

Key Information Document



Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

This document sets out the generic risks of, performance scenarios for and costs of an **Interest Rate Collar**, being a PRIIP (Packaged Retail and Insurance-Based Investment Product) that you may be considering as an investment product, in order that you can compare it to other products. The specific terms of the product that you enter into will be set out in the confirmation and other transaction documents relating to that product.

Product

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|--|--|
| PRIIP Name: | Interest Rate Collar (USD) |
| PRIIP Manufacturer: | The Governor and Company of the Bank of Ireland (“BOI”) |
| Website for PRIIP Manufacturer: | www.bankofireland.com |
| Contact number for PRIIP manufacturer: | Call 0800 039 0038 for more information |
| Date of this Key Information Document: | The date of this Key Information Document is 01 Jan 2021 |

You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type: An Over the Counter Derivative (OTC) contract – Interest Rate Collar

Objectives:

The objective of this product is to provide you with a maximum pre-agreed interest rate (the “Cap Strike Rate”) and a minimum pre-agreed interest rate (the “Floor Strike Rate”) payable applied to a Notional amount linked to a floating interest rate (the “Floating Rate”) applied to the same Notional amount for a fixed term, in return for you making a non-refundable premium payment. It typically provides a method of setting a maximum interest rate and a minimum interest rate on the variable portion of your variable rate loan (where the variable rate is a published reference rate).

A Collar provides you with protection against upward interest rate movements above the Cap Strike Rate while allowing you to participate in interest rate decreases down to the pre-agreed Floor Strike Rate. By selecting a maximum and minimum rate, you can (for example) hedge a variable rate loan. The term of the Collar does not have to match the maturity term of the underlying loan facility.

The Cap Strike Rate and Floor Strike Rate can be positioned to reflect the level of protection you seek. However the amount of the pre-agreed premium payment, if any, is affected by the choice you make. Typically:

- a lower Cap Strike Rate is more expensive; and
- a higher Floor Strike Rate can be used to offset some or all of this expense.

Typically on each pre-agreed date:

- BOI will compensate you if the Floating Rate is higher than the Cap Strike Rate. You will receive from BOI the difference between these two interest rates;
- If the Floating Rate is equal to or below the Cap Strike Rate and equal to or above the Floor Strike Rate you will continue to benefit from the Floating Rate; and
- If the Floating Rate is below the Floor Strike Rate, you will pay BOI the difference between the two interest rates.

The product terms typically provide that if certain exceptional events occur (1) BOI may make adjustments to the product and/or (2) BOI or you may terminate the product early. These events are specified in the transaction documents for the specific product (“the Transaction Documents”, which Transaction Documents typically constitute a confirmation and ISDA Master Agreement between BOI and you) and principally relate to the underlying, the product and the condition of you and/or BOI. The return (if any) you receive on such early termination is likely to be different from the scenarios described above.

Sample product terms are set out below, which are indicative of the terms of a BOI Interest Rate Collar but which may not reflect the exact terms you agree with BOI. The exact terms of the product are flexible and can be adjusted to suit your requirements. The figures provided below are illustrative and may differ from the actual terms of the Transaction Documents. This applies in particular to the calculation of the performance scenarios and the costs, which are based on the following example parameters. The calculation of the performance scenarios and the costs are also based on the assumption that the premium payment is made by way of a once-off payment at the start of the OTC contract (this is typically the case although it may be possible to structure your premium payment by way of periodic payments over the lifetime of the product).

| | | | |
|------------------------|-------------------------------|--|---------------------------------|
| Fixed term | From 02/01/2021 to 02/01/2026 | Floating Rate | 3 month Floating Rate |
| Notional amount | \$1,000,000 | Pre-agreed dates (for payments) | Quarterly (i.e. every 3 months) |
| Cap Strike Rate | 1.00% | Floor Strike Rate | 0.38% |

Intended retail investor: This product is intended for retail investors for the purpose of hedging interest rate risk with the view that the floating interest rate may rise during the term of the Interest Rate Collar.

Term: The length of the Interest Rate Collar will depend on how long you wish to hedge a Floating Rate with BOI and will be agreed before you enter into the Interest Rate Collar. The Interest Rate Collar is a bilateral agreement that cannot ordinarily be terminated unilaterally by either you or BOI. Typically, the Interest Rate Collar cannot be automatically terminated.

What are the risks and what could I get in return?

Lower Risk Higher Risk



The risk indicator assumes you keep the product until its termination date. You may not be able to end your product early. You may have to pay significant extra costs to end your product early. You may not be able to end your product easily or you may have to end your product at a price that significantly impacts on the performance of your product.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class. This classification rates the potential losses from future performance at a very high level, and poor market conditions are very likely to impact your return in the event of an early termination of this product. Additional materially relevant risks of this product are outlined in **BOI's Terms of Business** and in our **'Managing IR Exposure'** document. This product does not include any protection from future market performance so you could incur significant losses. If we are not able to pay you what is owed, you could incur significant losses.

