

## OPTION PAYOFF

Interest Rate Simulation Followed By Averaging then Calculated Bond Price									
Expiry Year	Interest Rate	Bond Purchase Year							
		0	1	2	3	4	5		
0	0.53%	£1.000							
1	4.80%	£0.995	£1.000						
2	5.63%	£0.948	£0.953	£1.000					
3	5.80%	£0.896	£0.901	£0.945	£1.000				
4	6.00%	£0.846	£0.850	£0.892	£0.944	£1.000			
5	5.90%	£0.796	£0.801	£0.840	£0.889	£0.942	£1.000		

  

Strike Price	£ 82.00	Option Pay Off from Mean Interest Rate							
Expiry Year	Interest Rate	Option Maturity Year							
		0	1	2	3	4	5		
0	0.53%	£18.00							
1	4.80%	£17.47	£18.00						
2	5.63%	£12.81	£13.31	£18.00					
3	5.80%	£ 7.62	£ 8.10	£12.53	£18.00				
4	6.00%	£ 2.57	£ 3.02	£ 7.20	£12.36	£18.00			
5	5.90%	£ -	£ -	£ 2.00	£ 6.87	£12.18	£18.00		

## OPTION PRICE (t=0)

Interest Rate Simulation Followed By Averaging then Option									
Expiry Year	Interest Rate	Bond Purchase Year							
		0	1	2	3	4	5		
0	0.53%	£1.000							
1	4.80%	£0.995	£1.000						
2	5.63%	£0.948	£0.953	£1.000					
3	5.80%	£0.896	£0.901	£0.945	£1.000				
4	6.00%	£0.846	£0.850	£0.892	£0.944	£1.000			
5	5.90%	£0.796	£0.801	£0.840	£0.889	£0.942	£1.000		

  

Strike Price	£ 82.00	Option Price at Year 0 from Mean Interest Rate							
Expiry Year	Interest Rate	Option Maturity Year							
		0	1	2	3	4	5		
0	0.53%	£18.00							
1	4.80%	£17.47	£17.90						
2	5.63%	£12.81	£13.24	£16.22					
3	5.80%	£ 7.62	£ 8.05	£11.28	£16.13				
4	6.00%	£ 2.57	£ 3.00	£ 6.49	£11.08	£15.22			
5	5.90%	£ -	£ -	£ 1.81	£ 6.16	£10.30	£14.34		

Interest Rate Simulation Including Bond Pricing for									
Strike Price	£ 82.00	Option Payoff from 1000 Simulated Paths							
Expiry Year		Option Maturity Year							
		0	1	2	3	4	5		
0		£18.00							
1		£17.63	£18.00						
2		£13.03	£13.38	£18.00					
3		£ 7.86	£ 8.12	£12.52	£18.00				
4		£ 2.92	£ 3.18	£ 7.18	£12.32	£18.00			
5		£ 0.40	£ 0.47	£ 2.34	£ 6.95	£12.29	£18.00		

Interest Rate Simulation Including Option Pricing for									
Strike Price	£ 82.00	Option Price from 1000 Simulated Paths							
Expiry Year		Option Maturity Year							
		0	1	2	3	4	5		
0		£18.00							
1		£17.63	£17.93						
2		£13.01	£13.34	£17.11					
3		£ 7.80	£ 8.13	£11.89	£16.16				
4		£ 2.90	£ 3.19	£ 6.79	£11.08	£15.25			
5		£ 0.39	£ 0.45	£ 2.24	£ 6.25	£10.42	£14.38		