



Focus on Portfolio Swaps

Generate advisory revenues, Enhance client risk profiles

Executive Summary

- A vanilla fixed rate swap
- Used to transform a portfolio of existing loans and derivatives, and future borrowing commitments, into a single hedge
- Client benefits from lower effective rate and a simplification of the portfolio
- Advisor benefits from increased revenues and differentiation
- Market opportunity due to high historic interest rates, and ability to lock-in at low current rates
- TV delivers a unique capability for this product type

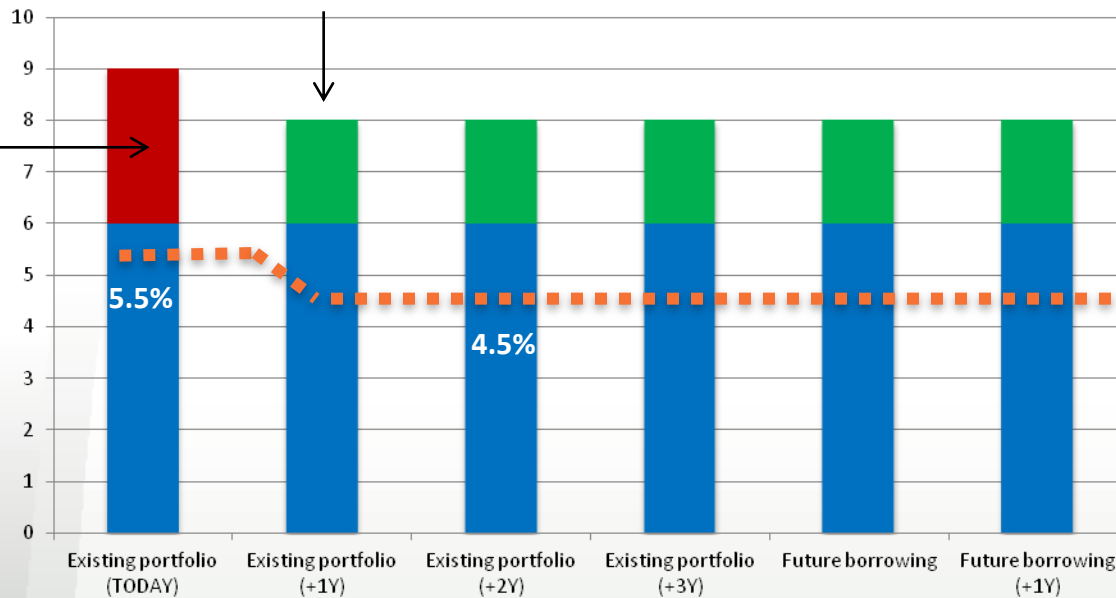
What Is It?

- A vanilla fixed rate swap
- Used to transform a portfolio of existing loans and derivatives, and future borrowing commitments, into a single, fixed rate hedge
- Swap payout matches the underlying portfolio cash flows 1:1 and embeds negative MTM's on existing derivatives
- Client pays a simple fixed coupon over the life of the portfolio swap

2. Portfolio swap embedding MTM's from existing trades and all unhedged underlyings / future borrowings

1. Deeply negative MTM's on derivatives referencing underlyings

- Existing derivatives
- Underlyings
- Portfolio swap



3. Significant reduction in effective rate plus extended maturity profile

Typical Client Triggers

- Large and diverse existing portfolio of loans and derivatives
- Fixed rate loans locked-in to high historic interest rates
- Negative MTM's on vanilla, long dated or structured derivatives
- Desire to reduce effective rate and extend maturity profile
- Desire to simplify financial risk management burden

Key Benefits

- Client achieves a fixed hedging profile at low interest rates
- Client transforms large portfolio and opaque instruments into a single vanilla hedge
- Client saves time in analysis, management and reporting
- Advisor generates high fees due to large nominals and structuring
- Advisor strengthens client relationship by delivering savings and thought leadership

Key Considerations

- Requires client to have credit capacity
- May increase counterparty risk
- Requires client to be financially literate

- TreasuryView client: Financial risk advisory team in Investment bank, Germany
- Underlying client: City utility, Germany
- Portfolio: 100+ loans and 20 derivatives, spread around different banks
- Challenges, client:
 - Financial risk difficult to measure
 - Management time required to manage and report complex portfolio
 - No desire to manage multiple hedging relationships
 - Limited budget for a treasury management system
- Challenges, advisor: Capturing and valuing all deals in order to calculate hedge
- Solution:
 - Bank used TreasuryView™ for need creation and post-trade reporting
 - Utility traded an EUR 400m, 25Y portfolio swap with bank
- Benefits:
 - Utility was able to reduce effective rate and complexity
 - Bank generated seven figure advisory and trading revenues

TreasuryView™ Capability

- Purpose built functionality
- TreasuryView's ability to combine debt and derivatives makes this a unique proposition
- Simply select the underlying loans and derivatives to be included **1**
- Define deal parameters then a single click creates matching hedge in seconds **2**
- Instant risk views, on a deal and portfolio basis **3**

1

2

3

Portfolio View

Enterprise Interest rate % Forex \$€£ Commodity^{beta}

Current portfolios: actual swaps with neg MTM, Macro hedge on Fl

Enterprise NPV risk

By Portfolio No filters

			Nominal Balance	Maturity Date	NPV	Impact of Interest Rate Shift
-	actual swaps with neg MTM	Subtotal	30 000 000.00		-2 590 466.44	887 835.54
D	Swap 1(2009-2015) : EUR/EUR	menu	10 000 000.00	27 Oct 2014	-785 573.46	294 404.98
D	Swap 2 6(2008-2018) : EUR/EUR	menu	20 000 000.00	27 Nov 2014	-1 804 892.98	593 430.56
-	Macro hedge on Floating loans	Subtotal	0.00		-32 578 312.20	2 485 710.36
F	Forward loan (2015-25) (2) : EUR	hedge menu	0.00	27 Oct 2025	-50.44	-4.47
F	Loan 1 (2009-2015) : EUR	hedge menu	-10 000 000.00	27 Oct 2015	-10 027 800.44	10 007.81
F	Loan 2 (2008-2018) : EUR	hedge menu	-20 000 000.00	27 Nov 2018	-19 920 677.03	29 605.40
D	PortfolioSwap 2025 3.40% : EUR/EUR	menu	30 000 000.00	27 Oct 2025	-2 629 784.29	2 446 101.63
	Totals		30 000 000.00		-35 168 778.65	3 373 545.90