PPF Banka

MODEL COST SCENARIOS

1 Introduction

(a) This document presents examples of how Costs charged by PPF banka impact the performance of an investment. The examples are illustrative only and their future developments are only a model scenario. These model scenarios are simplified hypothetical situations aimed at illustrating the impacts of Costs on the overall return on investment. The Costs do not reflect any tax aspects of the investment, either taxes paid in relation to the settlement with the Bank (e.g. the tax on financial transactions or the stamp duty) or any subsequent tax liabilities (e.g. the income tax). These tax aspects may further reduce the return on investment.

(b) The model scenarios are based on the Price List valid as of 1 January 2018. The Costs of a particular investment may vary depending on the individual pricing agreement between the Client and the Bank.

(c) The model scenarios are presented in the currency of the Investment Instrument and converting them into a different currency may have a positive or a negative impact on the performance of the investment. The figures in the examples are rounded and simplified to some extent, which is necessary to clearly show the logic of the calculation and for the sake of illustration.

(d) Capitalised terms and expressions used in this document have the meanings specified in the Business Conditions of PPF banka a.s. for Investment Services. The rules of interpretation under the Conditions also apply to the provisions of this document. This document is an Investment Document.

2 Example 1 – Purchase of a Corporate Bond Held to Maturity

(a) Initial situation: On 1 February 2018 the Client buys a bond with a nominal value of CZK 1 million for a price of 100%. This purchase is done through a buy Order given to the Bank.

(b) Purchased instrument:

(i) Type: corporate bond

(ii) Time to maturity: one year

(iii) Currency: CZK

(iv) Fixed coupon: 4% (per annum) paid on a semi-annual basis

(c) Investment performance: The price of the bond does not change and remains at 100%.

(d) Final situation: On 1 February 2019 the issuer redeems the bond in full.

(e) Impact on Costs:

Cost / gain	Type	Value	Amount from which the value is calculated	Frequency	Absolute value	Annualised percentage (of the initial investment)
Gain	Bond coupon	4.00%	CZK 1,000,000	per annum	CZK 40,000	4.00%
Cost	Provision (purchase)	0.60%	CZK 1,000,000	one-off	CZK 6,000	0.60%
Cost	Settlement (purchase)	The fee is not charged.				
Cost	Administration	0.05%	CZK 1,000,000	per annum	CZK 500	0.05%
Cost	Provision (sale)	The fee is not charged.				
Cost	Settlement (sale)	The fee is not charged.				
Cost	Total				CZK 6,500	0.65%
Gain	Net return				CZK 33,500	3.35%

Notes:

(i) No costs on the sale (provision and settlement) are charged, because the bond is repaid passively.

3 Example 2 – Purchase of Stocks and Resale 6 Months Later

(a) Initial situation: On 1 February 2018 the Client buys 100 shares at USD 80 per share. This purchase is done through a buy Order given to the Bank.

(b) Purchased instrument:

(i) Type: stock of an IT firm

(ii) Trading venue: NASDAQ (USA)

(iii) Currency: USD.

(c) Investment performance: The price of the stock has not changed over the life of the investment. In the middle of the year the firm paid out dividends of USD 8 per share.

(d) Final situation: On 1 August 2019 the Client is selling the entire stock position at USD 80 per share. The sale is done through a sell Order given to the Bank.

(e) Impact on Costs:

Cost / gain	Type	Value	Amount from which the value is calculated	Frequency	Absolute value	Annualised percentage (of the initial investment)
Gain	Dividends	USD 8	per share	one-off	USD 800	20.00%
Cost	Provision (purchase)	0.60%	USD 8,000	one-off	USD 48	1.20%
Cost	Settlement (purchase)	The fee is not charged.				
Cost	Administration	0.17%	USD 8,000	per annum	USD 7	0.17%
Cost	Provision (sale)	0.60%	USD 8,000	one-off	USD 48	1.20%
Cost	Settlement (sale)	The fee is not charged.				
Cost	Total				USD 103	2.57%
Gain	Net return				USD 696	17.43%

4 Example 3 - Purchase of an ETF and Resale of the Same Two Years Later

(a) Initial situation: A family member transfers (by a ‘custody order’) 1,000 ETF shares to a Client. The settlement Order is both given and executed on the same date, 1 February 2018. On that date the market closing price is EUR 36 per share, which is also the transfer price.

