Product Disclosure Statement (‘PDS’)

Purpose

The purpose of this document is to provide you with key information about various products offered by ICICI Bank. ICICI Bank is furnishing this PDS to offer you adequate information about Gold Forward Contracts. It will help you understand their features, risks, benefits, an illustration of how the product works and assist you in making an informed decision about entering into Gold Forward Contracts and also facilitate a comparison with other products. Please read this PDS in its entirety before deciding to enter into a Forward Contract.

Components determining the value of a contract, contract value and contracted rate would be determined by the prevailing gold and currency exchange rate, interest rate, tenor and interest rate differential.

Termination

If you wish to terminate the Gold Forward Contract before the maturity date, the Forward Contract will be terminated 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 prevailing exchange rate and swap points for the residual period, which shall be based on the interest rate, tenor, interest rate differential, discount factors, etc. 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 conditions. Thus, fluctuations in the underlying currencies will affect the benefit or cost to you when you terminate a Gold Forward Contract. The risks mentioned in this document are not exhaustive. There may be other risks that are relevant to you while entering into a Forward Contract.

Costs and fees

Any specific transaction of this nature will be concluded at an all-inclusive price and any separate costs, fees and charges would be levied, accordingly. The break-up of the all-inclusive price will be provided, as per the RBI guidelines. The statutory levies and charges will be recovered separately, as applicable from time to time.

Principal Terms and Other Terms

Please refer to the website for the ‘Principal Terms’ and ‘Other Terms’ applicable to the product.

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 the change in regulation, product discontinuation by the regulator, etc.)

Description and Features

A Gold Forward Contract is a facility provided to clients to book Forward Contracts for gold bought from the Bank on an outright basis, to hedge the price risk.

Party A: ICICI Bank Limited

Party B: Client

For example:

A client wishing to hedge the exchange rate risk on the gold bought from the Bank on an outright basis (underlying exposure) may enter into a Gold Forward Contract, where they would be able to book the Forward Sell Contract of gold price (XAU/USD and USD/INR) currency against a maximum tenure of six months.

Purpose: To hedge the price risk of gold

The purpose of a Gold Forward Contract is to hedge the price risk of the underlying gold exposure.

<Illustration for a Gold/USD>

Parameters:

1. Currency pair: XAU/USD and USD/INR
2. Notional: XAU
3. Spot reference: XAU/USD and USD/INR
4. Tenor: <6> months
5. Swap points: <XX> (premium)
6. Contracted rate: <XX%>

Possible scenario(s) of settlement for the above illustration:

• On <January 01>, the client has bought <100> kg Gold from the Bank on a cash basis

• On the value date, i.e. January 01, the customer will buy XAU/USD and USD/INR of an amount of Rs <432.16> million where the Bank recovers the payment from the customer and gold will be delivered to the customer. Thus, through the mentioned transaction, the customer has created an underlying asset

• On January 01 or later: The client approaches the Bank to do a Forward Hedging of their contract of <100> kg by doing a forward sell for maturity, as of <Jun 30, 2022>. In this transaction, the client will sell XAU/USD and USD/INR of an amount of Rs <432.66> million with an open exposure for <Jun 30, 2022>

• Forward Cancellation: The client may choose to early settle the Forward Contract partially (of less than <100> kg)/fully (complete <100> kg) and for a proportionate quantity book the opposite buy leg for the original value date of the contract with an amount of Rs <432.16> million. The client may choose an early settlement of their Future Contracts or may want to settle on the original forward value date

• Case I – The client chooses an early settlement of the trades, partially or fully, by discounting to NPV using the applicable rates, as decided by the Bank from time to time

• Case II – The client opts for settlement on the original value date. Trades will be net settled on the original forward value date i.e. <Jun 30> in this case

• Net Settlement – Scenario 1: When the Forward Buy Contract value of Rs <450> million is more than the forward sell contract value of Rs <430> million, in such a case, the exposure will be on the client and the client has to honour the payment of Rs <20> million on the maturity date, as the settlement will be a net settlement

• Net Settlement - Scenario 2: When the Forward Buy contract value of Rs <430> million is less than the Forward Sell contract value of Rs <450> million, the gain of Rs <20> million shall be passed on to the client on or before the maturity date, as per the request after computing NPV

• Net Settlement: These trades are on a back-to-back basis with the supplier. The settlement will be on a net settlement basis, only on the maturity date only

• The system would hold margin, till the end of the contract.

a. XAU/USD and USD/INR rates being the same:

• Squaring of the complete quantity on the forward value date

• Early settlement of the complete quantity before the forward value date

• Early settlement of a partial quantity before the forward value date and the remaining quantity on the value date.

b. XAU/USD and USD/INR rates movement is in a favourable direction for the client (i.e. Profit to Client)

• Squaring of the complete quantity on the forward value date

• Early settlement of the complete quantity before the forward value date

• Early settlement of a partial quantity before the forward value date and the remaining quantity on the value date.

c. XAU/USD & USD/INR rates movement is in adverse direction for the client (i.e. Loss to Client)

• Squaring of the complete quantity on the forward value date

• Early Settlement of the complete quantity before the forward value date

• Early Settlement of the partial quantity before the forward value date and the remaining quantity on the value date.

Benefits:

The underlying exposure of Party B is hedged against the fluctuations in the price of gold, during the tenor of the contract.

Various risks associated with the transaction:

The counterparty acknowledges that before entering into Gold Forward Contracts, it understands the underlying risk of the mentioned transaction. The counterparty acknowledges that Gold Forward transactions are in general exposed to various types of risks, including but not restricted to the following:

1. Credit Risk: Credit risk is the risk of loss, if a counterparty fails to perform on an obligation to the institution. Credit risks in derivative products comes in two forms:

a. Pre-settlement Risk: Pre-settlement risk is the risk of loss, if a counterparty defaults 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 the default

b. Settlement Risk: Settlement risk is the risk of loss, if the counterparty fails to perform on its obligation after an institution has performed on its obligation under a contract, on the settlement date. Settlement risks frequently arise 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: Market risk is 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 take place in market factors, such as the underlying interest rates, exchange rates, equity prices and commodity prices or in the volatility of these factors

3. Liquidity Risk: Liquidity risk is 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 derivative activities face two types of liquidity risks: Market Liquidity risk and Funding Liquidity risk

a. Market Liquidity Risk: Market Liquidity risk is 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 occur as a result of inadequate market depth in certain products (e.g. exotic derivatives, long-dated options), market disruption or the inability of the Bank to access the market (e.g. credit downgrading of the institution or of a major counterparty)

b. Funding Liquidity Risk: Funding Liquidity risk is 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 implementation of dynamic hedging strategies.

4. Operational Risk: Operational risk is the risk of loss, occurring as a result of inadequate systems and controls, deficiencies in information systems, human errors or management failures. Derivative activities can pose as a challenging operational risk issue, because of the complexity of certain products and their continual evolution

5. Legal Risk: Legal risk is 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 derivative transaction) or not documented correctly

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

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

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ICICI Bank, its related companies, their directors and/or employees may have interests or positions in and may effect transactions in the underlying product(s) mentioned in this document.

Transactions in respect of the products mentioned in this document can be executed only as per the regulatory guidelines of the geography of the proposed execution and other laws and guidelines applicable to such transactions. The Counter Party should note that the sensitivity analysis and scenario analysis of products would be contained in the Confirmation provided to the Counter Party, in respect of executed transactions.

For any further information in relation to the subject matter of this document, the Counter Party may contact its treasury Relationship Manager.