



# ***Multi-asset Investment Solutions***

Yield-enhancement strategies to benefit from current market environment

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Investment Solutions*

The next slides illustrate the indicative terms of the structured deposits (SDs) mentioned in the table below.

**Please note:**

- pricing is indicative only and subject to market changes;
- some of the features (e.g.: tenor) are customizable according to specific investor's requirements;
- other payout / asset classes can be structured subject to clients' actual interest and the Bank's internal approval process.

Product	Asset class	Underlying view	Tenor	Guaranteed interest rate	Principal protected (at maturity)	Deposit currency
Floating rate with Floor SD	IR	3m \$Libor to go up	1 to 3 years	Yes	Yes	USD
Callable "Steeper" SD	IR	USD yield curve to become steeper	5 years (callable)	Yes	Yes	USD
SD linked to a mutual fund	Various	Participation to the fund performance	1 to 2 years	No	Yes	USD and other G10
SD linked to fund's "absolute return"	Various	Performance linked to the absolute performance of the fund's NAV	1 to 2 years	No	Yes	USD
Dual Currency Deposit	FX (G10)	Specific currency to weaken / strengthen vs the USD	1 week to 3 months	Yes	No	USD and other G10
FX Digital Linked SD	FX (G10)	Specific currency to strengthen or weaken vs the USD	3 months	No	Yes	USD and other G10

# 1. Interest Rate

Floating rate with Floor SD	
Suggested tenor	2 to 3 years
Market view	3m \$Libor rising
Principal protection	100% (if held to maturity)
Minimum interest rate	Yes

Callable "Steepener" SD	
Suggested tenor	5 years, callable after Year 1
Market view	Differential between 10yr and 2yr swap rates to increase
Principal protection	100% (if held to maturity)
Minimum interest rate	Yes

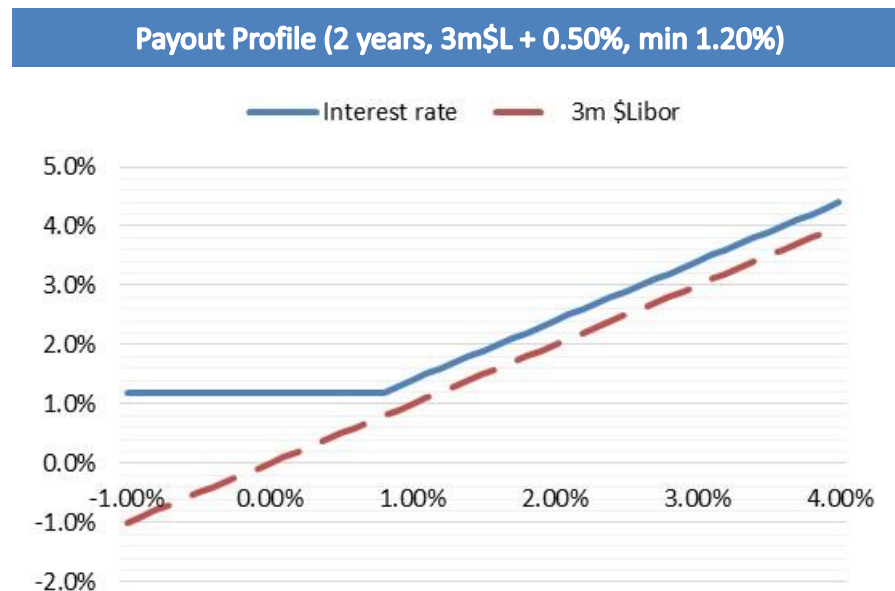
### Description

- This SD offers the depositor the opportunity to benefit from a rising 3m \$Libor in accordance with a view that an improved US economy will drive interest rates higher.
- The 3m \$Libor is observed and reset every quarter.
- This deposit also offers the additional benefit of a minimum guaranteed interest rate to protect the depositor in case of a drop in the 3m \$Libor.