Performance scenarios: Market developments in the future cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns/losses. Actual returns could be lower. This table shows the money you could get back or pay on the termination date, under different scenarios, assuming a nominal value of \$1,000,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the investment/product. The stress scenario shows what you might get back or pay in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. This product cannot be easily ended. This means it is difficult to estimate how much you would get if you end before the end of the recommended holding period. You will either be unable to end early or you will have to pay high costs or make a large loss if you do so. The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation. Tax legislation of the United Kingdom may also affect how much you get back.

Performance Scenarios Nominal amount \$1,000,000

| Scenarios | | 1 year post-trade | 3 years post-trade | 5 years (Maturity Date) |
|------------------------------|---|-------------------|--------------------|-------------------------|
| Stress Scenario | What you might get back or pay after costs | -\$8,000 | -\$11,000 | -\$9,900 |
| | Average return/loss over nominal amount each year | -0.80% | -1.10% | -0.99% |
| Unfavourable Scenario | What you might get back or pay after costs | -\$7,000 | -\$9,100 | -\$7,400 |
| | Average return/loss over nominal amount each year | -0.70% | -0.91% | -0.74% |
| Moderate Scenario | What you might get back or pay after costs | -\$4,900 | -\$4,200 | -\$4,000 |
| | Average return/loss over nominal amount each year | -0.49% | -0.42% | -0.40% |
| Favourable Scenario | What you might get back or pay after costs | -\$2,800 | \$1,200 | \$600 |
| | Average return/loss over nominal amount each year | -0.28% | 0.12% | 0.06% |

In the above table and in each case, average return/loss is calculated as the Interest Rate Collar's market value under each scenario divided by the Nominal amount of \$1,000,000.

What happens if BOI is unable to pay out?

The product is not protected by either the Investor Compensation Scheme in Ireland, the Financial Services Compensation Scheme in the United Kingdom or any other investor compensation or guarantee scheme. This means that if BOI is unable to pay out, you may not receive any amount from BOI under the Interest Rate Collar.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the performance of the product. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are cumulative costs of the product itself, over the recommended holding period (in this example 5 years). They include potential early exit penalties. The figures assume a nominal value of \$1,000,000. The figures are estimates and may change in the future.

Costs over time: The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time. For the avoidance of doubt, BOI provides this product on a non-advised basis only.

| Notional amount \$1,000,000 Scenarios | If you end at the end of the recommended holding period |
|---------------------------------------|---|
| Total costs | \$5,000 |
| Impact on return (RIY) per year | 0.10% |

Composition of costs: The table below shows the impact each year of the different types of costs on the performance of the product at the end of the recommended holding period and the meaning of the different cost categories.

| | | | |
|---------------|-----------------------------|-------|---|
| One-off costs | Entry costs | 0.50% | The impact of the costs you pay when entering your investment (i.e. the pre-agreed premium payment to BOI constituting credit spread and execution costs which incorporate BOI's risk, administration costs and revenue margin). The impact of the costs already included in the price. This is the most you will pay, and you could pay less. This includes the costs of distribution of your product. |
| | Exit costs | n.a | The impact of the costs of exiting your investment at the end of the recommended holding period. |
| Ongoing costs | Portfolio transaction costs | n.a | The impact of the costs of us buying and selling underlying investments for the product. |
| | Other ongoing costs | n.a | The impact of the costs that we take each year for managing your investment. |

How long should I hold it and can I take money out early?

Recommended holding period: This product is designed to be held until its expiry date based on the requirements you have identified when executing this product with BOI and may not be easily sold or transferred. Early termination may occur in the event of a default or disruption situation or if you or BOI agree for it to be terminated early, in which case, additional costs to those costs outlined under "What are the costs?" above may be incurred.

How can I complain?

Complaints will be dealt with in accordance with Clause 28 of **BOI's Terms of Business**. Complaints about the product, the conduct of BOI and/or the person advising on, or selling the product, can be referred in writing to Head of Global Markets, Bank of Ireland Global Markets, Bow Bells House, 1 Bread Street, London, EC4M 9BE, United Kingdom or by **email**. Separately, information about the general feedback and complaints process for customers of BOI can be found on the BOI group's **website**.

Other relevant information

The terms and conditions for dealing in these products are set out in **BOI's Terms of Business**. Further information on these products is available in our information document entitled '**Managing IR Exposure**'. The specific terms of the product that you enter into will be set out in the Transaction Documents relating to that product.

Information Classification: Public (Green)