

PRODUCT DISCLOSURE STATEMENT

This Product Disclosure Statement (“**Statement**”) has been prepared for and is sent to the Customer to provide the Customer with information about the Product and to assist the Customer with evaluation and assessment of suitability of the Product to the business requirements of the Customer.

THE STATEMENTS LIST OUT THE VARIOUS PRODUCTS OFFERED BY THE BANK TO ITS CUSTOMERS` AND THE DETAILS PROVIDED IN THIS STATEMENT ARE FOR THE GENERAL UNDERSTANDING OF THE CUSTOMER. THIS STATEMENT IS NOT A RECOMMENDATION OF THE PRODUCT BY THE BANK TO THE CUSTOMER. BASED ON THE COMMERCIAL NEEDS OF THE CUSTOMER, THE SUITABILITY AND APPROPRIATENESS OF THE PRODUCT WILL BE DISCUSSED WITH THE CUSTOMER.

- Product** : **Interest Rate Swap Contract**
- Description of the Product** : An Interest Rate Swap (IRS) is a derivative product (the “Transaction”) which helps the user to hedge exposure arising out of fixed or floating interest rate assets or liabilities. The user exchanges fixed rate to floating rate or vice versa, or between two different floating interest rates of the same currency, at a predefined frequency (or a predefined schedule). There is no Notional Exchange in this swap.
- Benefits** : The transaction helps user to hedge interest rate liabilities / assets and allows them to convert from fixed to floating rates or vice versa to potentially reduce interest cost of liabilities or hedge against interest movement impact on assets.
- *Exposure from Fixed rate liability*: Can be converted to floating rate liability using a Receiver Swap if user expects floating rates to remain low
 - *Exposure from floating rate liability*: Can be converted to fixed liability using a Payer Swap if user is unwilling to take exposure to the movements in the underlying Floating Rate Option
 - Convert from one floating rate option to another to better align with cashflows or due to other operational requirements
- Terms and Conditions** : Each transaction will be governed by and subject to the ISDA Master Agreement executed between the parties.
- The contractual terms and conditions for each Transaction will be as determined between the parties to the transaction under the confirmation per transaction. The terms and conditions will include the spot rate for the transaction, forward exchange premium (or discount, as applicable), costs and fees applicable per transaction.
- Risks** : The product is directly affected by the changes in interest rate. The client can be adversely affected by the impact of change in interest rates on the market value of the transaction.

CONTRACT TERMS AND CONDITIONS

Party A	:	Credit Suisse AG, acting through its Mumbai Branch
Party B	:	[●]
Trade Date	:	[●]
Termination Date	:	[●] , subject to adjustment in accordance with the Business Day Convention.
Notional Amount	:	INR [●]
Business Day Convention	:	[●]
Business Days	:	[●]
Calculation Agent	:	Party A
Governing Law	:	English
Documentation	:	The Transaction will be governed by and subject to the ISDA Master Agreement (including the Schedule, any Credit Support Annex, individual Confirmation for this Transaction and any amendments to the foregoing documents) executed between Party A and Party B (the "ISDA").
Interest Exchange		
<u>Party A Payments</u>		
Floating Rate Option	:	[●]
Party A pays	:	[●] % (or Floating Rate Option + [●] %) p.a. on Notional Amount
Party A Payment Date	:	[●] on every [●] commencing on [●] and ending on Termination Date, subject to adjustment in accordance with the Business Day Convention.
Party A Day Count	:	[●] Adjusted / Unadjusted
<u>Party B Payments</u>		
Party B Pays	:	Floating Rate option + [●] % (or [●] % or Floating Rate Option 2+ Spread 2) p.a. on the Notional Amount
Party B Payment Date	:	[●] on every [●] commencing on [●] and ending on Termination Date, subject to adjustment in accordance with the Business Day Convention.
Party B Day Count	:	[●] Adjusted / Unadjusted

FEATURES/ BUILDING BLOCKS OF THE PRODUCT

- Fixed Rate
- Floating Rate (Modified MIFOR, OIS, etc.)

This transaction is suitable for users with a specific target and view on future INR interest rates. The client is completely hedged against interest rate risk arising due to underlying exposures of liability or asset. The transaction typically does not have an upfront fee.

The user is relying on the creditworthiness of the market maker. On the Settlement Date, the contractual Settlement Payments shall take place between user and the market maker, provided that the market maker is solvent.