### Risks

- Should the underlying market view prove incorrect, the interest rate paid out will be equal to the minimum interest rate.
- The depositor is exposed to the credit risk of the deposit taker: this deposit is not eligible for protection under Central Bank of Bahrain's deposit protection scheme.
- Principal Protection is only assured if the deposit is held till maturity.
- Early redemption is at the Bank discretion and might incur breakage cost: this might also result in the loss of the principal amount invested.

Indicative Terms	
<b>Principal Protection</b>	100% (if held to maturity)
<b>Tenor</b>	2 years
<b>Interest Rate (quarterly)</b>	3m \$Libor + 0.50%, subject to minimum interest rate of <b>1.20%</b> p.a.
Alternative	
<b>Tenor</b>	3 years
<b>Interest Rate (quarterly)</b>	3m \$Libor + 0.60%, subject to minimum interest rate of <b>1.30%</b> p.a.



## Description

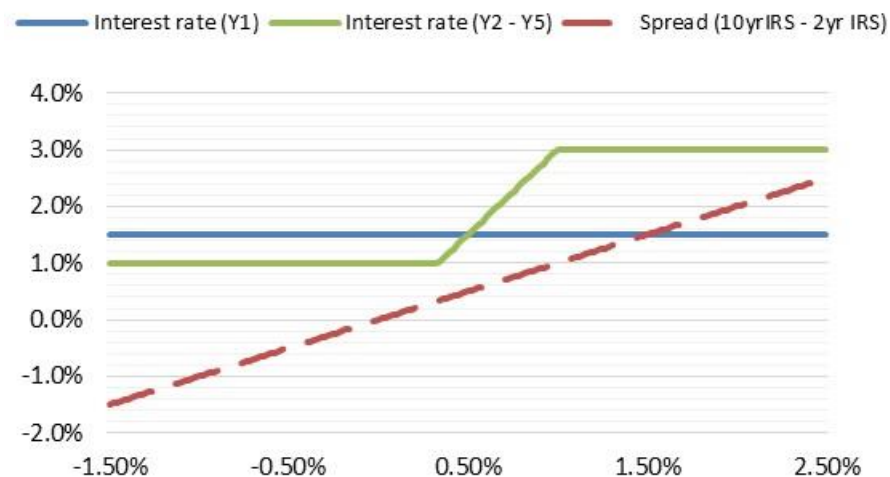
- This SD offers the potential for an enhanced interest rate by linking its coupon to the slope of the USD yield curve (the differential between the 10yr and the 2yr USD swap rates).
- In Year 1 the interest rate is fixed, after which the SD can be redeemed (or "called") every year.
- If not called, from Year 2 the interest rate is calculated as the difference between the 10yr and the 2yr USD IRS multiplied by a factor (subject to a minimum and maximum interest rate).
- The reference rates are observed and reset on a quarterly basis.

## Risks

- Should the underlying market view prove incorrect, the interest rate paid out will be equal to the minimum interest rate.
- The depositor is exposed to the credit risk of the deposit taker: this deposit is not eligible for protection under Central Bank of Bahrain's deposit protection scheme.
- Principal protection is only assured if the deposit is held till maturity.
- Early redemption is at the Bank discretion and might incur breakage cost: this might also result in the loss of the principal amount invested.

Indicative Terms	
Principal protection	100% (if held to maturity)
Tenor	5 years
Callable	Yearly after Year 1
Interest rate:	
Year 1	1.50%
Year 2 to 5	3 * (10yr IRS – 2yr IRS), subject to: <ul style="list-style-type: none"> <li>▪ Max: 3.00%</li> <li>▪ Min: 1.00%</li> </ul>
10y IRS – 2y IRS (Current level)	0.50%

