

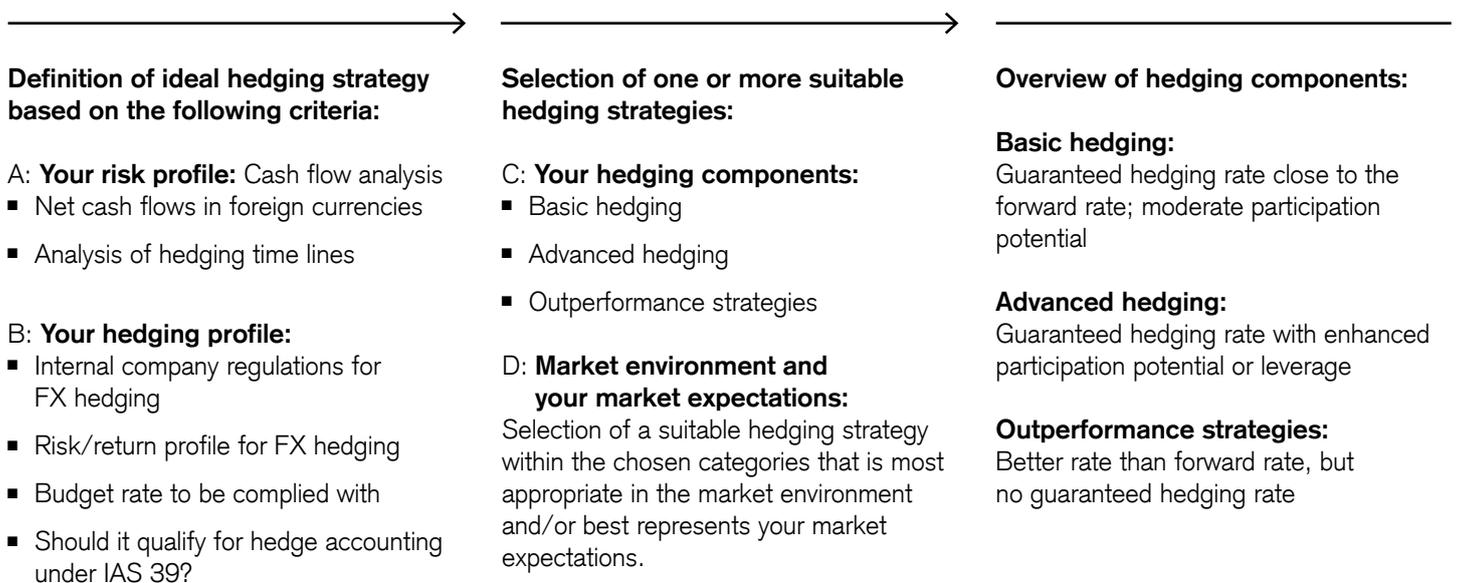
Successful currency management

Advanced hedging

Does your company do business internationally? Companies that maintain business relationships with foreign business partners are exposed to the risk of fluctuating exchange rates. These fluctuations can significantly reduce the margin on the operating business of importers and exporters.

Hedging is a key element of active currency management. Your foreign exchange risk can be reduced through the strategic use of hedging strategies. However, in a market environment with low interest rates and increasing volatility, there are also interesting investment opportunities in the foreign exchange market.

We provide you with the right solution for every situation.



Definition of ideal hedging strategy based on the following criteria:

- A: **Your risk profile:** Cash flow analysis
- Net cash flows in foreign currencies
 - Analysis of hedging time lines
- B: **Your hedging profile:**
- Internal company regulations for FX hedging
 - Risk/return profile for FX hedging
 - Budget rate to be complied with
 - Should it qualify for hedge accounting under IAS 39?

Selection of one or more suitable hedging strategies:

- C: **Your hedging components:**
- Basic hedging
 - Advanced hedging
 - Outperformance strategies
- D: **Market environment and your market expectations:**
- Selection of a suitable hedging strategy within the chosen categories that is most appropriate in the market environment and/or best represents your market expectations.

Overview of hedging components:

- Basic hedging:**
Guaranteed hedging rate close to the forward rate; moderate participation potential
- Advanced hedging:**
Guaranteed hedging rate with enhanced participation potential or leverage
- Outperformance strategies:**
Better rate than forward rate, but no guaranteed hedging rate

Advanced hedging (example for a buyer)

Leveraged forward (example for a buyer)

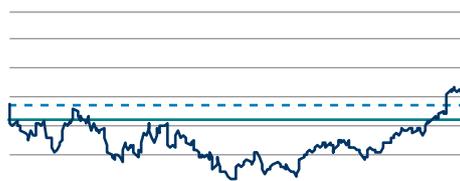
Fixed hedging rate that is more attractive than the forward rate, but only part of the exposure has fixed hedging.

