



Habib Bank Zurich (Hong Kong) Limited A Restricted Licence Bank

FOREIGN EXCHANGE FORWARD PRODUCT AND RISK DISCLOSURE STATEMENT

PURPOSE

The purpose of this document is to provide the Counterparty (“**Counterparty**”) with key information about foreign exchange forward transaction (“**FX Forward**”) offered by Habib Bank Zurich (Hong Kong) Ltd., a Restricted Licence Bank (“**HBZ HK**”). Please read this statement in full, before deciding to enter into a FX Forward.

DESCRIPTION

FX Forward means an over-the-counter derivative involving the exchange of two currencies on a specified date in the future at a rate agreed on the date of the contract.

Product Objective

Counterparty’s objective is to predetermine the exchange rate to buy/ sell one currency against another on a pre-determined future date for a specific notional.

Product Features

- Settlement of the FX Forward is done by delivery of the respective currencies on Value Date.
- The tenor can be up to 12 months.

Sensitivity analysis

The mark-to-market value of FX Forward is sensitive to:

- Interest Rates of Currency 1
- Interest Rate of Currency 2
- Currency 1/ Currency 2 Foreign Exchange Rate
- Time to Maturity

KEY PRODUCT RISKS

- Fluctuations in the mark-to-market value of the FX Forward due to the movements in Spot FX rates and forward premium.
- No participation in any favorable market movement post executing the FX Forward.
- FX Forward being a separate contract from the underlying exposure, the two may not always move in tandem or even similarly.
- Cancellations, extensions or early deliveries of a FX Forward may result in a financial loss.

KEY PRODUCT BENEFITS

FX Forward would enable the Counterparty to shift its exposure from one currency to another and hedge the underlying risk against any adverse movement.



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CONTRACT TERMS AND CONDITIONS¹

General Terms

Bank:	Habib Bank Zurich (Hong Kong) Ltd., a Restricted Licence Bank (“HBZ HK” or “Party A”)
Counterparty:	[•] (“Counterparty” or “Party B”)
Trade Date:	[•]
Amount HBZ HK Sold	[Currency 1] [Notional 1]
Amount HBZ HK Bought	[Currency 2] [Notional 2]
Foreign Exchange Rate:	[•]
Value Date:	[•]

Other Terms

Net Settlement / Termination / Unwinding	<ol style="list-style-type: none">I. Termination / unwind value to be calculated and communicated by HBZ HK.II. Gain on such termination/unwinding shall be settled on maturity. Loss shall be settled upfront.
Documentation: (As applicable)	<ol style="list-style-type: none">I. FX Forward(s) undertaken would be followed by a FX Forward contract(s), which shall be duly signed and submitted to the Bank within 5 working days of receipt.II. Charge over DepositIII. Facility Letter (duly accepted)IV. Any additional documents, as required by HBZ HK from time to time.
Costs and Fees	Foreign Exchange Rate would be inclusive of margins on account of various costs (such as administrative expense, credit charges, funding charges, capital cost etc.) incurred in relation to FX Forward.
Pay-off Profile	On the value date of FX Forward: HBZ HK would receive amount HBZ HK Bought from Counterparty. HBZ HK would pay amount HBZ HK Bought for Counterparty.

¹ These terms and conditions are provided for illustrative purposes only.



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ILLUSTRATION²

Bank:	Habib Bank Zurich (Hong Kong) Ltd., (“HBZ HK” or “Party A”)
Counterparty:	ABC Limited (“Counterparty” or “Party B”)
Trade Date:	31 st May 2023
Amount HBZ HK Bought:	USD 1,000,000.00
Amount HBZ HK Sold:	HKD 7,800,000.00
Foreign Exchange Rate:	7.8000
Value Date:	31-Apr-2024

On the Value Date, independent of the ongoing USD/HKD exchange rate, below mentioned payoff would happen under the Transaction:

Pay-off

On 31-Apr-2024:

- HBZ HK would Receive USD 1,000,000.00 from Counterparty.
- HBZ HK would Pay HKD 7,800,000.00 to Counterparty.

SCENARIO ANALYSIS

All figures and scenarios mentioned above are for illustration only, and do not represent all possible outcomes of the FX Forward or describe all factors that may affect the value of the FX Forward. It is not indicative of the actual or future performance of the FX Forward. Actual outcomes and pay-outs from the FX Forward may vary from those illustrated above and such variations may be significant.

Below table shows a few sample scenarios for Foreign Exchange Rate for the Value Date as an illustration. This Scenario aims to show how the value of net amounts payable/receivable by Counterparty on the Value Date will vary with variation in Foreign Exchange Rate. The values shown below for USD/INR Foreign Exchange Rate are purely hypothetical

Value Date	Amount HBZ HK Bought (USD)	Amount HBZ HK Sold (HKD)
31-Mar-2025	1,000,000.00	7,800,000.00

USD/HKD Foreign Exchange Rate	Unwind Gain/(Loss) to Party B (HKD) on Value Date
7.75	50,000.00
7.80	-
7.85	(50,000.00)

² This is provided for illustrative purposes only.



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A Restricted Licence Bank

GENERIC RISKS

- **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.

- **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.

- **THERE ARE POTENTIAL 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



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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**

This product is not secured by any collateral. When you invest in this product, you will be relying on the Bank's creditworthiness. If the Bank becomes insolvent or defaults on its obligations under this product, you can only claim as an unsecured creditor of the Bank. In the worst case, you could suffer a total loss of your investment amount.

- **CURRENCY RISK**

If the investment currency or linked currency is not in your home currency, and you choose to convert it back to your home currency upon maturity, you may make a gain or loss due to exchange rate fluctuations.

- **RISKS RELATING TO RMB**

RMB exchange rate and/or interest rate relevant to this product refer to offshore RMB (CNH). You should note that the value of RMB against other foreign currencies fluctuates and will be affected by, amongst other things, the PRC government's control (for example, the PRC government regulates conversion between RMB and foreign currencies), which may adversely affect your return under this product when you convert RMB into your home currency.

- **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.



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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 informational purposes only and does not contain or constitute any investment advice to the Counterparty. Habib Bank Zurich (Hong Kong) Limited, a Restricted Licence Bank ("HBZ HK") does not make any representation or warranty as to the completeness or accuracy of the information contained in this document and accepts no liability whatsoever, with respect to the use of this document or its contents. This document does not constitute or contain advice, or an offer, invitation to offer, advertisement, invitation or a recommendation by HBZ HK to the Counterparty, or any other person or persons, to enter into an agreement or any form of commitment to enter into any transaction in relation to the subject matter of the document.

HBZ HK is acting on a principal-to-principal basis and not as the counterparty's financial adviser or in a fiduciary capacity in respect of this proposed transaction with the counterparty. Accordingly, this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this document and does not constitute investment, legal, accounting or tax advice, or a representation that any investment is suitable or appropriate to any specific person's individual circumstances, or otherwise constitute a personal recommendation to any specific person.

The information herein is not to be taken in substitution for the exercise of judgment by the Counterparty who should obtain separate transaction, product, legal, accounting, tax and financial advice. Before entering into any transaction, the Counterparty should take steps to ensure that he/she/they understands/understand the transactions contemplated hereunder and risks thereof and has/have made an independent assessment of the appropriateness of the transactions contemplated hereunder in the light of the Counterparty's own specific objectives, risk appetite, financial situation and particular needs. In particular, the Counterparty may wish to seek advice from a licensed or exempt financial adviser or make such independent investigations, as he/she/they considers/consider necessary or appropriate for such purposes.