## Payout profile



## 2. Mutual funds

SD linked to a specific mutual fund	
Suggested tenor	2 years
Market view	Exposure to a specific asset class / investment strategy via a fund
Principal protection	100% (if held to maturity)
Minimum interest rate	No
SD linked to a fund's "absolute performance"	
Suggested tenor	2 years
Market view	Non-directional (i.e.: positive and negative) exposure to a fund
Principal protection	100% (if held to maturity)
Minimum interest rate	No

## Description

- A fund-linked SD offers exposure to a desired asset class (or investment strategy) via a mutual fund of choice, with the benefit of the full principal protection.
- Available on a wide selection of mutual funds from top asset managers (PIMCO, Principal Global, BlackRock etc.) with established track records on public sources (Reuters and Bloomberg).
- The annual coupon is linked to the fund's performance since inception, if positive, or zero otherwise.

## Risks

- The overall performance of the SD at maturity can be lower than the one of the underlying fund.
- This SD is not a liquid instrument (unlike the underlying fund) and early redemption can lead to the loss of principal, in part or in full.
- The depositor is exposed to the credit risk of the deposit taker: this deposit is not eligible for protection under Central Bank of Bahrain's deposit protection scheme.
- Principal protection is only assured if the deposit is held till maturity.
- Early redemption is at the Bank discretion and might incur breakage cost: this might also result in the loss of the principal amount invested.

Indicative Terms	
<b>Principal protection</b>	100% (if held to maturity)
<b>Tenor</b>	See alternative in the next slide
<b>Underlying fund</b>	See alternative in the next slide
<b>Interest rate (annual)</b>	<p>The average of the yearly performance since inception, calculated as:</p> $G * \frac{1}{i} * \left[ \max \left( 0, \frac{F(i)}{F(0)} - 1 \right) \right]$ <p>G = see table in the next slide i = Year 1, 2 F(i) = NAV of the fund at Year (i)</p>

Payout calculation scenarios (G = 55%)	
<u>Fund NAV</u>	<u>SD Annual Interest Rate</u>
<b>Inception = 10</b>	-
<b>Year 1 = 10.5</b>	55% x 1/1 x max[0, (10.5/10 - 1)] = 2.75%
<b>Year 2 = 11.5</b>	55% x 1/2 x max[(11.5/10 - 1)] = 4.125%

The table below shows indicative pricing for some investment funds / asset managers to be wrapped into an AUB-issued Fund-linked Structured Deposit – **note that most liquid funds available in the market can be priced on request:**

FUND INFORMATION				INDICATIVE PRICING
Manager	Fund name (Bloomberg code)	Asset class	AUM (\$'bln)	2 years tenor (G)
Principal Global	Global Investors Fund (PGIPVA ID)	Fixed Income	5	55%
Blackrock	Global Fund (MLCORA2 LX)	Fixed Income	3	55%

The table below shows statistical analysis of historical rolling returns of funds since inception.

Historical performance *			
Manager	Fund name		Annual Return
Principal Global	Global Investors Fund <i>(Inception Date: 22 Apr 2003)</i>	Max	148.5%
		Average	9.1%
		Min	-53.3%
Blackrock	Global Fund <i>(Inception Date: 23 May 2003)</i>	Max	38.0%
		Average	7.1%
		Min	-20.1%



