

Ex-ante cost and charges disclosure

Introduction

An important element which needs to be taken into consideration when trading with Bank of China Hungarian Branch, is the cost of our services and the cost related to the financial instruments. MiFID II requires us to disclose an estimation of the costs you will incur prior to servicing you (ex-ante).

This document informs Bank of China Hungarian Branch Wholesale clients about the estimated average transaction costs and charges, as a margin from mid-market on the financial instrument, when trading with us, for different tenors and clients types (the estimated transaction costs). The estimation takes into account all costs and charges. If we execute an order on behalf of a client (which is an investment service) we charge EUR 0, - for the service.

The above mentioned elements determine the total price you as a client pay to Bank of China Hungarian Branch to purchase a financial instrument. We advise you to carefully study the information below, prior to entering into a transaction.

Considerations

While reading this document, please take the following into account:

- When you enter into a transaction, the price of the instrument includes the costs and charges of the instrument. We do not charge these costs separately.
- The cost of the investment service as well as the cost of the financial instrument are related to the transaction. You will not be charged other costs, such as incidental or on-going costs. This document does not include product costs (mid-price), as those costs vary per product and transaction.
- The transaction costs compensate for, amongst others, risks, costs and capital consumption considerations and may include sales margins. Actual transaction costs are determined by a number of factors including, but not limited to, transaction size, market environment, liquidity, clearing and settlement fees, broker/platform costs, market and counterparty risk and your past trading activity.
- The figures displayed are no guarantee of future transaction costs and may be subject to change. The figures presented are an estimation and do not take into account specific client situations or unusual conditions which may influence costs. The amount of transaction costs may vary according to the unique circumstances of a particular transaction. Additionally, pricing will be offered in accordance with our Best Execution policy, where applicable.
- The majority of our financial instruments fulfil a hedging need. Therefore we do not provide an illustration showing the cumulative effect of costs on return.

Where applicable, Costs may include compensation for the Credit Risk that Bank of China Hungarian Branch is taking vis-à-vis its Client. For Bank of China Hungarian Branch, as the Counterparty, the inclusion of the additional Margin in the Price of the Product results in an initial positive Market Value. In general, the Market Risk from Financial Instruments of this type does not remain with Bank of China Hungarian Branch, but will be partially or completely, transferred on to the Market. To the extent such transfer takes place, Bank of China Hungarian Branch realizes the Profit that is, amongst other factors, reflected by the additional Margin regardless of the further performance of the Product provided that the Credit Risk of the Client that is taken by Bank of China Hungarian Branch does not materialize.

The provision of any Collateral required in connection with the Product may result in Funding Costs for the Client depending on its resources and its overall position with Bank of China Hungarian Branch. Foreign exchange costs may also be incurred in respect of certain Products.

The Costs incurred in relation to these examples would all be Product Costs and no Service Costs would be applicable. Accordingly, the aggregated Product Costs represent the Total Costs of the Product.

If the Product will be held to maturity, Exit Costs will not be incurred. However, if the Product is terminated or unwound prior to maturity Exit Costs may occur. In such a case, we assume that the Exit Costs will be equal to the Total Entry Costs.

Estimated transaction costs

FX forwards and FX swaps

The table below sets out the estimated costs, as a margin from mid-market, for FX forwards and FX swaps. 0,10% means 10bp on an annualized basis, so a 6 months deal with 5bp, or a two year deal with 20bp. The estimated margin depends on the tenor and client type.

| FX Forward/FX Swap (excluding FX Spot margin) | | |
|---|------------------|----------------------|
| G10 | | |
| | Investment Grade | Non-Investment Grade |
| 0-1y | 0.05% | 0.15% |
| 1-2y | 0.09% | 0.18% |
| 2-3y | 0.10% | 0.25% |
| >3y | 0.15% | 0.40% |

| FX Forward/FX Swap (excluding FX Spot margin) | | |
|---|------------------|----------------------|
| Non-G10 and NDF | | |
| | Investment Grade | Non-Investment Grade |
| 0-1y | 0.10% | 0.30% |
| 1-2y | 0.12% | 0.35% |
| 2-3y | 0.15% | 0.44% |
| >3y | 0.20% | 0.60% |

Interest rate,cross currency swaps

The table below sets out the estimated costs, as a margin from mid-market, for interest rate, inflation and cross currency swaps. 0.10% means each year 10bp margin. The estimated margin depends on the tenor and client type.

