio

If SOFR curve goes down by 50 bps, there would be an indicative MTM loss of USD 0.225 Mio

Considering BPVs

*USD Bpv ~ USD 4500

*INR Bpv ~ INR 360,000

RISKS AND BENEFITS

Risks	Benefits
If the prevailing interest rates are lower, Party B continues to pay a fixed on INR Notional.	Party B gets clear visibility of future cash-flows on the underlying liability.
Party B pays at the exchange rate agreed at the time of the trade even if the prevailing rate is lower.	Hedge accounting compliant subject to your own due diligence and internal/external advice.
The product is complex as it involves Interest Rates and Currency Exchange Rate priced on the end product.	Party B pays at the exchange rate agreed at the time of the trade even if the prevailing rate is higher.
There can be mark-to-market fluctuations in the value of a Transaction due to movements in interest rates denominated in the currencies involved, foreign exchange rates and foreign exchange basis rates.	Transaction would enable the Party B to move its exposure from foreign currency to INR and hedge itself against any adverse movement.
Fixing of foreign exchange rates and/or interest rates of Transactions can lead to currency risk and/or interest rate risk if the underlying exposure is cancelled, reduced, or varied before maturity or settlement.	
The Party B is bound for the term of the Transaction once it has entered into the transaction. This means that the Party B may not receive any benefit from favorable market movements in exchange rates or interest rates until maturity or settlement, as the case may be.	

Cancellations, extensions, or early deliveries of the Transaction may result in a financial loss.	
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GENERIC RISKS

- **Tenor of Transaction**
Party B should be satisfied with the entire tenor of the Transaction. Party B should note that any transaction with a longer tenor will be associated with higher risks and usually involve higher cost of early termination if early termination is permitted.
- **Party B suitability**
Party B should ensure that they understand the characteristics of the Transaction and the nature of the risks associated therein and that they consider the suitability of the Transaction in the light of their own circumstances and financial condition and that they have the ability to enter into the Transaction as well as withstand the potential financial loss.
- **Separate Transaction from Contracted Exposure/ Anticipated Exposure**
The Transaction is a separate transaction from the Contracted Exposure/ Anticipated Exposure. The payment dates, payment amounts, the definition of Business Day and Floating Rate Option and all the other terms governing the Transaction would be set out in the final term sheet. There may be mismatches with the corresponding terms of the Contracted Exposure/ Anticipated Exposure.
- **Concentration risk**
Party B should be satisfied that they are not over exposed to any particular interest rate or currency or transaction of any particular type. Party B should satisfy that the Transaction does not form a substantial portion of its investment portfolio.
- **Party A's hedging activities may affect Interest and Exchange Rates**
Party A's and/or its affiliates may enter into hedging transactions in the market to enable Party A to fulfil its obligations under the Transaction. These hedging transactions may affect the relevant interest and/or exchange rates.
- **There are potential conflicts of interest**
Party A and its affiliates play a variety of roles in connection with the Transaction, including acting as Party B and calculation agent and hedging its 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 its or its affiliates' proprietary accounts or for accounts under management or to facilitate transactions on behalf of other counterparties or otherwise. In carrying out these roles, Party A's economic interests and those of its affiliates may be potentially against the Party B's interests as the Party B 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 by the 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 the Party A's prior agreement or otherwise provided under the Transaction. If the Transaction is early terminated or modified, the Party B may suffer losses and will have 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 a modification or early termination requested by the Party B 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 the mark-to-market (MTM) value fluctuation of the Transaction. The Party B needs to be aware the MTM value of the Transaction is determined by many market factors and is calculated in accordance with the internal valuation model of Party A. Hence, the value may be significantly different from the intrinsic value calculated by simple arithmetical method.
- **Credit risk**
The Party B is taking on the credit risk of Party A with respect to all payments due under the Transaction. In the worst-case scenario, where Party A defaults on its payment obligations under the Transaction, the Party B will receive no payment.
- **No assurance of The Transaction achieving your desired hedging objectives**
Where the Transaction will be used by the Party B as a hedging tool, Party B should note 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 the potential mismatch between its exposure under the Transaction and the exposure under its other businesses or transactions. Such mismatch may arise from any potential 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 products such as the one described in this document are willing and able to bear an unlimited loss.
- Have a risk tolerance consistent with the summary risk indicator in this document.
- Have a horizon consistent with the term of this product as determined independently or on the basis of professional advice.

WHAT ARE THE COSTS INVOLVED?

Transaction costs

Financial instruments may involve transaction costs, which are incurred as a result of accessing the wider market to initiate, terminate, increase, or decrease a position in the instrument. The transaction costs depend on the below factors:

- Market Risk
- Credit Risk
- Capital Required
- Financial instrument
- Liquidity/ Standardization of the Financial instrument in the market
- Transaction size and tenor
- Effort, cost and risk incurred by the market maker being Party A.

One-off costs - These are one-off charges/ costs paid, typically, at the beginning or at the end of the financial instrument’s life cycle.

Other ongoing costs - The impact of the costs that we take for managing your financial instruments.

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.

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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.