## Description

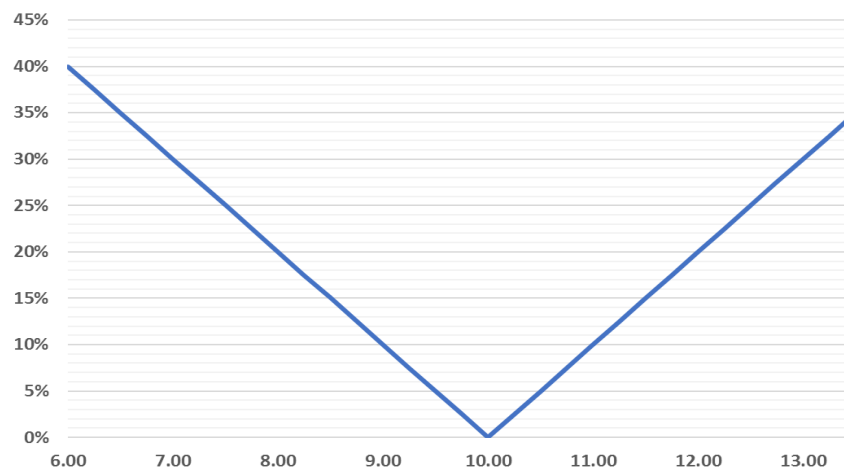
- A SD linked to a fund's "absolute performance" is designed to benefit from both a positive and negative price changes in the underlying mutual fund of choice.
- Compared to the previous SD (linked exclusively to the upside performance), this variation offers a non-directional exposure (upside and downside positive) but a lower participation rate.
- The payout is at maturity.

## Risks

- This SD is not a liquid instrument (unlike the underlying fund) and early redemption can lead to the loss of principal, in part or in full.
- The depositor is exposed to the credit risk of the deposit taker: this deposit is not eligible for protection under Central Bank of Bahrain's deposit protection scheme.
- Principal protection is only assured if the deposit is held till maturity.
- Early redemption is at the Bank discretion and might incur breakage cost: this might also result in the loss of the principal amount invested.

Indicative Terms	
<b>Principal protection</b>	100% (if held to maturity)
<b>Tenor</b>	See alternative in the next slide
<b>Underlying fund</b>	See alternative in the next slide
<b>Payout at maturity</b>	<p>If <math>S(\text{final}) &gt; S(0)</math>:  <math>G * \left( \frac{S(\text{final})}{S(0)} - 1 \right)</math></p> <p>If <math>S(\text{final}) &lt; S(0)</math>:  <math>G * \left( 1 - \frac{S(\text{final})}{S(0)} \right)</math></p> <p><math>G</math> = see table in the next slide  <math>S(\text{final})</math>, <math>S(0)</math> = NAV of the fund at maturity and at inception, respectively</p>

### Payout profile (at maturity – assuming $G = 100\%$ )



The table below shows indicative pricing for some investment funds / asset managers to be wrapped into an AUB-issued fund-linked "Absolute Performance" Structured Deposit – **note that a selection of other funds can be priced on request:**

FUND INFORMATION				INDICATIVE PRICING
Manager	Fund name (Bloomberg code)	Asset class	AUM (\$'bln)	2Y tenor (G)
PIMCO	Global IG Credit Fund (PIMINGE ID)	Fixed Income	22	40%
Merian	Equity Absolute Return Fund (OMEAHA ID)	Alternative	4	25%

The table below shows statistical analysis of historical rolling returns of both funds since inception.

Historical performance (Returns provided below are <u>NOT</u> annualized)			
Manager	Fund name		2 years
Merian	Global Equity Absolute Return Fund <i>(Inception Date: 24 Nov 2011)</i>	Max	27.9%
		Average	4.7%
		Min	-25.8%
PIMCO	Global Investment Grade Credit Fund <i>(Inception Date: 31 Mar 2006)</i>	Max	40.0%
		Average	8.7%
		Min	-7.9%

## 3. Foreign Exchange (FX)

Dual Currency Deposit	
Suggested tenor	1 week to 3 months
Market view	Deposit currency stable (or weaker) vs USD
Principal protection	No
Minimum interest rate	Yes

FX Digital Linked SD	
Suggested tenor	3 months
Market view	GBP to depreciate vs USD
Principal protection	Yes
Minimum interest rate	No