| Interest Rate Swap: EUR / USD | | |
|-------------------------------|------------------|----------------------|
| | Investment Grade | Non-Investment Grade |
| 0-5 y | 0.05% | 0.10% |
| 5-10 y | 0.08% | 0.18% |
| >10y | 0.12% | 0.25% |

| Interest Rate Swap: Other CCY | | |
|-------------------------------|------------------|----------------------|
| | Investment Grade | Non-Investment Grade |
| 0-5 y | 0.08% | 0.15% |
| 5-10 y | 0.15% | 0.20% |
| >10y | 0.18% | 0.30% |

| Cross Currency Swap: EUR / USD | | |
|--------------------------------|------------------|----------------------|
| | Investment Grade | Non-Investment Grade |
| 0-5 y | 0.10% | 0.20% |
| 5-10 y | 0.15% | 0.45% |
| >10y | 0.20% | 0.60% |

| Cross Currency Swap: Other CCY Pairs | | |
|--------------------------------------|------------------|----------------------|
| | Investment Grade | Non-Investment Grade |
| 0-5 y | 0.20% | 0.25% |
| 5-10 y | 0.30% | 0.50% |
| >10y | 0.40% | 0.75% |

Commodity swaps

The table below sets out the estimated costs, as a margin from mid-market, for commodity swaps; 1,50% means 150bp on an annualized basis, so a 6 months deal with 75bp, or a two year deal with 300bp. The estimated margin depends on the tenor and client type.

| Commodity Swap | | |
|----------------|------------------|----------------------|
| | Investment Grade | Non-Investment Grade |
| 0-1y | 0.75% | 1.75% |
| 1-2y | 0.95% | 1.95% |

Table coverage

These tables do not cover the full offering of financial instruments offered by Bank of China Hungarian Branch. For example, some bespoke instruments will not be covered. When a financial instrument is not covered, you will receive a separate notification from your Bank of China Hungarian Branch representative before trading.

Hypothetical transactions

To make our costs and charges disclosure more concrete, we have constructed a few examples which provide insight into estimated total costs and charges based on hypothetical transactions. We strongly encourage you to read these examples in order to estimate the impact of costs when trading with us.

1. If you are an investment grade client trading a G-10 foreign exchange swap with a notional of EUR 5 mln and a 1.5 year maturity the estimated margin from mid would be 0.09% per annum. This results in a total estimated cost of EUR 6,750 (EUR 5 mln x 1.5 years x 0.09% per annum), which amounts to 0.135% of the notional.
2. If you are a non-investment grade client trading an EUR interest rate swap in which you pay fixed interest with a non-amortizing notional of EUR 10 mln and a 6 year maturity, the estimated margin from mid would be 0.15% per annum. This results in a total estimated lifetime costs of EUR 90,000 (EUR 10 mln x 6 years x 0.15% per annum), which amounts to 0.90% of the notional.
3. If you are an investment grade client trading a commodity swap with a notional of EUR 900,000 and 2.5 year maturity (e.g. 2000 metric tonnes of diesel for 30 months, with a price of EUR 450 per metric tonne) the estimated margin from mid would be 1.1%. This results in a total estimated costs of EUR 24,750 (EUR 900,000 x 2.5 years x 1.1% per annum), which amounts to 2.75% of the notional.

Disclaimer

Under MIFID II, Bank of China Hungarian Branch is required to disclose cost and charges related to the financial instruments and investment services provided by Bank of China Hungarian Branch. The numbers shown above are the average cost and charges that Bank of China Hungarian Branch expects that you will incur. This is based, where possible, on actually incurred cost and charges, and when not available Bank of China Hungarian Branch has made reasonable estimations on a best effort basis.

Bank of China Hungarian Branch reserves the right to review and amend the figures shown above. Bank of China Hungarian Branch accepts no liability to you for the information stated in this notification except to the extent provided for in the Bank of China Hungarian Branch terms of business or other contractual arrangements in place between Bank of China Hungarian Branch and you.

This notification does not constitute or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument. To the extent that any transaction is entered into between Bank of China Hungarian Branch and you, such transaction will be entered into upon such terms as are provided for in the Bank of China Hungarian Branch terms of business or other contractual arrangements in place between Bank of China Hungarian Branch and you. The fact that the cost and charges shown should not be taken as any representation, warranty, undertaking or implication that the cost and charges expected in respect of: (i) a similar transaction executed at or around the same time; or (ii) the same transaction executed in future, will be the same as or similar to those shown in this notification.