



# Interest Rate Swaps for Borrowers

## Product Description Sheet

Customer Treasury Services UK



Your view anticipates interest rate uncertainty ✓	Rate protection with this product ✓	Cost paid as a premium ✗
---	-------------------------------------	--------------------------

### The product – in brief

#### Features

An Interest Rate Swap (IRS) is a product that provides the purchaser with rate protection against adverse rate movements by committing to a fixed rate.

You can get an IRS from a bank other than the one that provided you with the original loan.

The IRS does not need to be based on a particular loan. You can use the IRS for any loans you already have.

You can reverse the IRS at any time. This may result in a profit or loss to you depending on the interest rates at the time of reversal.

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

#### Scenario

Your company has borrowed on a three month floating rate basis and will have this requirement over the next three years.

You believe that interest rates may trade at levels detrimental to your cost of borrowing for the period. You want to protect yourself against this happening.

### How does the product work?

#### Action

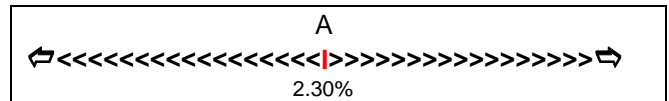
You lock into an IRS at the three year fixed offered rate.

#### Example: GBP

All interest rates in this example are exclusive of your bank's normal credit margin.

Three month offered rate is trading at 0.70%.  
Three year IRS offered rate is trading at 2.30%.

- 1) You enter into a three year IRS with a fixed rate of 2.30% rolling quarterly.
- 2) You do not pay a premium for this product.



A. Interest rate you will borrow at over the three years

#### Outcome for each three month fixing

You pay interest at a fixed rate of 2.30% regardless of where the floating rate is trading regardless of market rates.





## 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.**

This product may not be suitable for your particular circumstances; therefore it is strongly recommended that if you have not already done so you should consult an independent professional financial advisor. This publication is for illustration purposes only and does not constitute investment advice. Changes in market rates may have an adverse effect on the value, price or return of this product. This publication is not to be reproduced in whole or part without prior permission. AIB Customer Treasury Services is a registered business name of Allied Irish Banks, p.l.c. Allied Irish Banks, p.l.c. is authorised by the Central Bank of Ireland. Customer Treasury Services UK is a department of Allied Irish Banks, p.l.c. which conducts business on behalf of AIB Group (UK) p.l.c. AIB Group (UK) p.l.c. is authorised and regulated by the Financial Services Authority. First Trust Bank is a trade mark of AIB Group (UK) p.l.c. incorporated in Northern Ireland. Please note that telephone calls may be recorded in line with market practice.