## Description

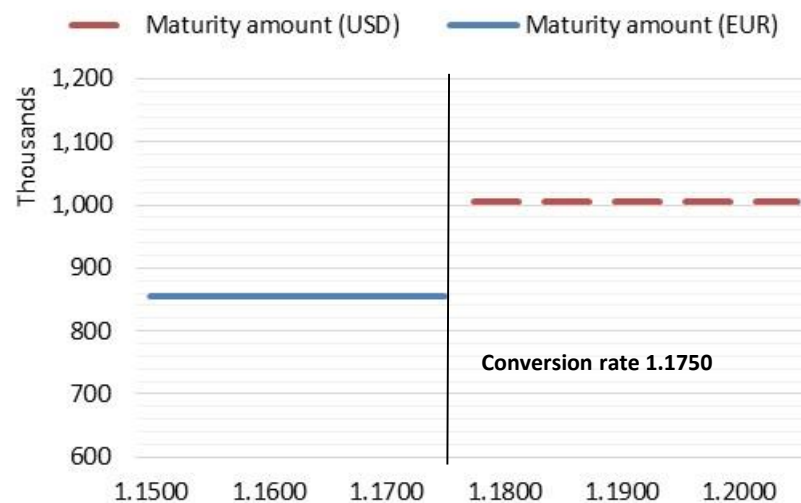
- A DCD offers an enhanced interest rate by linking the deposit's performance to a specific currency pair.
- The depositor places an amount denominated in the “base currency” and accepts the possibility that – at maturity – their principal and interests could be converted and redeemed in a pre-agreed “alternate currency”, depending on the prevailing spot exchange rate at that time.
- In case of redemption in the alternate currency, the conversion is carried out at a pre-agreed exchange rate (“Conversion rate”) which is worse than the market spot rate at maturity: should the depositor wish to convert their proceeds back into the base currency, a loss could be incurred.
- Available on G10 and selected EM currencies.

## Risks

- The DCD is a non-principal-protected SD.
- The depositor is exposed to the credit risk of the deposit taker: this deposit is not eligible for protection under Central Bank of Bahrain's deposit protection scheme.
- Early redemption is at the Bank discretion and might incur breakage cost: this might also result in the loss of the principal amount invested.

Indicative Terms	
<b>Tenor</b>	1 month
<b>Deposit currency</b>	USD
<b>Alternate currency</b>	EUR
<b>Interest rate</b>	7.00% p.a.
<b>Conversion rate</b>	1.1750 (spot 1.1800)
<b>Payout at maturity</b>	<ul style="list-style-type: none"> <li>▪ EURUSD &gt; Conversion rate: Principal and Interest redeemed in USD</li> <li>▪ EURUSD &lt; Conversion rate: Principal and Interest converted into EUR at 1.1750</li> </ul>

## Payout at maturity: scenarios (USD 1mln deposit)



## Description

- This Structured Deposit (“SD”) offers the depositor the opportunity to benefit from GBP depreciation in short term.
- GBPUSD spot will be observed on maturity only.

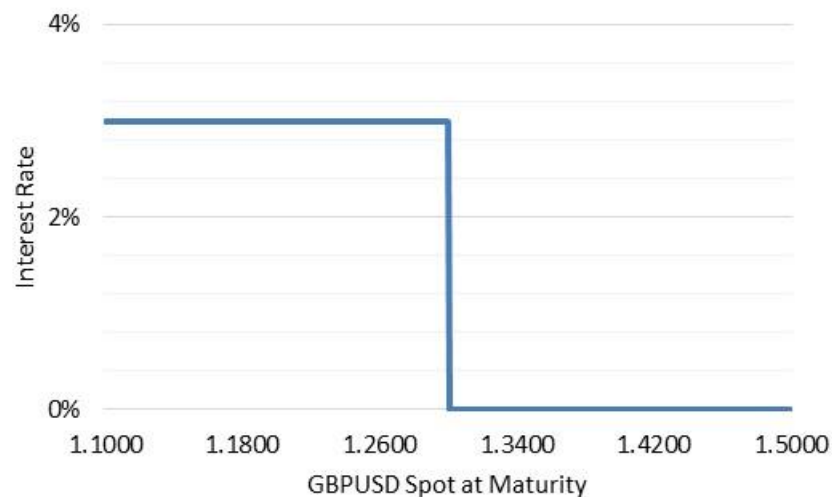
Alternatives	
Strike	Bonus Coupon
1.3100	2.50% p.a.
1.3200	2.00% p.a.

