

GENERAL INTRODUCTION TO COST AND CHARGES FOR OTC DERIVATIVE TRANSACTION

Total cost and charges for entering into a derivative transaction will depend on the specific details of the transactions. However, there are a number of general features that will typically have the same directional impact on cost and charges – for example whether there is a collateral agreement.

Some of these features are common across derivative products and their typical impact on cost and charges are outlined below. Other features, and their typical impact on cost and charges, are specific to a given derivative product - for example the maturity of an interest rate swap - and are outlined in the individual product examples.

Master Netting Agreement: the presence of a netting agreement (ISDA or equivalent) may impact cost & charges. Generally, netting effects will make the cost & 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. Details such as 'Threshold' and 'Minimum Transfer Amount' will typically reduce cost & charges the lower they are. Also, the more frequent collateral is exchanged the lower cost & charges will typically be. Furthermore, the quality of the eligible collateral may impact costs & charges both positively and negatively, depending on the nature of the transaction.

Counterparty credit risk: the Bank's 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.

Commodity Products

Commodity OTC Bullet 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 agree to exchange a fixed amount against a floating amount based on the price of the underlying commodity, at a future date.

At the expiration date, if the floating price is greater than the fixed price, the party paying the fixed price (the buyer of the swap) will receive the difference between the two prices from the other party. However, if the floating price is lower than the fixed price, the party paying the fixed amount (the buyer of the swap) will pay the difference between the two prices to the other party.

Overview of cost elements

When you trade with Danske Bank there can be cost related to both the financial product and to the financial service. For this particular financial instrument, the cost may consist of:

Margin. Termination cost may occur.

Please note

The prices shown on this page are entirely examples of costs related to this particular financial instrument. Hence, individual costs may differ due to prevailing market conditions, maturities, currencies, the credit policy of Danske Bank, your business volume with Danske Bank, and to other general business considerations. Thus, you should always contact your regular contact person in Danske Bank, should you wish to receive individual information about the precise cost and charges related to the specific transaction you are considering entering.

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
1,000,000	EUR	1 year

Financial Instrument:

	Amount	Percent
One-off Costs:	0	0
On-going Costs:	0	0
All cost related to the transaction	GBP 900 - 9,000	0.1 - 1.0%
Incidental cost:	0	0
Total Instrument costs:	GBP 900 - 9,000	0.1 - 1.0%

Investment Service and Ancillary Service:

	Amount	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	GBP 900 - 9,000	0.1 - 1.0%

Commodity Products

Commodity OTC Asian 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 agree to exchange the difference between a fixed amount against a floating amount, where the floating amount is based on the average price of the underlying commodity, for a future period of time.

At the expiration date, if the floating price is greater than the fixed price, the party paying the fixed price (the buyer of the swap) will receive the difference between the two prices from the other party. However, if the floating price is lower than the fixed price, the party paying the fixed amount (the buyer of the swap) will pay the difference between the two prices to the other party.

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Investment Service and Ancillary Service:

	Amount	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
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Total Cost	GBP 900 - 9,000	0.1 - 1.0%

Commodity Products

Commodity OTC Asian Put Option

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 grant the buyer the possibility to be compensated periodically e.g. monthly. For each period, the buyer is compensated if the average of the reference price of the underlying commodity over that period (normally a calendar month) is lower than the agreed strike price. In order to purchase this option the buyer will pay a premium to the seller.

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Investment Service and Ancillary Service:

	Amount	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	GBP 900 - 9,000	0.1 - 1.0%

Commodity Products

Commodity OTC Asian Call Option

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 grant the buyer the possibility to be compensated periodically e.g. monthly. For each period, the buyer is compensated if the average of the reference price of the underlying commodity over that period (normally a calendar month) is higher than the agreed strike price. In order to purchase this option the buyer will pay a premium to the seller.

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One-off Costs:	0	0
On-going Costs:	0	0
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Charges to ancillary services	0	0
Incidental cost:	0	0
Inducements:	0	0
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Total Cost	GBP 900 - 9,000	0.1 - 1.0%

Commodity Products

Look-alike future

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 agree to a fixed price of an underlying commodity at a future date. The contract price, as well as the terms and conditions are based on contracts on a futures exchange, such as Matif for soft commodities.

When the client buys a futures contract on the exchange, the client is obliged to pay initial and variation margin. However, when buying a look-alike future there are no such margins, instead the buyer pays a pre-agreed fee to Danske Bank. The position needs to be closed down three days before maturity in order to prevent physical delivery.

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Investment Service and Ancillary Service:

	Amount	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
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