

Effect of costs and charges on return when providing investment services

EU Directive 2014/65 on Markets in Financial Instruments (known as MiFID II) introduces a new obligation on investment firms to provide the client with extended transparency on all costs and charges that are paid on client's investments or investment services.

This must be done by an investment firm either before the services are provided (ex-ante disclosure) and after the investment or transaction is done (ex-post disclosure).

Ex-ante disclosure is based on aggregated expected costs of the respective service or financial instrument and is provided on generic basis.

Ex-post disclosure of aggregated costs incurred by the client, is provided annually in a personalised report on costs and charges (the report also contains inducements summary).

Both on an ex-ante and ex-post basis an illustration showing the cumulative effect of costs and charges on return of investments shall be provided. The Bank shall ensure that the illustration meets the following requirements:

- (a) the illustration shows the overall effect of all costs and charges on the return of the investment,
- (b) the illustration shows any anticipated spikes or fluctuations in the costs; and
- (c) the illustration is accompanied by a description of it.

What you can expect and how to read the document?

This is to provide you with sample cost and charges illustrations for commonly used products (such as equities and bonds traded on stock exchange or OTC) where the costs are standardised. Examples show underlying third party costs, where applicable (e.g. funds and structured products) where the Bank is required to show them (when the Bank is selling, marketing or introducing them).

The examples are based on buy transactions (first buy the instrument and later sell it). In case of sell transactions, some fees or costs may not be applicable.

Ongoing charges included in the table are based on the assumption that the investment instrument will be held for the given investment period. Average value of the charges is expected to remain the same during the whole considered period. Timing and frequency of the payments are neglected. Fees are shown as a close-to-average values, real values may differ in accordance to individual conditions. The illustration shall demonstrate rather the way various cost and charges may impact the return of investment than the amount or level of those costs.

The impact of costs and charges of the investment instruments which are used rather as a hedging instrument than an investment, such as various financial derivatives (FX, IR, commodity or other assets forwards, options, swaps or similar instruments) may be difficult to demonstrate by a general example. To fully recognise the impact of costs and charges on the expected outcomes or performance of such instruments, please contact your account manager.

For all instruments, the format and layout of the document is similar. The illustration document contains these sections:

1. Investment

This part sets out general introduction and principles of the type of transaction to which the example relates, such as product description and assumed growth projection (expected performance).

The holding period shown is an indicative period used to illustrate how the costs and charges can vary over a given time horizon. A projected net growth rate is based either on product manufacturer or the Bank estimates, where applicable and common to a given asset class, or is set to 0% p.a., where there is no clear former performance background.

2. Aggregated Costs and Charges

Part 2. provides you with the information on all the costs and charges you can expect to pay, allocated according to the costs related to the product or the investment and/or ancillary services provided. Any 3rd party payments received by the Bank (inducements) are also included. Totalled cost and charges are expressed both as a cash amount and as a percentage of the amount invested.

Where applicable, each category of cost and charges is further sub-divided to show you the costs that will be incurred at the beginning or the the end of investment and ongoing cumulative costs for the given holding period. The illustration will show the cost of purchase and sell of the product, as well as the costs to hold the product, if there are any.

Product costs may include underlying 3rd party management fees and administration expenses, where these apply. The Investment/ancillary services costs will relate specifically to the fees that you pay the Bank for the delivery of the service provided, such as the transaction fee or any custody or account fees. Market levies and local taxes may be included either in

the product or the service cost and charges, depending on their nature. Any commissions or distribution payments received from a 3rd party in respect of the client's transaction will also be disclosed.

3. Cumulative effect of costs and charges on your return

Cumulative effect of the costs and charges on the net return of the investment over the illustrative holding period is shown in this part, including the total impact of any or fluctuations in costs and charges that are expectable over the holding period (e.g. transaction costs associated with exit of the product).