Variations:

- Fixed to Floating Interest Rate Swap:
 - **Receiver Swap:** User receives Fixed Rate p.a. on Notional Amount and pays Floating Rate Option + spread p.a., on Notional Amount
 - **Payer Swap:** User pays Fixed Rate p.a. on Notional Amount and receives Floating Rate Option + spread p.a., on Notional Amount
- Floating to Floating Interest Rate Swap (basis Swap):
 - User receives 'Floating Rate Option 1' + Spread 1 p.a. calculated on Notional Amount and pays 'Floating Rate Option 2' + Spread 2 p.a., on Notional Amount
- Observation Type
 - **Standard:** For a given Floating Rate Option, the fixing is taken 'n' business days prior to the Accrual Period Start Date, as per market conventions.
 - **In-arrears:** For a given Floating Rate Option, the fixing is taken 'n' business days prior to Accrual Period End Date.
- Compounding applicability
 - Compounding is not applicable
 - Compounding is applicable
 - Overnight Index Swaps fall under this category

PRODUCT ILLUSTRATION AND PAYOFF

Example of hedging floating rate (loan interest cost of INR MOD MIFOR + 0.9% p.a.) loan via **Fixed to Floating Payer swap**

- Fixed Rate Payer is Party B, Floating Rate Payer is Party A
- Notional Amount: USD 1 million
- Expiry: 2 years
- Fixed Rate: 5% p.a., A, A/360
- Floating Rate Option: INR MOD MIFOR p.a., A, A/360
- Spread: 0.90 % p.a.,

Favorable Scenario					
Period	INR MOD MIFOR Fixing p.a.	Party B Pays p.a.	Party B Receives p.a.	Hedged Loan Rate p.a.	Unhedged Loan Rate p.a.
1	4.20%	5.00%	5.10%	5.00%	5.10%
2	4.30%	5.00%	5.20%	5.00%	5.20%

Unfavorable Scenario					
Period	INR MOD MIFOR Fixing p.a.	Party B Pays p.a.	Party B Receives p.a.	Hedged Loan Rate p.a.	Unhedged Loan Rate p.a.
1	4.00%	5.00%	4.90%	5.00%	4.90%
2	3.90%	5.00%	4.80%	5.00%	4.80%

Payoff of the transaction:

Payoff of an Interest Rate Swap (“IRS”) transaction is depicted as an example below, where user/ Party B pays fixed rate or floating rate and receives floating rate.

	On Each Fixed Rate Payment Date	On Each Floating Rate Payment Date
Fixed - Floating Receiver Swap	Party B Receives Amount = Notional ¹ x Fixed Rate DCF ² x Fixed Rate	Party B Pays Amount = Notional x Floating Rate DCF x Floating Rate Option Fixing ³
Fixed - Floating Payer Swap	Party B Pays Amount = Notional x Fixed Rate DCF x Fixed Rate	Party B Receives Amount = Notional x Floating Rate DCF x Floating Rate Option Fixing
Floating - Floating Swap	Party B Pays Amount = Notional x Floating Rate 1 DCF x Floating Rate 1 Fixing	Party B Receives Amount = Notional x Floating Rate 2 DCF x Floating Rate 2 Fixing

- 1) Fixed notional or Notional as per schedule or outstanding notional depending on the terms of the IRS
- 2) Day count fraction corresponding to the respective calculation period
- 3) Fixing observation at period start or period end, as per terms of the IRS

Early Exit:

Similar to any OTC derivative transaction in case Party B wishes to terminate this Transaction, either in part or in full, prior to the scheduled termination date on any business day, Party B can request Party A to provide an early termination quote, which shall take into account the mid mark to market value of this Transaction from Party A’s perspective minus applicable costs which include without limitation, unwind cost, hedging cost, cost of funding, and/or other expenses.

Early termination quote will take into account, among other factors, prevailing market rates, liquidity, price factors, Party A’s hedging obligations and such other factors deemed relevant by Calculation Agent in its sole and absolute discretion.

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Party B shall communicate to Party A whether they would like to proceed with the early termination/unwind and that early termination quote is accepted by Party B.

- a. If the early termination quote is greater than zero, Party B shall pay such amount to Party A.
- b. Else, Party A shall pay to counterparty the absolute value of the early termination quote.

For avoidance of doubt, upon the payment of early termination quote, this Transaction shall terminate and no further amounts payable by either parties.

