

Interest Rate Floor for Cash Managers

Product Description Sheet

Customer Treasury Services UK



Your view anticipates interest rate uncertainty ✓	Rate protection with this product ✓	Cost paid as a premium ✓
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The product – in brief

Features

An Interest Rate Floor (Floor) is a product that offers interest rate protection on resources.

You can get a Floor from a bank other than the one where you have the original deposit.

The Floor does not need to be based on a particular deposit. You can use the Floor for any deposits you already have.

You can sell a purchased Floor back to the bank before expiration and receive any residual value.

This product can be customised to suit specific amounts and dates in all major currencies.

Scenario

Your company will have cash resources for three years.

You believe that interest rates may increase over the course of this period and you want to take advantage of such a move.

You also want full protection at a worst case rate should interest rates fall against you.

When evaluating the product you incorporate the cost of the premium.

Action

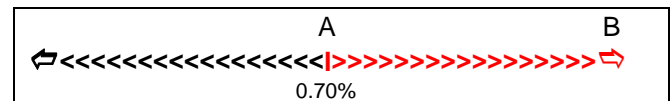
You pick a protection rate and buy a Floor at that protection rate.

How does the product work?

Example: GBP

Three month bid rate is trading at 0.70%.

- 1) You buy a three year Floor rolling quarterly with a strike rate of 0.70%.
- 2) You pay a premium for this product.
- 3) Rates between A and B (below) highlight the range where you will deposit, at each three month fixing date.



- A. Worst Case Interest Rate
- B. Best Case Interest Rate Unlimited

Potential outcomes for each three month fixing

Outcome (1)
Where the fixing rate is at or above 0.70% you receive the fixing rate.

Outcome (2)
Where the fixing rate is below 0.70% you receive 0.70%.

For all outcomes you need to incorporate the cost of the premium when evaluating this product.



Do not use this product if:

The use of this structure is out of line with your company's treasury policy.

You do not have the underlying commitment outlined in this structure.

You do not understand the benefits/risk of this structure.

In the worst case scenario, you cannot forego rate gains and endure any potential loss embedded in this structure.

Products to consider

Below is a range of Interest Rate products which should be considered when evaluating Interest Rate risk.

- Caps/Collars/Floors (Vanilla & Knock-In)
- Cross Currency Swaps
- Fixed Loans and Deposits
- Forward Rate Agreements
- Fraptions
- Swaps (Vanilla, Bermudan & Cancellable)
- Swaptions

For further details on these products refer to the relevant product description sheet.

Note: Rates are based on indicative mid-rates at the time of production and for illustration purposes only.

Other issues to consider

The Bank may require confirmation as to the capacity of an entity to enter into particular treasury transactions. The requirements will vary depending on the type of entity involved and its place of incorporation. For example, for entities incorporated in overseas jurisdictions, a legal opinion which confirms capacity to enter into treasury transactions may be required. For certain companies, the Bank may require that the entry into treasury transactions is included as a specific object in the memorandum of association. These requirements can be discussed with you.

Having considered these points, your Treasury Relationship Manager at AIB Customer Treasury Services would be pleased to discuss any queries you may have and also to offer you a competitive price should you wish to proceed.

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