Example 1: Shares

Effect of cost and charges on return of investment (demonstration)						
1. Investment						
Investment instrument	Shares					
Performance scenario (growth rate) chosen for this example	p.a. 3,00%					
2. Aggregated cost and charges						
Illustrative invested amount	CZK 50 000		200 000		1 000 000	
	Amount	% of Invest.	Amount	% of Invest.	Amount	% of Invest.
Investment and/or ancillary services cost and charges						
One-off costs (buy and sell mostly)	900	1,80%	2400	1,20%	7200	0,72%
Custody costs (Investment period costs - 1 year)	390	0,78%	840	0,42%	1320	0,13%
Custody costs (Investment period costs - 3 years (total))	1170	2,34%	1440	0,72%	2880	0,29%
Custody costs (Investment period costs - 5 years (total))	1950	3,90%	2400	1,20%	4800	0,48%
Investment instrument cost and charges						
Embedded costs of the investment instrument (Investment period costs - 1 year)	0	0,00%	0	0,00%	0	0,00%
Embedded costs of the investment instrument (Investment period costs - 3 years (total))	0	0,00%	0	0,00%	0	0,00%
Embedded costs of the investment instrument (Investment period costs - 5 years (total))	0	0,00%	0	0,00%	0	0,00%
Inducements received						
Inducements (Investment period costs - 1 year)	0	0,00%	0	0,00%	0	0,00%
Inducements (Investment period costs - 3 years (total))	0	0,00%	0	0,00%	0	0,00%
Inducement (Investment period costs - 5 years (total))	0	0,00%	0	0,00%	0	0,00%
Total cost and charges						
Investment period costs - 1 year (total)	1290	2,58%	3240	1,62%	8520	0,85%
yearly (p.a.)		2,58%		1,62%		0,85%
Investment period costs - 3 years (total)	2070	4,14%	3840	1,92%	10080	1,01%
yearly (p.a.)		1,38%		0,64%		0,34%
Investment period costs - 5 years (total)	2850	5,70%	4800	2,40%	12000	1,20%
yearly (p.a.)		1,14%		0,48%		0,24%
3. Cumulative effect of cost and charges on the investment (5 years investment period)						
Value of investment if there were no cost and charges incurred	50 000		200 000		1 000 000	
Value of investment if all cost and charges are incurred (incl. spikes or fluctuations)	47 150		195 200		988 000	
Anticipated spikes or fluctuations in costs and charges (mostly as a result of entry and exit fees)	2 850		4 800		12 000	
Assuming given yearly growth rate, achieved average yearly net performance	1,93%		2,65%		2,92%	

Example 2: Bonds

Effect of cost and charges on return of investment (demonstration)

1. Investment

Investment instrument

Bonds

Performance scenario (growth rate) chosen for this example

p.a. **3,00%**

2. Aggregated cost and charges

Illustrative invested amount

CZK	50 000		200 000		1 000 000	
	Amount	% of Invest.	Amount	% of Invest.	Amount	% of Invest.

Investment and/or ancillary services cost and charges

One-off costs (buy and sell mostly)
 Custody costs (Investment period costs - 1 year)
 Custody costs (Investment period costs - 3 years (total))
 Custody costs (Investment period costs - 5 years (total))

5400	10,80%	7200	3,60%	18400	1,84%
100	0,20%	400	0,20%	2000	0,20%
300	0,60%	1200	0,60%	6000	0,60%
500	1,00%	2000	1,00%	10000	1,00%

Investment instrument cost and charges

Embedded costs of the investment instrument (Investment period costs - 1 year)
 Embedded costs of the investment instrument (Investment period costs - 3 years (total))
 Embedded costs of the investment instrument (Investment period costs - 5 years (total))

0	0,00%	0	0,00%	0	0,00%
0	0,00%	0	0,00%	0	0,00%
0	0,00%	0	0,00%	0	0,00%

Inducements received

Inducements (Investment period costs - 1 year)
 Inducements (Investment period costs - 3 years (total))
 Inducement (Investment period costs - 5 years (total))

0	0,00%	0	0,00%	0	0,00%
0	0,00%	0	0,00%	0	0,00%
0	0,00%	0	0,00%	0	0,00%

Total cost and charges

Investment period costs - 1 year (total)
 yearly (p.a.)
 Investment period costs - 3 years (total)
 yearly (p.a.)
 Investment period costs - 5 years (total)
 yearly (p.a.)

