Is your business prepared for increased FX volatility?

Bank of Ireland

Buying Euro, Selling Sterling

Your currency risk management options

The Scenario

Your business is exporting goods to the UK and is receiving payment for those goods in GBP. You are looking to convert £100,000 each month for 12 months into Euro - £1,200,000 in total.

As you are concerned over adverse currency movements over the next 12 months, you are keen to protect your future cash flow and to get some security over the "worst case" protection/conversion rate you can expect.

There are a range of product options you could consider, read on below to find out more.

Please note:
Other mechanisms/products for managing Foreign Exchange exposures are available in addition to those presented here. Should you require any other product (e.g. other Zero Cost option structures) to manage your Foreign Exchange exposure please contact your Bank of Ireland Relationship Manager. We may be in a position to provide a bespoke solution dependent on your requirements and experience.

All Derivative products are governed by rules and requirements set out by European Union (Markets in Financial Instruments) Regulations 2017 and the Financial Conduct Authority. Bank of Ireland is obliged to assess in advance of any transaction whether it is appropriate for your needs. In order to comply with this requirement Bank of Ireland has to obtain information on the knowledge and experience relevant to the product from each customer in advance of any trade transacted.

Vanilla FX Option

A Vanilla FX Option gives you the right, but not the obligation to sell GBP at a certain exchange (or "Strike") rate on a given date in the future. If the market FX rate at expiry is more favourable than the strike rate, you are free to transact in the market and let the contract expire.

EUR/GBP Strike Rate	0.9100	0.9200	0.9300	0.9400	0.9500
Premium	€38,500	€32,500	€27,700	€24,000	€21,000

Figures based on selling £100,000 every month for 12 months (£1.2m in total) These are illustrative rates and premiums based on current spot rates as at w/c 27/10//2020. Contact us for your bespoke pricing.

Advantages	Disadvantages
• Provides protection against adverse currency movements • Known worst case FX level for future FX exposures • Potential to take advantage of favourable currency movements	• An upfront premium is payable • A small favourable move in the currency may not be sufficient to recoup the full premium paid

Forward Extra

Forward Extras provide a worst case or "strike" rate for your future transaction while allowing you to take advantage of favourable currency moves as long as a specified FX rate (barrier) has never traded.

At expiry, the purchaser has the right, but not the obligation to transact at the strike rate. However if the prevailing spot rate is between the protection/strike rate and barrier rate, you are free to transact at the prevailing market rate provided the barrier has not traded. If the barrier has traded, the purchaser is locked into a forward transaction at the strike rate.

A Forward Extra typically does not have an additional cost ("zero cost"), although a premium can be paid for additional protection if required.

EUR/GBP Strike Rate	0.9100	0.9200	0.9300	0.9400	0.9500
Barrier Rate	n/a	0.8800	0.8640	0.8540	0.8470

Figures based on selling £100,000 every month for 12 months (£1.2m in total) These are illustrative rates and premiums based on current spot rates as at w/c 27/10/2020. Contact us for your bespoke pricing.

Advantages	Disadvantages
• Provides protection against adverse currency movements • Known worst case FX level for future FX exposures • Potential to take advantage of favourable currency movements once the barrier has not traded • Typically structured as zero cost	• An upfront premium is payable • A small favourable move in the currency may not be sufficient to recoup the full premium paid

Participating Forward

At each expiry, a Participating Forward provides a worst case or protection rate for your future transaction while allowing you to take advantage of favourable currency moves on a portion of the volume you wish to hedge. The remaining portion must be traded at the agreed protection rate.

A Participating Forward typically does not have an additional cost ("zero cost"), although a premium can be paid for additional protection if required.

EUR/GBP Protection rate	0.9100	0.9200	0.9300	0.9400	0.9500
% participation	n/a	20%	45%	60%	70%

Figures based on selling £100,000 every month for 12 months (£1.2m in total) These are illustrative rates and premiums based on current spot rates as at w/c 27/10/2020. Contact us for your bespoke pricing.

Advantages	Disadvantages
• Provides protection against adverse currency movements • Known worst case FX level for future FX exposures • Potential to take advantage of favourable currency movements on a portion of your exposure • Typically structured as zero cost	• An upfront premium is payable • A small favourable move in the currency may not be sufficient to recoup the full premium paid

A disclosure of expected Aggregated Costs and Charges and expected Total Consideration is available on our website at **https://corporate. bankofireland.com/library/**. We will also provide this information on a post trade term sheet confirming actual Aggregated Costs and Charges and actual Total Consideration following execution of any Derivative trade. An itemised break down of costs will be provided on request.

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