



Dual Currency Deposits (DCDs) with knock-ins

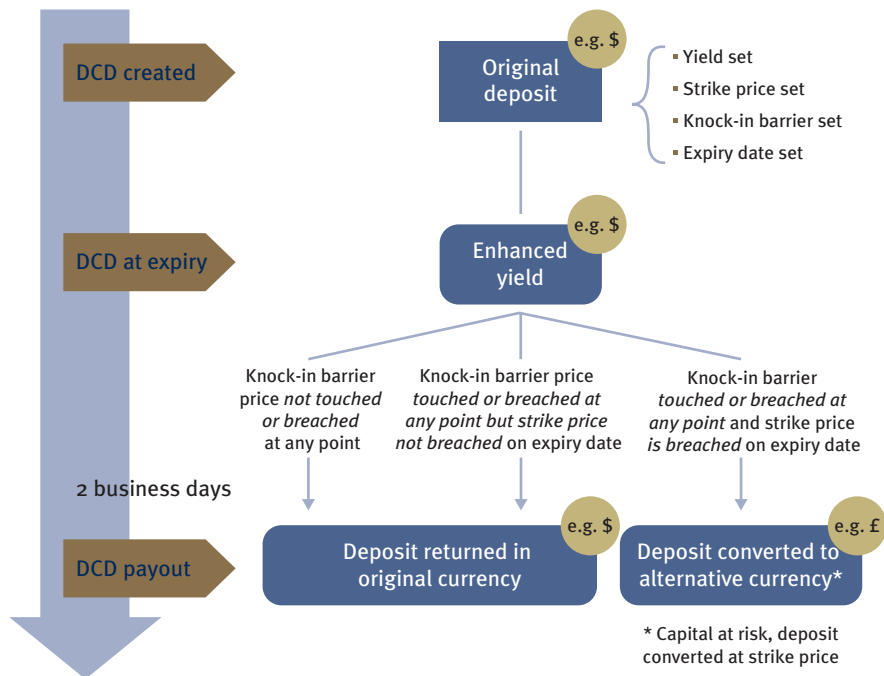
Earning returns through foreign exchange strategy

What exactly is a DCD with a knock-in?

DCDs with barrier events are tailored solutions that combine a money market investment with a foreign exchange strategy. The main difference between a standard DCD and a DCD with a knock-in is that a DCD with a knock-

in does not become 'active' until the pre-determined knock-in barrier has traded. This extra level of protection will reduce the achievable yield when compared with a standard DCD if set at the same conversion level. DCDs with barriers are typically placed for one to three month maturities.

DCD knock-in lifecycle



Key information:

- Minimum investment is approximately USD 250,000 or currency equivalent
- Terms range from as short as one week to as long as one year
- Offered in all major currencies
- Deposits held within RBC

Key benefits:

- Potentially higher yield available than provided with traditional fixed term deposits
- If the knock-in barrier is not touched/breached during the lifespan, the risk of conversion is not active
- Increased portfolio diversification

Key risks:

- Capital may be at risk
- Principal amount could be converted into an alternative currency at a pre-determined strike that would be inferior to the prevailing spot rate of the chosen currency pair
- There may be tax reporting requirements related to this product and investors should seek tax advice

Implementation

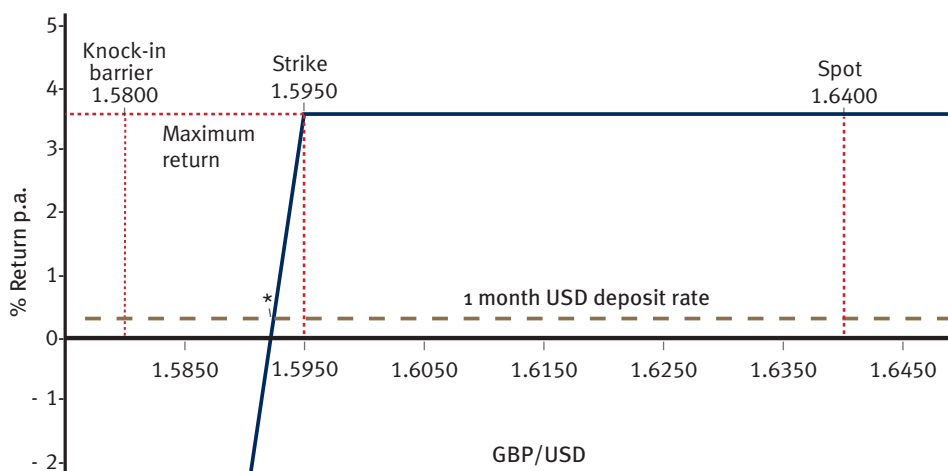
Should the pre-determined knock-in barrier be touched or breached, at expiry there are two possible payouts: the investor will receive either the original deposit currency or the alternative currency. In both cases the enhanced yield will be paid in the original deposit currency regardless of where the exchange rate is at expiry. As long as the alternative currency does not breach the knock-in barrier at

any time before expiry by depreciating against the deposit currency, the investor will receive the enhanced yield and their deposit in the original deposit currency. However, if the knock-in barrier is breached at any point during the lifespan of the contract, the DCD with a knock-in will behave exactly like a standard DCD. Consequently, the foreign exchange rate at expiry will determine the currency in which the investor is to be repaid.

The risk element of a DCD with a knock-in is removed as long as the barrier is not breached during the lifespan of the DCD. Therefore, the further away the barrier is from the prevailing foreign exchange rate, the lower the yield offered. Conversely, the closer the barrier is to the prevailing foreign exchange rate the higher the risk of being converted into the alternative currency and therefore the investor is offered a higher yield.

Knock-in DCD – payoff diagram

An illustrative example



* Break even vs 1 month USD deposit rate

DCD example:

Currency pair: GBP/USD
Spot rate: 1.6400
Deposit: USD 250,000
Term: 1 month
Yield: 3.50% per annum
Strike: 1.5950
Knock-in barrier: 1.5800

Potential payout scenarios at expiry:

Two days before maturity we will notify the investor of the interest due in the original deposit currency and whether the principal will be paid in the original or the alternative currency at the pre-agreed exchange rate (strike), based on one of the three possible scenarios at expiry:

- 1) If GBP/USD did not touch or breach the 1.58 knock-in barrier, the investor is repaid the full amount of capital and enhanced yield in USD.
- 2) If GBP/USD touched or breached the 1.58 knock-in barrier, but the spot rate is above the 1.5950 strike at expiry, the investor is repaid the full amount of capital and enhanced yield in USD.
- 3) If GBP/USD touched or breached the 1.58 knock-in barrier and the spot rate is below the 1.5950 strike at expiry, the investor is converted into the alternative currency (GBP) at the strike price but receives the enhanced yield in original deposit currency (USD).

Further information

Please contact your usual Relationship Manager or Investment Advisor if you would like to find out more about Dual Currency Deposits. Alternatively, feel free to use the following contact details:

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