

GENERAL INTRODUCTION TO COSTS AND CHARGES FOR OTC DERIVATIVE TRANSACTIONS

In order to provide you with general information about our typical costs and charges in good time before you enter into an OTC derivative transaction with us, we have prepared examples of the expected aggregated costs and charges relating to each product we offer. This information is intended for illustrative purposes only and is calculated on the basis of certain assumptions and estimates as described in each example. The actual costs and charges that you incur when you enter into a transaction with us will depend on the specific details of your transaction.

In calculating the amount of costs and charges that you are required to pay, we consider a number of factors that typically affect OTC derivative products, for example:

Master Netting Agreement: the presence of a netting agreement (ISDA or equivalent) may impact cost & charges. Generally, netting effects will make the costs & charges smaller.

Collateral Agreement: the presence of a collateral agreement (CSA or equivalent), and the specific details of such an agreement may impact cost & charges. Generally, collateral agreements will make the cost and charges smaller.

Counterparty credit risk: Our assessment of the credit quality of the derivative counterparty will impact the cost & charges. Generally, a higher credit quality is associated with lower cost & charges.

Capital markets: the market price of bank funding may impact cost & charges. Generally, elevated funding levels may impact cost & charges both positively and negatively, depending on the nature of the transaction.

Regulation: changes in regulation may impact cost & charges.

In addition, we may also add a mark up to include a sales margin from time to time. The decision to add a mark up, including the degree of mark up, is determined by all or any factors that the dealer deems relevant to the transaction at the time it is entered into, such as the size of the transaction, the degree of liquidity in the market, the level of service offered and any past trading history with us.

Applicable from 050522

Interest Rate Derivatives

Interest Rate Swap

Here, you will find an overview of the elements of cost related to the product and the investment service

Product description

The objective of this product is to periodically exchange fixed for floating interest rate payments or vice versa from the start date until the end date. You can agree to either (i) receive cash flows linked to a floating interest rate in return for making a fixed payment for a fixed term or (ii) receive a fixed rate in return for making a payment linked to the floating interest rate.

Overview of costs

In the example, you will find information about all of the aggregated costs you can expect to pay in relation to the product (the financial instrument) and any investment or ancillary services. As we do not provide any investment or other ancillary services, you can expect to pay costs relating to the financial instrument only.

Costs relating to the financial instrument include our sales margin. In certain circumstances, our costs may exceed the estimates shown. Costs may also occur where the instrument is not held to maturity or is changed. Termination costs are not included in the cost of the financial instrument as this is an exceptional cost that cannot be calculated in advance.

Other relevant information

When you enter into a transaction with us, the price of the financial instrument includes costs and charges. We do not charge these costs separately.

This financial instrument is intended to fulfil a hedging need. We do not provide an illustration showing the cumulative effect of costs on return. If you require additional information in relation to a particular transaction, please contact us.

Examples of costs

Below you can see an example of costs based on an example amount, shown as both a percentage and an amount

Amount	Currency	Maturity
10,000,000	GBP	10 years

Financial Instrument:

	Amount (GBP)	Percent
One-off Costs:	0 - 200,000	0 - 2%
On-going Costs:	0	0
All cost related to the transaction	0	0
Incidental cost:	0	0
Total Instrument costs:	0 - 200,000	0 - 2%

Investment Service and Ancillary Service:

	Amount (GBP)	Percent
One-off Costs:	0	0
On-going Costs:	0	0
All cost related to the transaction	0	0
Charges to ancillary services	0	0
Incidental cost:	0	0
Inducements:	0	0
Total Investment/Ancillary Cost	0	0
Total Cost	0 - 200,000	0 - 2%

Interest Rate Derivatives

Interest Rate Cap

Here, you will find an overview of the elements of cost related to the product and the investment service

Product description

The objective of this product is to have the right (if you buy the product and pay a premium) or be bound (if you sell the product and receive a premium) to receive/to pay the difference between the floating rate and the Cap strike if the floating rate index on a given fixing date is higher than the strike rate.

Overview of costs

In the example, you will find information about all of the aggregated costs you can expect to pay in relation to the product (the financial instrument) and any investment or ancillary services. As we do not provide any investment or other ancillary services, you can expect to pay costs relating to the financial instrument only.

Costs relating to the financial instrument include our sales margin. In certain circumstances, our costs may exceed the estimates shown. Costs may also occur where the instrument is not held to maturity or is changed. Termination costs are not included in the cost of the financial instrument as this is an exceptional cost that cannot be calculated in advance.

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Examples of costs

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Amount	Currency	Maturity
10,000,000	GBP	10 Years

Financial Instrument:

	Amount (GBP)	Percent
One-off Costs:	0 - 150,000	0 - 1.5%
On-going Costs:	0	0
All cost related to the transaction	0	0
Incidental cost:	0	0
Total Instrument costs:	0 - 150,000	0 - 1.5%

Investment Service and Ancillary Service:

	Amount (GBP)	Percent
One-off Costs:	0	0
On-going Costs:	0	0
All cost related to the transaction	0	0
Charges to ancillary services	0	0
Incidental cost:	0	0
Inducements:	0	0
Total Investment/Ancillary Cost	0	0
Total Cost	0 - 150,000	0 - 1.5%

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