5500	11,00%	7600	3,80%	20400	2,04%
	11,00%		3,80%		2,04%
5700	11,40%	8400	4,20%	24400	2,44%
	3,80%		1,40%		0,81%
5900	11,80%	9200	4,60%	28400	2,84%
	2,36%		0,92%		0,57%

3. Cumulative effect of cost and charges on the investment (5 years investment period)

Value of investment if there were no cost and charges incurred

50 000

200 000

1 000 000

Value of investment if all cost and charges are incurred (incl. spikes or fluctuations)

44 100

190 800

971 600

Anticipated spikes or fluctuations in costs and charges (mostly as a result of entry and exit fees)

5 900

9 200

28 400

Assuming given yearly growth rate, achieved average yearly net performance

0,65%

2,17%

2,55%

Example 3: Collective Investment Funds

Effect of cost and charges on return of investment (demonstration)

1. Investment

Investment instrument

Collective Investment Funds

Performance scenario (growth rate) chosen for this example

p.a. **3,00%**

2. Aggregated cost and charges

Illustrative invested amount

50 000		200 000		1 000 000	
Amount	% of Invest.	Amount	% of Invest.	Amount	% of Invest.

Investment and/or ancillary services cost and charges

One-off costs (buy and sell mostly)
 Custody costs (Investment period costs - 1 year)
 Custody costs (Investment period costs - 3 years (total))
 Custody costs (Investment period costs - 5 years (total))

300	0,60%	1200	0,60%	6000	0,60%
0	0,00%	0	0,00%	0	0,00%
0	0,00%	0	0,00%	0	0,00%
0	0,00%	0	0,00%	0	0,00%

Investment instrument cost and charges

Embedded costs of the investment instrument (Investment period costs - 1 year)
 Embedded costs of the investment instrument (Investment period costs - 3 years (total))
 Embedded costs of the investment instrument (Investment period costs - 5 years (total))

600	1,20%	2400	1,20%	12000	1,20%
1800	3,60%	7200	3,60%	36000	3,60%
3000	6,00%	12000	6,00%	60000	6,00%

Inducements received

Inducements (Investment period costs - 1 year)
 Inducements (Investment period costs - 3 years (total))
 Inducement (Investment period costs - 5 years (total))

200	0,40%	800	0,40%	4000	0,40%
600	1,20%	2400	1,20%	12000	1,20%
1000	2,00%	4000	2,00%	20000	2,00%

Total cost and charges

Investment period costs - 1 year (total)
 yearly (p.a.)
 Investment period costs - 3 years (total)
 yearly (p.a.)
 Investment period costs - 5 years (total)
 yearly (p.a.)

900	1,80%	3600	1,80%	18000	1,80%
	1,80%		1,80%		1,80%
2100	4,20%	8400	4,20%	42000	4,20%
	1,40%		1,40%		1,40%
3300	6,60%	13200	6,60%	66000	6,60%
	1,32%		1,32%		1,32%

3. Cumulative effect of cost and charges on the investment (5 years investment period)

Value of investment if there were no cost and charges incurred

50 000	200 000	1 000 000
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Value of investment if all cost and charges are incurred (incl. spikes or fluctuations)

46 700	186 800	934 000
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Anticipated spikes or fluctuations in costs and charges (mostly as a result of entry and exit fees)

3 300	13 200	66 000
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Assuming given yearly growth rate, achieved average yearly net performance

1,74%	1,74%	1,74%
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