

## INTEREST RATE SWAP OPTION SCHEDULE

Interest Rate Swap Option transactions are governed by the AFB Master Agreement relating to foreign exchange and derivatives transactions and the following provisions.

An Interest Rate Swap Option transaction is an Option in which the Underlying Asset is an Interest Rate Swap in a single Currency.

### ARTICLE 1 - DEFINITIONS

#### DIFFERENCE

Amount calculated in the manner set out in Annex 1.

#### EXERCISE PRICE

The fixed Rate for the Swap at the time the Interest Rate Swap Option is entered into.

#### FIXED AMOUNT

An amount determined for each fixed amount Calculation Period at the time the Swap is entered into, which is to be paid on the relevant Payment Dates and which is equal to the product of the Notional Amount, the fixed rate and the calculation Basis set out in the Confirmation.

#### FLOATING AMOUNT

An amount calculated for each floating amount Calculation Period, which is to be paid on the relevant Payment Dates and which is equal to the product of the Notional Amount, the floating rate and the calculation Basis set out in the Confirmation.

#### MARKET PRICE

The fixed rate which expresses the Market Price of the Underlying Assets determined in the manner set out in the Confirmation.

#### FIXED RATE PAYMENT OPTION

A Transaction pursuant to which the Seller grants the Buyer the right to pay the fixed rate and receive the floating rate pursuant to the Interest Rate Swap or to receive the Difference.

#### FLOATING RATE PAYMENT OPTION

A Transaction pursuant to which the Seller grants the Buyer the right to pay the floating rate and receive the fixed rate pursuant to the Interest Rate Swap transaction or to receive the Difference.

#### REFERENCE BANK

The bank asked for quotations for the purpose of determining the Market Price and named in the Confirmation.

### ARTICLE 2 - CONCLUSION OF INTEREST RATE SWAP OPTION TRANSACTIONS

On entering into an Interest Rate Swap Option the parties shall agree upon:

- the method of payment in the event of Exercise of the Option;
- the Agent;
- the Reference Banks in the event of a payment of a Difference.

### ARTICLE 3 - PAYMENT IN THE EVENT OF EXERCISE

In the event of Exercise of the Option the parties shall, in accordance with the settlement procedure agreed at the time of conclusion of the Option, either effect Delivery of the Underlying Assets by swapping interest rates, or pay of the Difference.

### 3.1 Delivery of the Underlying Asset

Exercise of the Option will automatically terminate the Interest Rate Swap Option on the terms fixed at the time the Option is entered into.

3.1.1 If the Buyer of a Fixed Rate Payment Option exercises its option, it will be the payer of Fixed Amounts and the Seller will be the payer of Floating Amounts calculated in accordance with the Confirmation.

3.1.2 If the Buyer of a Floating Rate Payment Option exercises its option, it will be the payer of Floating Amounts and the Seller will be the payer of Fixed Amounts calculated in accordance with the Confirmation.

### 3.2 Payment of Difference

The Seller shall pay the Difference to the Buyer on the Payment Date.

#### 3.2.1 Determination of the Market price by the Agent.

– at eleven a.m., Paris time, the Agent shall obtain from the Reference Banks their fixed rate bid and offer rates then applicable for the Underlying Asset;

– the Agent shall.

1) calculate the middle rate for each Reference Bank by calculating the arithmetic mean of the bid and offer prices for fixed rates; and

2) determine the Market Price by calculating the arithmetic mean of the middle rates disregarding the upper and lower figures.

The discount rate applied shall be equal to the Market Price of the Underlying Assets (1).

### ARTICLE 4 - EXERCISE PROCEDURES

Notice of Exercise shall be given by the Buyer to the Seller by telephone on a Business Day during Business Hours, before the Exercise Deadline if the Exercise Date is the Maturity Date of the Option. It will be followed by confirmation by telex, Swift or fax not later than the following Business Day.

