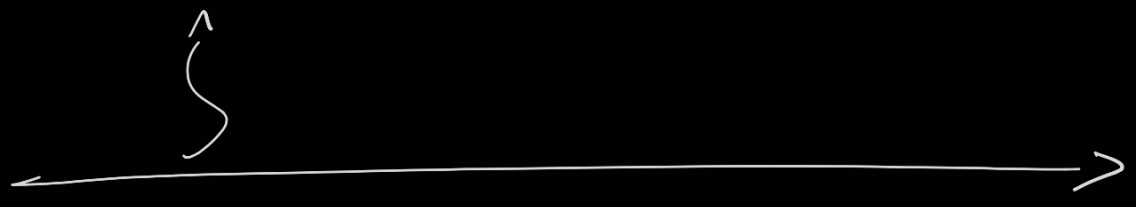
Party A: $\underbrace{3m + 2\%}_{S\_spot}$



$$NPV = 1 - B(0, T_N) + \sum \delta_i s \cdot B(0, T_i)$$

$$s\_spot \; BPV^{3m}$$

Party B:

Up to & including 5y

$\begin{cases} 3\% & 1^{st} \text{ quarter} \end{cases}$

$\left(\max(3m + 1.1\%, 4.3\%) \right)$ next 3

After 5 year and upto (including) 10y

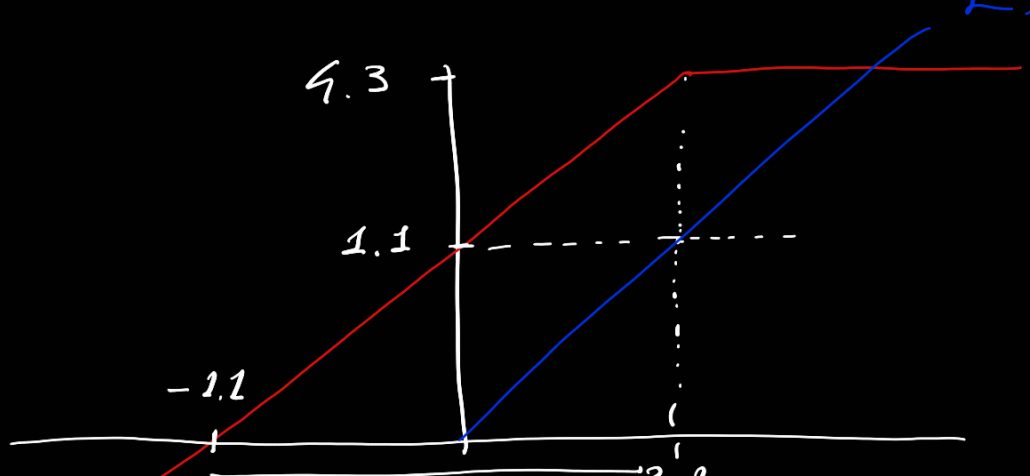
$$\begin{cases} 3\% \\ \max(3m + 1.10\%, 4.6\%) \end{cases}$$

After 10y:

$$\begin{cases} 3\% \\ \max(3m + 1.10\%, 5.10\%) \end{cases}$$

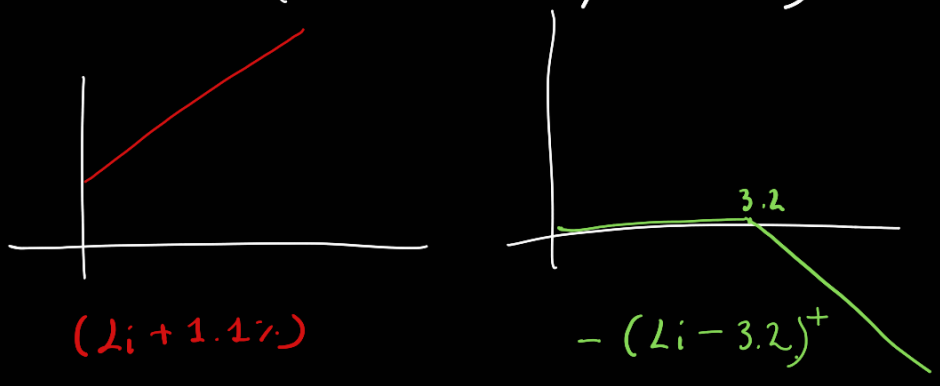
$$NPV^B = \frac{X}{100} + \underbrace{\sum_{i=0}^{\{t+1y\}} \delta(T_i, T_{i+3m}) B(0, T_{i+3m}) \cdot 3\%}_{Q_1}$$

$$Q_2 \quad \sum_{i=0}^{1y} \delta(T_{i+3m}, T_{i+6m}) \mathbb{E}_0\left\{ D(0, T_{i+6m}) \cdot \min(L(0; T_{i+3m}, T_{i+6m}) + 1.1\%, 4.3\%) \right\}$$



4.3 3.2

$$\min\left(L_i + 1.1\%,\ 4.3\%\right)$$



$\tilde{K} = 3.2\%$

$$L_i + 1.1\% - \text{Caplet}(\tilde{K})$$

$$\text{Caplet}_{6m} = B(T_0, T_{6m})\,\delta(3m, 6m)\left\{L(t_0; 3m, 6m) - K\right\} N(d_n) \qquad d_n = \frac{L(3m,6m) - K}{\sigma_1 \sqrt{3m - T_0}}$$

$$T = [3m,\ 6m,\ 9m,\ 12m]$$

$$\delta = [3m - 0,\ 6m - 3m,\ 9m - 6m,\ 12m - 9m]$$

$$DF = [B(3m),\ B(6m),\ B(9m),\ B(12m)]$$

$$Bf = [B(0,3m),\ B(3m,6m),\ B(6m,9m),\ B(9m,12m)]$$

$$L = [L(0,3m),\ L(3m,6m),\ B(6m,9m)\ L(9m,12m)]$$