

# Interest Rate Cap – Key Information Document



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.

## Interest Rate Cap (GBP £)

Allied Irish Banks, p.l.c. (“AIB”) London Branch

<https://aib.ie/fxcentre>

Call +44 (0)20 7863 6950 for more information

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

### What is this product?

Type	Over the Counter Derivative (OTC) – Interest Rate Cap
Objectives	<p>Interest rate caps are binding agreements between you (the buyer) and the Bank (the seller), where you will receive a compensation payment at the end of each calculation period (the payment date) if the agreed reference rate on the fixing date is above the agreed cap strike rate. The Cap can be Exercised (or converted) at the Cap Rate, on one, or a series of rollover or Reset Dates under the agreed term.</p> <p>The objective of this product is to provide you with protection against adverse movements in interest rates that you may experience and to help you to manage your cash flow more effectively as the maximum cost of interest payments is known. A Cap is a hedging tool. It provides protection against rising interest rates, while maintaining the ability to participate in favourable movements.</p> <p>The payments are calculated in each case on the basis of the interest rate cap notional amount and the length of the relevant calculation period applying the interest calculation method.</p> <p>In exchange for the purchase of the interest rate cap, you will pay a one-time option premium to the bank at the beginning of its term. The premium is paid up-front.</p> <p>If the Floating Rate (agreed reference rate) is equal to or below the Strike Rate you will continue to benefit from the Floating Rate. You can tailor a Cap by selecting from a range of rollover frequencies, Terms, Strike Rate and Face Values over the Term. You can determine the Commencement Date of the Cap.</p> <p>An Interest Rate Cap does not affect the terms of the underlying loan facility. In particular it does not affect the borrower's obligations to repay the principal of the loan, to pay interest on the loan to the lender or to pay fees and charges to the lender, in each case in accordance with the terms and conditions of the underlying loan facility.</p>
Intended Retail Investor	This product is intended for retail clients who borrow and are seeking to mitigate the impact of adverse movements in the underlying interest rates and a subsequent increase in interest payments.
Term	The length of the Interest Rate Cap will depend on how long you wish to protect against adverse movements in interest rates and will be agreed before you enter into the product. The product is a bilateral agreement that cannot ordinarily be terminated unilaterally by either you or AIB. Typically an Interest Rate Cap cannot be automatically terminated.

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

#### Risk Indicator



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.

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

This product cannot be sold or transferred easily. It is designed to be held to the agreed Maturity Date in order to match your investment requirement. Hence, there is no recommended holding period. This product can only be matured on the date(s) agreed with AIB. Early termination may occur in the event of a default by either you or AIB.

## 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. Actual returns could be lower.

This table shows the money you could get back over the recommended holding period, under different scenarios, assuming that you invest £100,000. 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 on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product. The stress scenario shows what you might get back 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 cashed in. This means it is difficult to estimate how much you would get back if you cash in before the end of the recommended holding period. You will either be unable to cash in early or you will make a large loss if you do so. The figures shown include all the costs of the product itself and include the costs of your advisor or distributor. The tax legislation of the United Kingdom may have an impact on your actual payout. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Nominal Amount £100,000 Premium Cost 1%				
Scenarios		1 Year	3 Year	5 Year
<b>Stress Scenario</b>	What you might get back/or pay after costs. Average return/loss over nominal amount each year	-£1,000 -1%	-£1,000 -1%	-£1,000 -1%
<b>Unfavourable Scenario</b>	What you might get back/or pay after costs. Average return/loss over nominal amount each year	-£1,000 -1%	-£1,000 -1%	-£1,000 -1%
<b>Moderate Scenario</b>	What you might get back/or pay after costs. Average return/loss over nominal amount each year	-£490 -0.49%	-£1,000 -1%	-£1,000 -1%
<b>Favourable Scenario</b>	What you might get back/or pay after costs. Average return/loss over nominal amount each year	£1,460 1.46%	£305 0.35%	-£1,000 -1%

## What happens if AIB is unable to pay out?

AIB is a member of the Irish compensation scheme established under the Investor Compensation Act 1998 (the 1998 Act). The 1998 Act provides for the establishment of a compensation scheme and payment, in certain circumstances, of compensation to certain clients (defined in the Act as eligible investors) of authorised investment firms. You may be entitled to compensation from this scheme if we are unable to meet any of our liabilities to you. Where an entitlement to compensation is established, the compensation payable will be 90% of your net loss or €20,000 (whichever is the lesser).

AIB London Branch has entered the Temporary Permissions Regime. As a customer of AIB London Branch you may therefore be entitled to compensation from the Financial Services Compensation Scheme if we are unable to meet any of our liabilities to you. Where an entitlement to compensation is established, the compensation payable will be the total of your net loss or £85,000 (whichever is the lesser). Further information about compensation arrangements is available from the Financial Services Compensation Service ([www.fscs.org.uk](http://www.fscs.org.uk)).

## 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 the cumulative costs of the product itself, for three different holding periods. They include potential exit penalties. The figures assume a nominal value of £100,000. The figures are estimates and may change in the future.

### Table 1: 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.

Notional Amount Scenarios £100,000	If you cash in at the end of the recommended holding period
<b>Total Costs</b>	£400
<b>Impact on return (RIY) per year</b>	0.40%

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## Table 2: 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;
- The meaning of the different cost categories

This table shows the impact on return per year			
One-off costs	Entry costs	0.40%	The impact of the costs already included in the price.
	Exit costs	0%	The impact of the costs of exiting your investment when it matures.
Recurring costs	Portfolio transaction costs	0%	The impact of us buying and selling underlying investments for the product.
	Other ongoing costs	0%	The impact of the costs that we take each year for managing your investments.
Incidental costs	Performance fees	0%	This product does not have any performance fees or carried interests.
	Carried interests	0%	

## How can I complain?

You can make a complaint by:

- Contacting your AIB Primary Relationship Manager or assigned AIB Treasury Relationship Manager on +44 (0)20 7863 6950 or by writing to Allied Irish Banks, p.l.c., AIB Customer Treasury Services, 10 Molesworth Street, Dublin 2. You can also make a complaint via our website [aib.ie/fxcentre](http://aib.ie/fxcentre).
- If you are still not satisfied and you come within the jurisdiction of the Financial Services and Pensions Ombudsman, you can take your complaint depending on the circumstances in each case to:
  - The Financial Services and Pensions Ombudsman, 3rd Floor, Lincoln House, Lincoln Place, Dublin 2. Phone: +353 1 567 7000; Email: [info@fspo.ie](mailto:info@fspo.ie); Website: [www.fspo.ie/](http://www.fspo.ie/)
  - The Financial Ombudsman Service Exchange Tower, London E14 9SR, Telephones: 08000234567; email: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk); Website: [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).

## Other relevant information

Under the European Union (Markets in Financial Instruments Regulation) Regulations 2017, commonly known as MiFID II, or as applicable, the UK version of MiFID II being part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended, we are required to provide you with further documentation, including, a confirmation including a breakdown of costs and charges for the transaction and an annual statement.

AIB is regulated by the Central Bank of Ireland. Allied Irish Banks, p.l.c London Branch is authorised and regulated by The Central Bank of Ireland. Registered No.24173. Registered Office 10 Molesworth Street, Dublin 2. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.