

while also protecting against near term inflation downside surprises. The collateral (in this case) is 10y Italian Government Bond.

10y BTP repack (priced through GS)

Format: SPV
Size: [50MM USD]
Start date (T+3weeks)
Maturity: 01-Mar-2024
Collateral: Italy 4.5% 01-Mar-2024 (ISIN: IT0004953417)
Coupon: Start date to 01-Mar-2018: 4.25% fixed (Annual, Act/Act)
1-Mar-2018 to Maturity: 245% x (YoY Return Linked to USCPI)
paid yearly in arrears, 3m lag) [Floored at 0.00%, Capped at 7% (Annual)]
Price: 100.00%

Market Triggers are applicable, i.e. GS right to terminate the structure if either one of the 2 conditions is satisfied:

- (i) MtM of Swap (from GS perspective) > 60% MtM of BTP
- (ii) SPV Note Value < 50% (Note Value defined as Swap MtM from SPV perspective + MtM of BTP)

Note that:

a) Even though current inflation is low, historically this has averaged close to 2.7% annually.

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b) Current forwards look like..

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..rising sharply from 2017 onwards. If these are realised the coupons from Year 5 onwards would be between 6.5-7%, and the IRR on the structure close to 5.5%. Higher than the forward inflation currently priced in benefits the investor (until the cap of 7% is hit). Compare this to the yield on the same BTP Mar-24 of 4.07% !

Hope this helps and please call if any questions!

Regards,
Vanshree.

----- Forwarded by Tazia Smith [REDACTED] on 12/23/2013 11:05 AM -----

From: Vinit Sahni [REDACTED]
To: Nav Gupta [REDACTED]
Cc: "Tazia Smith" [REDACTED]
Date: 12/12/2013 11:58 AM
Subject: Re: 5 Month Maturity, Greek Sovereign Paper, 2.5x Leverage (provided by us) Yields 10% [C]

Classification: Confidential

Nav - can u pls give tazia a call and talk to her abt the idea. She will be taking a very active interest and looking after the KCP cap markets effort in US. Wud like u to talk to her as much as possible and share ideas.

Thanks

----- Original Message -----

From: Nav Gupta
Sent: 12/12/2013 04:12 PM GMT
To: Hella Alashkar; Karine Genevey; Karsten LeBlanc; Manuel deSouzaGirao; Pierluigi Amicarella; Ramona Lieser; Roger Posch; Vinit Sahni; Anurag Mahesh; Bobby Abraham; Caroline Kitidis; Dario Schiraldi
Cc: Juan Landazabal; Mitch Matharu; Apurva Gupta; Debdutta Bhattacharya