Advantages:

- Better rate than the forward rate (fixed)
- Premium-neutral hedge

Disadvantages:

- Hedging rate is secured only for part of the exposure (application of leverage)



▬ Forward rate
▬ Strike

Leveraged risk reversal (example for a buyer)

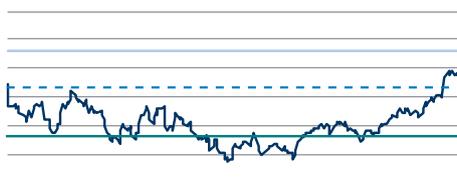
Hedging at the upper strike with a range, in order to benefit from favorable market developments to the lower strike (application of leverage).

Advantages:

- Premium-neutral, simply structured hedging
- Participation to the lower strike level

Disadvantages:

- Hedging rate is secured only for part of the exposure (application of leverage)



▬ Upper strike
▬ Forward rate
▬ Lower strike

Enhanced forward (example for a buyer)

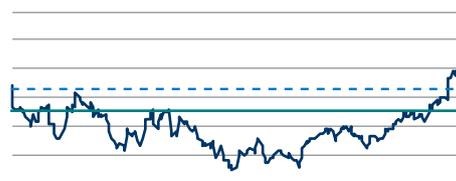
Hedge for several expiry dates at the strike, which is more attractive than the \emptyset -forward rate. However, there is an additional obligation for part of the maturities for which the purchase is not guaranteed if the exchange rate is above the strike.

Advantages:

- Better rate than the \emptyset -forward rate (fixed)
- Premium-neutral hedge

Disadvantages:

- Risk assumption by client for maturities with additional obligation



▬ Forward rate
▬ Strike

Advanced hedging (example for a seller)

Leveraged forward (example for a seller)

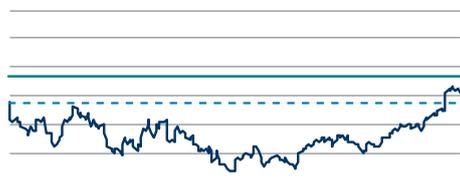
Fixed hedging rate that is more attractive than the forward rate, but only part of the exposure has fixed hedging.

Advantages:

- Better rate than the forward rate (fixed)
- Premium-neutral hedge

Disadvantages:

- Hedging rate is secured only for part of the exposure (application of leverage)



▬ Forward rate
▬ Strike

Leveraged risk reversal (example for a seller)

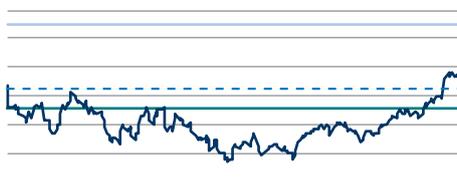
Hedging at the lower strike with a range, in order to benefit from favorable market developments to the upper strike (application of leverage).

Advantages:

- Premium-neutral, simply structured hedging
- Participation to the upper strike level

Disadvantages:

- Hedging rate is secured only for part of the exposure (application of leverage)



▬ Upper strike
▬ Forward rate
▬ Lower strike

Enhanced forward (example for a seller)

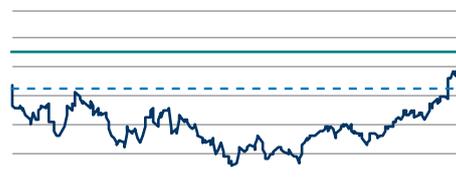
Hedge for several expiry dates at the strike, which is more attractive than the \emptyset -forward rate. However, there is an additional obligation for part of the maturities for which the sale is not guaranteed if the exchange rate is below the strike.

Advantages:

- Better rate than the \emptyset -forward rate (fixed)
- Premium-neutral hedge

Disadvantages:

- Risk assumption by client for maturities with additional obligation



▬ Forward rate
▬ Strike

Contact us

Your advisor will be happy to arrange a personal consultation.

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From abroad: +41 31 358 64 90*

Mon.–Fri., 8:00 a.m.–6:00 p.m.

You can also find additional information on our internet page:

credit-suisse.com/fx

* Telephone calls may be recorded.



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