An American Interest Rate Swap Option for which the method of payment is the Payment of the Difference and for which Notice of Exercise is made after the Exercise Deadline, is deemed to be or have been notified shortly thereafter except if the Exercise Date and the Maturity Date of the Option coincide.

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(1) See calculations in Annex I.

## CALCULATION OF THE DIFFERENCE

The method of calculating the Difference differs according to the reference for the floating rates used. For AMR and PIBOR, the Parties may refer to the methods of calculation described below.

### 1. Underlying Asset: Fixed rate against AMR

A fixed interest rate swap against AMR shall start on the first day:

- of the current month if it is processed from 1st to 14th inclusive of that month;
- of the following month if it is processed from 15th to 31st inclusive of the current month.

The Difference shall be calculated in two stages. The actual value of the fixed payments on the Commencement Date of the Interest Rate Swap shall be calculated and the value as obtained at the Exercise Date is discounted or capitalised.

#### 1.1 Value of the Difference at Commencement Date

1.1.1 Interest Rate Swap whose term is a number of complete years.

DCD: Difference at Commencement Date.

n: Term of the swap transaction in complete years.

ep: Exercise Price.

mp: Market Price.

rd: Rate Difference.

na: Notional Amount.

Floating rate payment option:  
 $dt = \max(0; ep-mp)$ .

Fixed rate payment option:  $dt = \max(0; mp-ep)$ .

$$DCD = na * rd * \sum_{i=1}^n (1 + mp)^{-i}$$

1.1.2 Interest rate swap with a broken period.

Where bs is the Calculation Basis of the broken period using the Actual/Actual basis and dtbs is the Difference of the equivalent rate for the broken period.

#### Option to pay the Floating Rate

$$dtbs = \max[0; (1 + ep)^{bs} - (1 + mp)^{bs}]$$

#### Option to pay the Fixed Rate

$$dtbs = \max[0; (1 + mp)^{bs} - (1 + ep)^{bs}]$$

$$DCD = na * [dtbs * (1 - mp - bs)^{-bs} + \sum_{i=1}^n (1 + mp)^{-(i + bs)}]$$

### 1.2 Value of Difference at the Exercise Date

Where D is the Difference:

$$D = DCD * (1 + mp)^{-B}$$

B = the actual/actual Basis of calculation commencing on the Exercise Date and terminating on the Commencement Date.

In the first case the value of fixed payments shall be discounted whereas in the second case it shall be capitalised.

## 2. Underlying Asset: Fixed rate against PIBOR

B is a positive amount if the Commencement Date falls after the Exercise Date, otherwise it is a negative amount.

A fixed Interest Rate Swap against PIBOR is concluded on the Exercise Date and starts on the following Business Day.

### 2.1 Interest Rate Swap for a number of complete years

$$D = na * rd * \sum_{i=1}^n (1 + mp)^{-i}$$

### 2.2. Interest Rate Swap with broken period

Where bs is the Calculation Basis of the Broken Period (Actual/Actual).

$$D = na * rd * \left[ cb (1 + mp)^{-bs} + \sum_{i=1}^n (1 + mp)^{-(i + bs)} \right]$$

From: .....  
Party X

To: .....  
Party Y

### CONFIRMATION OF INTEREST RATE SWAP OPTION

We hereby confirm the terms of an Interest Rate Swap Option governed by the AFB Master Agreement relating to foreign exchange and derivatives transactions and the provisions of the Schedule 'Interest Rate Swap Option'.

#### 1. Details of the Option Transaction

Reference of the Option Transaction..... Date of the Master Agreement.....	Transaction Date.....
Underlying Asset	Interest Rate Swap Transaction, described below, governed by the AFB Master Agreement on foreign exchange and derivatives transactions and the provisions of the Schedule 'Currency or Interest Rate Swaps'
Style of Option	American/European (1)
Buyer	
Seller	
Agent (if relevant)	
Expiry Date	.....
Exercise Deadline	- Payment of Difference before ..... am/pm at ..... (place) - Swap before ..... am/pm ..... (place) (1)
Notional Amount	

Premium:	
Rate	..... %
Amount	..... Currency .....
Payment Date	.....
Place of Payment	.....

