INR- Overnight Index Swap(OIS)

Product Disclosure Statement ("PDS")

Objective

The objective of this document is to provide you with relevant information about the various derivative products offered by RBL Bank. This document provides adequate information about Overnight Index Swap (OIS), 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 an OIS, and for comparison purposes. Please read this PDS fully before entering into this transaction.

Factors affecting the Value of OIS

Swap value depends on the prevailing Domestic Interest rates, tenor and underlying floating index (INR O/NMIBOR).

Costs

Any such transaction 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 regulatory guidelines in place. Charges and other recoveries will be recovered separately as applicable from time to time.

Description

An Overnight Index Swap (OIS) is a derivative contract between two parties, to exchange coupon flows in INR. The fixed rate is negotiated and locked at the outset whereas the floating rate is determined daily during the term of the swap, by means of daily fixings (INR Overnight MIBOR)

Purpose

The purpose of an OIS is to transform a floating rate asset/liability into a fixed rate asset/liability.

Termination

Termination of the transaction before the maturity date, will be done at the prevailing market rates. The termination value may either be positive (gain) or negative (loss). The termination value would be a function of the market factors like FX rate, Option strike rate, forward rates, interest rate curves, volatility, residual tenor, discounting curves etc as applicable. The illiquidity associated with market bid/offers will also impact the pricing and unwind values. These risks mentioned in this document are not exhaustive and are just illustrative.

Illustration for INR OIS

- Tenor: 5 years
- Notional: INR 25 Crs
- Floating index: FBIL INR O/N MIBOR, daily compounded
- Fixed rate: 5%
- Hedging entity receives FBIL INR O/N MIBOR, daily compounded semi-annually
- Hedging entity pays: 5.00% in INR semi-annually

Possible Scenarios at Expiry

- FBIL INR O/N MIBOR gets fixed at 4.00%, the hedging entity receives the same on the INR notional and pays INR 5% fixed on INR notional
- FBIL INR O/N MIBOR gets fixed at 7.00%, the hedging entity receives the same on the INR notional and pays INR 5% fixed on INR notional

Features and risk

The hedging entity has fixed the interest rate and is hedged against the interest rate movements on the benchmark. However, the hedging entity would not be able to participate in any favourable movements in the benchmark.

Inherent risks associated in the transaction

- **SUMMARY INFORMATION ONLY**

  This document contains summary information only. It does not contain all of the terms and conditions (material or otherwise) of this Transaction and the Counterparty is advised to review all of the documents referred to under the section headed "Documentation".

- **TENOR OF TRANSACTION**

  Counterparty should be satisfied with the entire tenor of the Transaction. Counterparty 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.

- **COUNTERPARTY SUITABILITY**

  Counterparty 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**

  Counterparty should be satisfied that they are not over exposed to any particular interest rate or currency or transaction of any particular types. Counterparty should satisfy that the Transaction does not form a substantial portion of its investment portfolio.

- **CONFLICTS OF INTEREST**

  The Bank and its affiliates play a variety of roles in connection with the Transaction, including acting as counterparty and calculation agent and hedging its obligations under the Transaction. The Bank 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, the Bank's economic interests and those of its affiliates may be potentially against the Counterparty's interests as the counterparty in the Transaction.

- **PAST PERFORMANCE**

  Past performance of the underlying interest rates is not necessarily a guide to the future performance of the Transaction. The value of the Transaction can go down as well as up.

- **PRICING, VALUATION AND UNWIND:**

  The Bank may price, value and unwind the Transaction or any part thereof on the basis of such pricing models, methodologies, assumptions and factors as the Bank, acting in good faith and in a commercially reasonable manner, deems appropriate.

- **LIQUIDITY RISK**

  The Transaction is a contractual obligation by the Counterparty 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 Bank's prior agreement or otherwise provided under the Transaction.

  If the Transaction is early terminated or modified, the Counterparty may suffer losses and will have to compensate the Bank for costs (if any) incurred by the Bank in replacing or obtaining the economic equivalent of the Transaction as a result of a modification or early termination requested by the Counterparty 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**

  Counterparty bears the downside risk of the mark-to-market (MTM) value fluctuation of the Transaction. The Counterparty 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 the Bank. Hence, the value may be significantly different from the intrinsic value calculated by simple arithmetical method.

- **CREDIT RISK**

  The Counterparty is taking on the credit risk of RBL Bank with respect to all payments due under the Transaction. The latest annual statutory accounts and other information on RBL are available on its website at **https://ir.rblbank.com/investor-kit.aspx.**

  In the worst-case scenario, where RBL defaults on its payment obligations under the Transaction, the Counterparty will receive no payment.

- **NO ASSURANCE OF THE TRANSACTION ACHIEVING YOUR DESIRED HEDGING OBJECTIVES**

  Where the Transaction will be used by the Counterparty as a hedging tool, Counterparty 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 Counterparty wishes to hedge. Counterparty should be comfortable with the risks associated with the potential mis-match between its exposure under the Transaction and the exposure under its other businesses or transactions. Such mis-match may arise from any potential excessive hedging, inadequate hedging or loss of hedge in certain circumstances.

DISCLAIMER

This statement shall be deemed to have been shared with the Counterparty before every trade, unless otherwise requested for by the Counterparty in writing.

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.

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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.

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