(b) Transferred instrument

(i) Type: ETF (exchange-traded fund)

(ii) Trading venue: Deutsche Börse Frankfurt (Germany)

(iii) International identification number (ISIN) starting with “DE”.

(c) Investment performance: On 1 February 2019 the ETF price rose to EUR 50 per share and remained at that level.

(d) Final situation: On 1 February 2020, the Client is selling the entire ETF position at EUR 50 per share. This sale is done through a sell Order given to the Bank. The sale takes place at Deutsche Börse Frankfurt.

(e) Impact on Costs:

Cost / gain	Type	Value	Amount from which the value is calculated	Frequency	Absolute value	Annualised percentage (of the initial investment)
Gain	ETF price rise	+ EUR 14	per ETF share	one-off	EUR 14,000	19.44%
Cost	Provision (purchase)	The fee is not charged.				
Cost	Settlement (purchase)	CZK 1,800	regardless of amount	one-off	EUR 70	0.44%
Cost	Administration	0.17%	see note (v)	per annum	EUR 146	0.17%
Cost	Provision (sale)	0.60%	EUR 50,000	one-off	EUR 216	0.30%
Cost	Settlement (sale)	The fee is not charged.				
Cost	Total				EUR 432	0.91%
Gain	Net return				EUR 13,568	18.53%

Notes:

(iv) In this scenario, the costs associated with the Settlement upon ETF acquisition are charged because the Bank does not provide the purchase of the ETF but only handles the Settlement.

(v) The Administration Costs (fees) are computed on a daily basis from the current market value of asset under administration as follows: from 1 February 2018 to 1 February 2019, the value of the asset is EUR 36,000 and from 1 February 2019 to 1 February 2020 the value is EUR 50,000.

(vi) All Settlement Costs (charges) are charged in CZK regardless of the currency in which the Investment Instrument to be settled is denominated. For the sake of consistency the absolute value is converted to EUR.

(vii) The calculation assumes a stable EUR/CZK exchange rate of 25.715.

5 Example 4 – Entering into a 3-month Foreign Exchange Forward

(a) Initial situation: The Client is hedging an exchange rate risk by buying a EURCZK forward. On 1 February 2018 the Client enters into an FX Forward, under which they buy EUR 100,000 on 1 May 2018 and sells CZK at a forward rate of 25.80.

(b) Investment performance: The spot and forward exchange rates fluctuate during the course of the hedge period.

(c) Final situation: the forward contract is settled on 1 May 2019; the Client receives EUR 100,000 and pays CZK 2,580,000. On that date, the EUR/CZK exchange rate is 26.00.

(d) Impact on Costs:

Cost / gain	Type	Value	Amount from which the value is calculated	Frequency	Absolute value	Annualised percentage (of the initial investment)
Gain	Exchange rate change	0.20	EUR/CZK exchange rate	one-off	CZK 20,000	3.10%
Cost	Provision (purchase)	The fee is not charged.				
Cost	Settlement (purchase)	The fee is not charged.				
Cost	Administration	The fee is not charged.				
Cost	Provision (sale)	The fee is not charged.				
Cost	Settlement (sale)	The fee is not charged.				
Cost	Total				CZK 0	0.00%
Gain	Net return				CZK 20,000	3.10%

Notes:

(i) No fees apply to Transactions with derivative Investment Instruments.

(ii) The holding of derivative Investment Instruments may involve a charge for the provision of funds provided to the Bank as collateral to secure the Derivative Transaction(s) and a gain from interest accrued on the collateral.

This document is effective as of 1 January 2018.