## II. Details of the Underlying Asset

Currency	
Notional Amount	Notional Amount of the Option
Date of Swap Transaction	..... (Exercise Date + ..... Business Days)
Commencement Date	
Final Payment Date	
<b>Payer of Fixed Amounts</b>	<b>Buyer (X)/Seller (Y) (1)</b>
Fixed Rate	
Calculation Basis for Fixed Amounts	Actual/360                      Actual 30E/360 Actual/365                      Actual 30/360 Actual 365/Fixed Actual/Actual Basis (1)
Fixed Amount	..... (an amount equal to the product of the Nominal Amount, the Fixed Rate and the calculation Basis of the Fixed Amounts)
Fixed Amount Calculation Period	Each period of ..... months beginning the ..... (and the ..... ) of each calendar year starting on the Commencement Date until the Maturity Date (2)
First period	From ..... to .....
Rate for first period	..... %
Calculation basis for first period	.....
Fixed Amount Payment Dates	The last day of each Fixed Amount Calculation Period/ ..... Business Day(s) following each Fixed Amount Calculation Period (1) (2)

<b>Payer of Floating Amounts</b>	<b>Buyer (X)/Seller (Y) (1)</b>
Floating Rate	..... months +/- ..... % year (Variable Rate Reference)
Determination Date for Floating Rate	Business Day(s) before/after each Floating Amount Application Period (1)
Calculation Basis for Floating Amounts	Actual/360                      Actual/Actual Actual/365                      Actual 30E/360 Actual 365/Fixed              Actual 30/360 (1)
Floating Amount	..... (An amount equal to the product of the Notional Amounts the Floating Rate and the Calculation Basis for Floating Amounts)
Calculation Period for Floating Amount	Each period of months starting ..... (and the ..... ) of each calendar year starting from the Commencement Date until the Maturity Date (2)
First period	From ..... to .....
Rate for first period	..... %
Calculation basis for first period	.....
Floating Amount Payment Date	The last date of each Floating Amount Calculation Period/ ... Business Day(s) after each Floating Amount Calculation Period (1)
Initial Payment (if relevant)	On the Commencement Date (X/Y) will pay to (Y/X) .....

### III. Method of Payment in the event of exercise (1)

<b>Payment of Difference</b>	
Value	..... (Exercise Date + ..... Business Day(s))
Calculation of Market Price	By the Agent/ ..... (1) (2)
Reference Banks and place	

Interest Rate Swap	The Parties agree to the Delivery of the Underlying Asset in respect of which the above terms constitute the Interest Rate Swap Transaction concluded pursuant to the Master Agreement governing foreign exchange and derivatives transactions dated ..... 19 ....
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#### IV. Notices and Payments

Financial Centre(s) for the purposes of establishing Business Days relating to: – Determination Date of Floating Rate – Payment Dates	..... .....
Business Day Convention – Maturity Date – Other dates	Preceding/following/except following month/ Business day (1) Preceding/following/except following month/ Business day (1)
Payments Payment to the Buyer (X)  Payment to the Seller (Y)	Account n° ..... Opened with ..... at .....  Account n° ..... Opened with ..... at .....
Notices Notices addressed to the Buyer   Notices addressed to the Seller	Name ..... (Branch) ..... Address ..... Telex n° ..... Fax .....  Name ..... (Branch) ..... Address ..... Telex n° ..... Fax .....
Special Provisions	



Please return to us the copy of this Confirmation duly signed by your authorised representative(s) as soon as possible.

Agreed:

Name of the Party X

Name of the Party Y

Branch:

Branch:

By:

By:

Name and title:

Name and title:

By:

By:

Name and title:

Name and title:

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(1) Specify as appropriate.  
(2) Complete.