



Interest Rate Swaps 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 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 where you have the original deposit.

The IRS does not need to be based on a particular deposit. You can use the IRS for any deposits 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 will have cash resources for three years.

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

How does the product work?

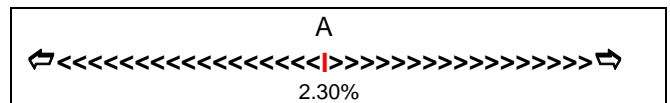
Action

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

Example: GBP

Three month bid rate is trading at 0.70%.
Three year IRS bid 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 receive over the three years

Outcome for each three month fixing

You receive interest at a fixed rate of 2.30% 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.

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