RISK DISCLOSURE

IMPORTANT NOTICE

We believe that clients who engage in treasury and financial transactions with us or through us should be aware of the risks which may be associated with such transactions. This risk disclosure statement is not intended as a substitute for your actually becoming reliably and adequately informed of the risks associated with such transactions by your seeking independent advice or otherwise as regards any specific transaction contemplated, and you shall accordingly be responsible for any transaction which you ultimately choose to enter into.

THIS NOTICE DOES NOT PURPORT TO DISCLOSE TO OR ADVISE YOU OF ALL OF THE RISKS AND OTHER RELEVANT CONSIDERATIONS AND ANY SIGNIFICANT ASPECT OF ANY TRANSACTION. YOU SHOULD THEREFORE CONSULT YOUR OWN LEGAL, TAX AND FINANCIAL ADVISERS PRIOR TO ENTERING INTO ANY PARTICULAR TRANSACTION.

You should not enter into a transaction unless you fully understand the transaction including at least the following:-

- (a) the nature of the transaction and the market underlying such transaction;
- (b) the terms and conditions of such transaction;
- (c) the extent of the financial and economic risk to which you are exposed as a result of such transaction;
- (d) the income tax treatment of such transaction; and
- (e) the regulatory and accounting treatment of such transaction.

Furthermore, before you enter into any transaction, you should consider, among other things, the following points:-

1. **Suitability:** You should determine whether a product and the transaction proposed to be entered into by you is appropriate in the light of your experience in similar transactions, your objectives in engaging in the transaction, your financial resources and other relevant circumstances. If you are not sure that the transaction is suitable for you, you should consult your own legal, tax and financial advisers before entering into the transaction.
2. **Market Risk:** Your gains or losses under a transaction may be linked to changes in the market(s) to which the transaction is linked and such market(s) may not perform in tandem with the local market which you may be familiar with. You may therefore be exposed to volatility in such market(s), which may be greater than the volatility of the local market you may be familiar with. Furthermore, the extent of your loss or profit in a transaction may be greater or less than the corresponding movements in the market(s).

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3. **Credit Risk:** You are exposed to the credit risk of the counterparty with whom you are matched, or with whom you contract. In any transaction, you are exposed to our credit risk, other than the transactions where we act as broker or agent. In such cases, you will be exposed to the credit risk of the third party with whom you are contracting, which may be lower or higher than our credit risk.
4. **Economic Risk:** Because the prices and characteristics of over-the-counter transactions are individually negotiated and there is no central source for obtaining prices, there are inefficiencies in transaction pricing. We consequently cannot and do not warrant that our prices or the prices we secure for you are or will at any time be the best price available to you. We may make a profit from a transaction with you no matter what result the transaction has from your point of view.
5. **Liquidity Risk:** Execution and/or liquidation of your positions may, in certain circumstances, be difficult or impossible. These circumstances include, for example, suspension of trading, extreme market conditions, failure of telecommunications or electronic systems, and events commonly known as “force majeure”. Your ability in such circumstances to make a value or risk assessment, or to make a calculation of a fair price, would also be adversely affected. Even, if you give a “stop-loss” or “stop-limit” order, these may be impossible to execute.
6. **Exchange Risk:** You may be exposed to currency fluctuation risk where you enter into a transaction involving different currencies, or in a base currency other than one in which you use in your ordinary business or hold in your accounts. Any loss incurred by you as a result of the relevant rates for the conversion of any monies from the base currency to the currency in which you keep your accounts (i) may be greater than the profits from the transaction when measured against the base currency of that transaction or (ii) may increase the amount of the loss you suffer in the transaction itself.
7. **Transaction Costs:** Your net returns from a transaction would also be affected by the transaction costs (i.e. commission, fees and other charges) charged by us.
8. **Margin/Collateral:** We may require that you provide margin or collateral to support your obligations under transactions you trade with or through us.

Where a transaction is leveraged, you should note that a small market movement in the underlying market will have a multiplying effect on your corresponding loss, and such losses may exceed the amount of margin deposited with us. In such a situation, you would be required to top-up any such shortfall by depositing additional margin with us.

Generally, we are entitled to liquidate your positions to meet any shortfall in margin or collateral requirements.

9. **Structured Transaction with Multiple Instruments:** Where a transaction is made up of several instruments, you should be aware that there is risk associated with each instrument evaluated separately and the risk of the transaction evaluated as a whole.

We strongly suggest that you independently review all materials (as supplied by us from time to time to you and as supplemented with your own independent advice which you are encouraged to take) pertaining to the risks associated with any transaction.