

## Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## Product

<b>Name</b>	Interest Rate Swap
<b>Manufacturer</b>	Expobank CZ a.s.
<b>Contact data</b>	<a href="https://www.expobank.cz/napiste-nam">https://www.expobank.cz/napiste-nam</a> ; Call (+420) 844 844 822 for more information
<b>Competent authority</b>	Česká národní banka
<b>Production date</b>	This Key Information Document is produced as of 2.1.2020

**You are about to purchase a product that is not simple and may be difficult to understand.**

## What is this product?

<b>Type</b>	Over the Counter (OTC) derivative contract – Interest Rate Swap
<b>Objectives</b>	The interest rate swap is an agreement between the bank and the client on the regular exchange of interest payments. One interest payment is usually variable (it changes in regular periods and is derived from the selected market benchmark interest rate). Its fixation period is usually 3-6 months, depending on the practices with the given currency and on the duration of the interest rate swap. The other interest payment is generally fixed for the entire duration of the interest rate swap. The individual amounts of interest payments are derived from the stipulated principal. Usually, the principal itself is not exchanged. The investor may be a payer of both the floating interest payment, and the fixed interest payment, depending on his choice at the conclusion of the contract. It is the objective of the investor entering an IRS contract to manage his interest costs and protect himself against a growth or a decline of market interest rates. The situation where the investor pays floating interest payments on his loans, which regularly change based on movements in market interest rates, is an example. Entering the interest rate swap, the client fixes his interest expense to be protected from rising market rates.
<b>Intended Investor</b>	The interest rate swap is designed for investors who expect a change in market interest rates. Given that the market interest rates may develop differently from the expectations of investors, it is necessary for such investors to be aware of this risk and to be able to bear any financial loss from such a negative development. The investor's investment horizon should be equal to the selected maturity of the product. Investing in the product is only suitable for investors who have sufficient knowledge and experience with financial instruments to understand how the product works and to assess the associated risks and opportunities.
<b>Duration</b>	Interest rate swap is a product that is agreed for a prolonged period of time. The normal duration is 1 year up to 15 years, but there are also deals for a longer period, though not so frequent. The product manufacturer is not entitled to withdraw from the product unilaterally.

## What are the risks and what could I get in return?

### Summary risk indicator



The risk indicator assumes you keep the product until agreed maturity. Actual risk may vary substantially if you make a sale early and you can get back less. You may not be able to end your product early. You may have to pay significant extra costs to end your product early.

We have classified this product as 7 out of 7, which is the highest risk class. This appreciates the possible loss of future performance to a very high level.

The product has been included in this category based on its nature. Its performance for the investor depends on the future development of the market exchange rates. Since the development of these quantities cannot be reliably predicted in advance, the product has been classified as the highest class of risk.

This product does not include any protection from future market performance so you could lose some of your investments or all of them. If we are unable to pay you the amount owed, you could lose all your investments.

#### Performance scenarios

Investment CZK 10.000.000		1 year	3 years	5 years (Recommended holding period)
<b>Stress</b>	<b>What you might get back after costs</b>	CZK -284.389,78	CZK -640.367,06	CZK -1.133.612,12
	Average return each year	-2,844 %	-6,4037 %	-11,3361 %
<b>Unfavourable</b>	<b>What you might get back after costs</b>	CZK -176.445,00	CZK -615.938,44	CZK -1.109.597,51
	Average return each year	-1,764 %	-6,1594 %	-11,0960 %
<b>Moderate</b>	<b>What you might get back after costs</b>	CZK -143.546,35	CZK -522.962,75	CZK -947.789,74
	Average return each year	-1,435 %	-5,2296 %	-9,4779 %
<b>Favourable</b>	<b>What you might get back after costs</b>	CZK -85.234,54	CZK -341.905,40	CZK -568.582,26
	Average return each year	-0,852 %	-3,4191 %	-5,6858 %

This table shows the money you could get back over the maximum recommended holding period, under different scenarios, assuming an investment of CZK 10.000.000.

The scenarios shown illustrate how your investment could perform. You can compare them with scenarios of other products.

The scenarios presented are an estimate of future performance based on evidence from the past and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the product.

The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

This product cannot be cashed up prematurely; therefore, the impossibility of premature termination, even if you accept increased costs, is one of the risks of this product. This means it is difficult to estimate how much you would get back if you cashed it up before the agreed maturity date. You will either not be able to cash up prematurely, or you will have to pay high costs or suffer a considerable loss if you do so.

The figures shown include all the costs of the product itself. The figures do not take into account your personal tax situation, in particular the tax rules of your home country, which may also affect the success of your investment.

#### What happens if Expobank CZ a.s. is unable to pay out?

The product is not protected by any investor protection scheme, or any other type of guarantee scheme. The product is not protected either by a deposit guarantee scheme. If Expobank CZ a.s. is not able to fulfil its obligations connected with the product, you can suffer a financial loss.

#### What are the costs of the investment?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the return on investment that you could get. The total costs take into account one-off, ongoing, incidental, direct and indirect costs.

The amounts shown here are the cumulative costs for the recommended holding period. The figures assume you invest CZK 10.000.000. The figures are estimates and may change in the future.

##### Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment CZK 10.000.000	5 years (Recommended holding period)
Total costs	CZK 111.650,00
Impact on return (RIY) per year	0,22 %

**Composition of costs**

The table below shows:

- the impact each year of the different types of costs on the performance of the investment at the end of the recommended holding period,
- the meaning of the different cost categories.

*This table shows the impact on return per year*

<b>One-off costs</b>	<b>Entry costs</b>	0,22 %	The impact of the costs is already included in the price. Expressed costs are the maximum costs you can pay.
	<b>Exit costs</b>	0 %	
<b>Ongoing costs</b>	<b>Transaction costs</b>	0 %	
	<b>Other ongoing costs</b>	0 %	
<b>Incidental costs</b>	<b>Performance fees</b>	0 %	
	<b>Carried interests</b>	0 %	

### How long should I hold the investment? Can I take money out early?

The recommended holding period is always equal to the agreed term. The investor is not entitled to terminate the product before the maturity date. The recommended holding period for the product is 5 years.

### How can I complain?

If an investor wishes to complain about the product, or about the behaviour of Expobank CZ a.s. or of the person that provides advice regarding, or who sells, the product, they can contact the bank at the e-mail address [info@expobank.cz](mailto:info@expobank.cz) or at the telephone number (+420) 844 844 822. Also the website <https://www.expobank.cz/napiste-nam> includes a contact web form and/or other contact information.

### Other relevant information

Additional product information is available on request. The bank reviews this Key Information Document annually. The latest version of the document is available at the bank's website [www.expobank.cz](http://www.expobank.cz).

### Model example

Sample interest rate swap parameters may not match your specific contract details.

Currency	CZK
Nominal amount	10.000.000,-
Duration	5 years
Start date	2.1.2020
Maturity date	2.1.2025
Client pays to bank (fixed interest rate)	2,30% p.a.
Bank pays to client (floating interest rate)	3M PRIBOR
Frequency of payments	quarterly
Day-count convention	30/360*

\*30/360 = month will always be treated as having 30 days in it/ year will be treated as having 360 days