Product & Risk Disclosure – Target Profit Forward

Target Profit Forward (TARF)

Product Features

- TARF enables hedging foreign currency (FCY) liabilities/payables
- TARF allows user to lock in rates more favorable (“Enhanced Rate”) than a regular forward on agreed dates during an agreed term provided that an agreed level of total gain (“Target Profit Event”) has not been reached
- If Target Profit Event happens, Counterparty receives the remaining profit and trade knocks out, with no further amounts being payable by either party.

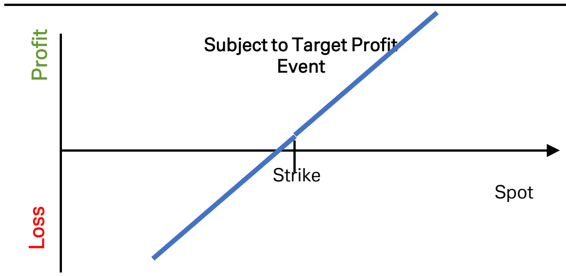
Benefits

- Allows user to lock in an Enhanced Rate which is better than a regular forward
- Once the Target has been redeemed there is no further protection. This may occur before the final Fixing Date, which will mean that the Notional Amount traded at the Enhanced Rate will be less than the maximum Notional Amount
- Allows user to lock in an Enhanced Rate which is better than a regular forward

Building Blocks and Primary Risks

- FX Spot, FX Forwards, FX Implied Volatility
- Interest rates in both currencies (or forward premium)

Payoff Illustration



Indicative Terms

Notional	USD 1,000,000 per Fixing
Tenor	12 months
Valuation/Settlement Date	Monthly
Strike	83.80
Target Profit	3 INR per USD (Exact)
Payoff	
Payoff Description	For each Settlement Date, If USDINR Fixing >= Strike, Client receives in INR: [Notional Amount × (USDINR Fixing - Strike)] If USDINR Fixing < Strike, Client pays in INR: [Notional Amount × (Strike – USDINR Fixing)]
Target Factor	Max (USDINR Fixing – Strike , 0)
Accumulated Target Factor	Sum total of Target Factor for a Valuation Date and the Target Factor for each Settlement prior to that Valuation Date
Target Profit Event	When Accumulated Target Factor is equal or greater than Target Profit, Client receives remaining profit and trade knocks out.
Spot Reference	83.35

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Scenario Analysis

Scenarios below indicate potential payoff in INR/USD on settlement date at different USD/INR Spot Rates for USD 1 Million Buy TARF at 83.80 for 12 months, with a Target Profit of 3.00. Two different scenarios have been shown for different paths in USDINR

Month	USDINR Spot	Profit/Loss in INR/USD	Cumulative Profit/Loss	Profit available post settlement
Month 1	84.5	0.7	0.7	2.3
Month 2	84	0.2	0.9	2.1
Month 3	83	-0.8	0.9	2.1
Month 4	84	0.2	1.1	1.9
Month 5	86	1.9	3	0
Month 6	Contract terminated after Month 5			
Month 7				

The tables illustrates possible scenarios of this Transaction and the resulting payoff. It is important for Counterparty to acknowledge that there is no limit to the possible scenario variations on this Transaction. The analyses are provided to the Counterparty for information purposes only and Deutsche Bank does not make any representation or warranty to the Counterparty in respect of the same. Deutsche Bank shall not be liable for any errors or omissions made in calculating or disseminating the below analyses, or for any inaccuracies or flaws in the methodologies, adjustments or assumptions used in deriving the analyses

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Month 4	84	0.2	1.1	1.9
Month 5	84	0.2	1.3	1.7
Month 6	83.5	-0.3	1.3	1.7
Month 7	84	0.2	1.5	1.5
Month 8	84.5	0.7	2.2	0.8
Month 9	84	0.2	2.4	0.6
Month 10	83	-0.8	2.4	0.6
Month 11	83.5	-0.3	2.4	0.6
Month 12	84	0.2	2.6	0.4

Contract terms and conditions – Option to Unwind and Early unwind date

An amount equal to Deutsche Bank's total costs or loss (which shall be a positive number) or gain (which shall be a negative number) in connection with terminating all payments and contingent payments that would otherwise have been made under this transaction in the period from but excluding the relevant Optional Termination Date up to and including the originally scheduled Termination date. Deutsche Bank's total costs or loss shall include, without limitation, any loss of bargain, cost of funding, or loss or cost incurred as a result of Deutsche Bank terminating, liquidating, obtaining or re-establishing any hedge or related position. Party A shall provide the Mark to Market value of the trade as and when desired by Party B Client has the option to unwind this trade as specified in the relevant confirmation and subject to unwind costs.

Costs and Fees

Transactions of this nature are executed at an all-inclusive price and there would not be any separate breakup and recovery of costs, fees and other charges. Breakup will however be provided as per the extant RBI guidelines. This doesn't include statutory charges/levies and same will be recovered separately as applicable.

Target Profit Forward (TARF) - Generic Risks

Market Risk

Market Risk is the risk that the value of a Transaction will be adversely affected by fluctuations in the level or volatility of or correlation or relationship between one or more market prices, rates or indices or other market factors or by illiquidity in the market for the Transaction or in a related market. In particular leveraged Transactions will entail a higher degree of risk as the losses arising from a small market movement will be multiplied and you may be required to provide substantial margin at short notice to meet your obligations. Failure to meet such obligations may result in us having to liquidate your position at a loss for which you would be liable. You should also note that while we will seek to observe “stop loss” and “stop limit” orders, market conditions may prevent us from executing any “stop loss” or “stop limit” orders which may have been previously agreed.

Credit Risk

Credit Risk is the risk that we may, under certain circumstances, fail to perform our obligations to you when due.

Funding Risk

Funding Risk is the risk that, as a result of mismatches or delays in the timing of cash flows due from or to you under Transactions or related hedging, trading, collateral or other transactions, you will not have adequate cash available to fund current obligations.

Liquidity Risk

Liquidity Risk is the risk that due to prevailing market conditions it may not be possible to liquidate, nor to assess a fair value of your position. In addition, you should be aware that the operation of exchange rules or any power or system failure affecting electronic trading facilities may, in certain circumstances, impair or prevent us from liquidating or executing your Transactions, thus increasing the likelihood of loss..

Operational Risk

Operational Risk is the risk of loss to you arising from inadequacies in, or failures of, your internal procedures and controls for monitoring and quantifying the risks and contractual obligations associated with Transactions.

Currency Risk

Currency Risk The profit or loss from Transactions in foreign currencies will be affected by fluctuations in currency exchange rates where there is a need to convert from the currency denomination of the Transaction to another currency.

Disclaimer