## Risks

- Should the underlying market view prove incorrect and spot at maturity ends up below Barrier, the depositor will not receive any interest on the deposit at maturity.
- The depositor is exposed to the credit risk of the deposit taker: this deposit is not eligible for protection under Central Bank of Bahrain’s deposit protection scheme.
- Principal Protection is only assured if the deposit is held till maturity.
- Early redemption is at the Bank discretion and might incur breakage cost: this might also result in the loss of the principal amount invested.

Indicative Terms	
Principal Protection	100% (if held to maturity)
Deposit Currency	GBP
Tenor	3 months
Interest Rate	Bonus Coupon, if spot at maturity is below Barrier Zero, Else
Barrier	1.3000
Bonus Coupon	3.00% p.a.
Reference	GBPUSD Spot: 1.3250

### Interest Rate (Barrier = 1.3000)



<b>Credit Risk</b>	An investor placing funds in the Structured Deposit ("SD") is exposed to the risk of the Deposit Taker defaulting on its obligations
<b>Principal Protection Risk</b>	The SD will only be principal protected at maturity in an amount equivalent to the Deposit Amount, subject to the credit risk of the Deposit Taker. Further, the SD may be redeemed early subject to Additional Terms and Conditions, and if so, the early redemption amount may be less than the Deposit Amount, offering no protection of principal.
<b>Early Redemption Risk</b>	The SD is subject to early redemption in circumstances, as determined by the Calculation Agent or as otherwise specified, in accordance with the terms of the SD. In such circumstances, the SD may be redeemed prior to the Maturity Date for substantially less the Deposit amount.
<b>Liquidity Risk</b>	Early withdrawal of a part of investment prior to the maturity date is not permitted. The Deposit Taker may agree to redeem the entire structured deposit prior to maturity date but the Deposit Taker is under no obligation to do so. Early redemption is at the sole and absolute discretion of the Deposit Taker and in calculating any Redemption amount, the Deposit Taker is entitled to factor in the costs of terminating related hedging and funding arrangements and other costs relating to the structured deposit, which may result in a Redemption amount that is substantially lower than the amount of your initial deposit amount.
<b>Market Risk</b>	Various factors may influence the market value of the SD including the performance of the Underlying. Investors should understand that although the SD does not create an actual interest in the Underlying, the return on the SD may attract the same risks as an actual investment in the Underlying. The return on the SD will depend in large part on the evolution of the price performance of the Underlying over the life of the SD. However, the performance of the SD may be less than or more than the price performance of the Underlying.
<b>Notional Nature of the Underlying</b>	Investors should note that the exposure to the Underlying is notional and the Structured deposit is not an investment in the Underlying. Although the performance of the Underlying will have an effect on the performance of the SD, the underlying and the SD are separate obligations of different legal entities. Investors will have no direct interest in the Underlying.
<b>Suitability Risk</b>	The Bank does not advise as to the suitability or otherwise of this transaction and is dealing with recipients of this document exclusively on the basis that they have obtained sufficient knowledge, experience and / or professional financial, legal, tax and other advice to make an independent assessment of its suitability for their circumstances. If you are in any doubt about the contents of this product, you should seek independent professional financial advice.
<b>Deposit Protection Scheme</b>	The structured deposit is not eligible for protection under the Central Bank of Bahrain's Deposit Protection Scheme.
<b>Fund commissions disclosure</b>	AUB is not selling nor is it involved with the funds in the structured deposit, i.e. we are not taking any commission from the fund managers. The fund is only a reference underlying asset.

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