

A nighttime photograph of the Ulster Bank Markets building in Belfast. The building is a large, modern structure with multiple glass-fronted wings and a central tower, all illuminated from within. It is situated on a waterfront, and its lights are reflected in the calm water in the foreground. A bridge with green lights is visible to the right. The sky is a deep blue, indicating twilight.

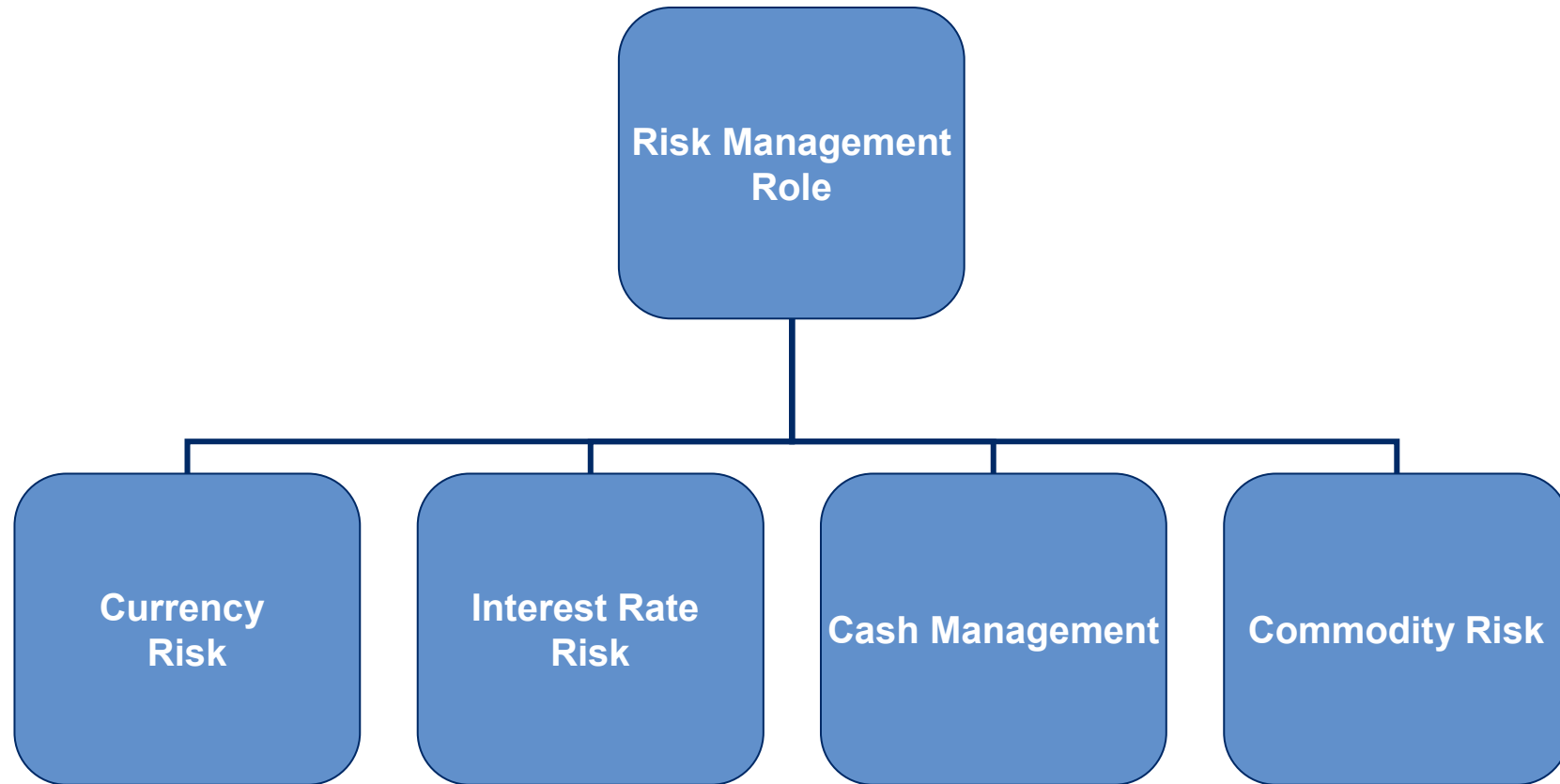
Ulster Bank Markets 2013

What is Risk?

‘Exposure to a chance of Loss or Damage or a venture undertaken without regard to possible Loss’

Identify - Monitor – Eliminate - Reduce

The Corporate Treasurer



EURUSD 5 year Chart



EUR USD Highs and Lows

Year	High	Low	Average
2008	1.5990	1.2452	1.4709
2009	1.5094	1.2544	1.3945
2010	1.4509	1.1953	1.3264
2011	1.4874	1.2907	1.3925
2012	1.3453	1.2053	1.2859
2013 (year to date)	1.3640	1.2772	1.3183

Source: Bloomberg, 8th October, 2013

Impact of Moves on your bottom line

2008 – An extreme example

USD100,000 @ 1.2480 = EUR80,128

USD100,000 @ 1.5970 = EUR62,617

Opportunity Cost of EUR17,510 per USD100,000

2012 – Still very significant

USD100,000 @ 1.2070 = EUR82,850

USD100,000 @ 1.3470 = EUR74,239

Opportunity Cost of EUR8,611 per USD100,000

How to manage these risks?

Spot

A business agrees a rate for the payment or receipt of foreign currency for use over the next two days

Forward

A Forward Foreign Exchange contract allows a business to fix an exchange rate now for the payment of receipt of foreign currency at a future date.


- Forward FX contract for fixed maturity date
- Forward FX Time Option for maturity between two dates

Have a Treasury Policy!

Example of a forward contract

- An exporter of goods priced in USD has an exposure to the EURUSD exchange rate and specifically to EUR strength and USD weakness.
- The exporter is due to receive USD100,000 in 90 days time and arranges to sell this amount for EUR @ 1.3530 three months forward.
- Thus, at maturity, the exporter will sell the USD100,000 via the forward contract for EUR73,908.83 (USD100,000/1.3530)


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Fitch	F1	A-
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	Rate	Change
EUR/USD	1.2973	-0.0005
EUR/GBP	0.8489	0.0009
GBP/CAD	1.5508	0.0045
GBP/AUD	1.5421	0.0052
GBP/JPY	155.3700	-0.4200
GBP/EUR	1.1781	-0.0008
GBP/CHF	1.4632	-0.0009
EUR/CAD	1.3164	0.0051
EUR/AUD	1.3089	0.0053
EUR/CHF	1.2421	0.0004
GBP/USD	1.5282	-0.0016

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11:45

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Calls may be recorded.

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