

1	EUR/GBP = 0.8850 means that 1 EUR is equal to 0.8850 GBP. 1 GBP is, therefore, equal to $1 / 0.8850 = 1.12994350$ euro. The counter value is, therefore, $800.000 \times 1.12994350 = \text{EUR } 903,954.80$. If EUR/ GBP goes up EUR becomes stronger and GBP becomes weaker. The counter value in euro will, therefore, decrease.
2	He has bought SEK, which means he has sold EUR. If EUR becomes stronger, then he would have done better to wait which means that he suffers an opportunity loss.
3	A EUR/PHP NDF is always settled in EUR regardless of where the transaction is concluded.
4	The company was hedging against an increase in PHP which means a decrease in EUR. He would receive the settlement amount if EUR/PHP would go down. This is not the case here and, therefore, the company has to pay the settlement amount to the bank.
5	Importing from the US means he has to buy USD / sell EUR. In order to hedge he has to buy a call on the USD / put on the EUR.
6	With a spot rate of 0.8700 the option is out-of-the-money. This means that that the client can sell the EUR (buy the USD) at the spot rate of 0.8700. However, since he has paid the premium, the effective rate is lower: $0.8700 - 0.0150 = 0.8550$
7	With a spot rate of 0.8300 the option is in-the-money. This means that that the client can sell the EUR (buy the USD) at the strike of 0.8500. However, since he has paid the premium, the effective rate is lower: $0.8500 - 0.0150 = 0.8350$
8	The spot rate of 1.0800 is lower than the lower border of the cylinder range. Therefore, the option with the lowest strike is hit: 1.1000. Since the cylinder is zero-cost, the effective rate is also 1.1000
9	He needs to buy USD which means selling EUR. A EUR put / USD call gives him the right to sell EUR / buy USD.
10	Exporting to Sweden means selling SEK and buying EUR. The appropriate option would be EUR call (right to buy EUR) / SEK put (right to sell SEK)
11	Buy the EUR call / USD put which gives him the right to buy EUR and sell USD and sell the EUR put /USD call with gives him the obligation to buy EUR and sell USD
12	He buys the EUR call / USD put and sells the EUR put /USD call. In a cylinder the strike price of the call on the base currency (here: EUR) is always higher that the strike price of the put on the base currency. Therefore: buy the EUR/USD option with the highest strike price and sell the EUR/USD with the lowest strike price
13	The first leg of the FX swap should mirror the FX Forward. In the FX Forward the company is buying USD/selling EUR. In the first leg of the swap the company should, therefore, sell USD / buy EUR. And in the second leg the company should do the opposite: buy USD / sell EUR

14	The company borrows USD whereas it needs EUR. The company should sell the USD against EUR in the first leg of the FX Swap and do the opposite in the second leg. Therefore: buy EUR in the first leg and sell EUR in the second leg
15	The company borrows USD instead of EUR. In the cross currency swap it should lend the USD (and, therefore, receive USD interest) and borrow EUR (and, therefore, pay EUR interest)
16	A payer's swap: the company should pay fixe in the interest rate swap and receive floating (in order to offset the floating interest payment in the floating rate loan)
17	$2.50\% + 0.40\% = 2.90\%$
18	$3.50\% + 0.30\% + 0.40\% = 4.20\%$
19	The cap is in-the-money and pays 0.70% (3.70% - 3.00%) $3.70\% + 0.40\% - 0.70\% + 0.60\% = 4.00\%$ (interest costs of the loan – cap settlement + cap premium)
20	The cap is out-of-the-money and there will be no settlement $4.40\% + 0.80\% + 0.70\% = 5.90\%$ (interest costs of the loan + cap premium)
21	Buy a cap (to hedge against increases in interest rates) and sell a floor (to give up profit potential in order to avoid having to pay the cap premium)
22	The strike of the cap in a collar is always higher than the strike of the floor in a collar.
23	$4.00\% + 0.80\% = 4.80\%$ The collar is zero-cost and, therefore the premium is zero. EURIBOR is capped at 4.00% and the company for the rest the company only has to pay the credit spread of 0.80%
24	$0.00\% + 0.40\% = 0.40\%$ The collar is zero-cost and, therefore the premium is zero. EURIBOR is floored at 0.00% and for the rest the company only has to pay the credit spread of 0.40%
25	$3.40\% + 0.40\% = 3.80\%$ The collar is zero-cost and, therefore the premium is zero. EURIBOR is within the range of the collar which means that neither the cap or the floor pay out and, therefore, the company only has to pay the interest rate in the loan EURIBOR + 0.40%
26	$0.30\% + 0.80\% + 0.70\% = 1.80\%$ The floor-level of 1.00% is breached and therefore the floor is in-the-money; i.e. the company has to pay a settlement amount based on a 0.70% interest rate differential. As a result, EURIBOR is effectively fixed at 1.00% (which is the lower border of the collar-range). Apart from that, the company has to pay the credit spread of 0.80%. The collar is zero-cost and, therefore, the premium does not have to be taken into account.

27	<p>$4.50\% + 0.80\% - 0.50\% = 4.80\%$</p> <p>The cap level of 4.00% is breached and therefore the cap is in-the-money; i.e. the company receives a settlement amount based on a 0.50% interest rate differential. As a result, EURIBOR is effectively fixed at 4.00% (which is the higher border of the collar-range). Apart from that, the company has to pay the credit spread of 0.80%. The collar is zero-cost and, therefore, the premium does not have to be taken into account.</p>
28	<p>$3.40\% + 0.40\% = 3.90\%$</p> <p>Neither the cap or the floor is in-the-money. This means that there is no settlement. And since the collar is zero-cost there are also no premium costs. The company only pays the interest on the loan.</p>