

## KEY INFORMATION DOCUMENT

### 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

**PRIIP Name:** Interest Rate Swap

**PRIIP Manufacturer:** Bank of Scotland plc ("Bank of Scotland plc")

Call 0203 578 0064 for more information

**Website:** <http://business.bankofscotland.co.uk>

**Competent Authority:** Bank of Scotland plc is regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

**Date of Production:** 06/05/2020

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

### What is this product?

**Type:** An Over the Counter (OTC) contract - Interest Rate Instrument

**Objective:**

The objective of this product is to manage adverse movements in interest rates that you may experience. Note that it may not provide you with complete protection against such exposures. The product achieves its objectives by Bank of Scotland plc agreeing the terms of an OTC contract with you under which you will pay a fixed rate of interest (Fixed Rate) on an agreed amount (Notional Amount) in return for Bank of Scotland plc paying you a variable rate of interest (Floating Rate) on the Notional Amount. Interest payments will be calculated over agreed periods (Calculation Periods) and paid on agreed dates (Payment Dates) until an agreed date (Termination Date).

Sample parameters and pre-agreed circumstances and conditions are set out below:

|                  |            |                         |                      |
|------------------|------------|-------------------------|----------------------|
| Notional Amount  | GBP 10,000 | Floating Rate Benchmark | 3-month<br>GBP-LIBOR |
| Currency         | GBP        | Fixed Rate              | 0.8300 %             |
| Termination Date | 5 Years    | Calculation Periods     | Quarterly            |

The product achieves its objectives as follows:

On the first day of each Calculation Period Bank of Scotland plc will compare the Fixed Rate to the Floating Rate as follows:

If, Floating Rate is above the Fixed Rate Bank of Scotland plc will calculate a payment due to you on the next Payment Date based on the value of the net difference between the Floating Rate and the Fixed Rate multiplied by the Notional Amount.

If, Floating Rate is below the Fixed Rate Bank of Scotland plc will calculate a payment due from you on the next Payment Date based on the value of the net difference between the Floating Rate and the Fixed Rate multiplied by the Notional Amount.

If, Floating Rate is equal to the Fixed Rate no payments will be made by either party.

**Intended Retail Investor:**

This product is intended for retail investors with a short, medium or long time horizon who:

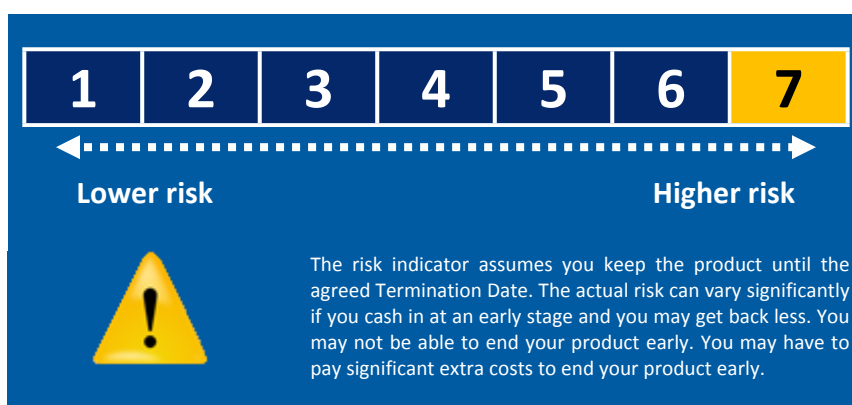
- (i) have sufficient knowledge or experience to understand complex financial products; and
- (ii) have a loan and want a level of protection against adverse movements in interest rates.

**Term:**

The term of the Interest Rate Swap will depend on how long you wish to protect against adverse movements in interest rates and will be agreed before you enter into the Product. The product is a bilateral agreement that cannot ordinarily be terminated unilaterally by either you or Bank of Scotland plc. The product terms provide that if certain events of default or other termination events occur, Bank of Scotland plc or you may terminate the product early. In such an event, the early termination payments described below will apply and the return (if any) you receive on such termination is likely to be different from the scenarios described in this document.

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

**Risk Indicator:**



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance at a very high level. **Be aware of currency risk. Where you receive payments in a different currency the final return you get depends on the exchange rate between the two currencies. This risk is not reflected in the indicator shown above.** This product does not include any protection from future market performance so you could incur significant losses. If we are not able to pay you what is owed you could incur significant losses.

#### Performance Scenarios:

This table shows the money you could get back or pay over the next 5 years, under different scenarios, assuming a nominal value of GBP 10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the 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 easily ended. This means it is difficult to estimate how much you would get if you end before the recommended holding period. You will either be unable to end early or you will have to pay high costs or make a large 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, which may also affect how much you get back.

| Investment: GBP 10,000       |  | 1 year      | 3 years     | 5 Years<br>(Recommended holding period) |
|------------------------------|--|-------------|-------------|---|
| Scenarios                    |  |             |             |   |
| <b>Stress scenario</b>       | <b>What you might get back or pay after costs</b>  | -GBP 398.85 | -GBP 312.24 | -GBP 313.6                              |
|                              | Average return/ loss over nominal amount each year | -3.95 %     | -1.05 %     | -0.63 %                                 |
| <b>Unfavourable scenario</b> | <b>What you might get back or pay after costs</b>  | -GBP 195.23 | -GBP 242.88 | -GBP 248.59                             |
|                              | Average return/ loss over nominal amount each year | -1.93 %     | -0.81 %     | -0.5 %                                  |
| <b>Moderate scenario</b>     | <b>What you might get back or pay after costs</b>  | -GBP 14.59  | -GBP 60.36  | -GBP 66.33                              |
|                              | Average return/ loss over nominal amount each year | -0.14 %     | -0.2 %      | -0.13 %                                 |
| <b>Favourable scenario</b>   | <b>What you might get back or pay after costs</b>  | GBP 315.97  | GBP 402.86  | GBP 401.23                              |
|                              | Average return/ loss over nominal amount each year | 3.12 %      | 1.32 %      | 0.79 %                                  |

Average return is calculated as the Interest Rate Swap's market value under each scenario divided by the notional amount.

#### What happens if Bank of Scotland plc is unable to pay out?

You may be exposed to a risk that Bank of Scotland plc might be unable to fulfil its obligations in respect of the Interest Rate Swap. The product is not protected by any local investor compensation or guarantee scheme. This means that if Bank of Scotland plc is unable to pay out, you may not receive any amount from Bank of Scotland plc under the product.

#### What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the performance of the product. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, over the recommended holding period. They include potential early exit penalties. The figures assume a nominal value of £ 10,000. 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 Scenarios<br>[GBP 10,000] | If you cash in at the end of the recommended holding period |
|--------------------------------------|---|
| Total costs                          | GBP 270.93  |
| Impact on return (RIY) per year      | 0.57 %  |

#### Composition of costs:

The table below shows:

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

The costs below are the maximum values shown and will vary depending on the underlying parameters of the transaction.

| This table shows the impact on return per year |                             |        |   |
|--|-----------------------------|--------|---|
| One-off costs                                  | Entry costs                 | 0.57 % | The impact of the costs you pay when entering your investment. This is the most you will pay, and you could pay less. |
|  | Exit costs                  | 0.00 % | The impact of the costs of exiting your investment when it matures.   |
| Ongoing costs                                  | Portfolio transaction costs | 0.00 % | The impact of the costs of us buying and selling underlying investments for the product.                              |
|  | Other ongoing costs         | 0.00 % | The impact of the costs we take each year for managing your investments.  |

## How long should I hold it and can I take it out early?

**Recommended holding period:** This product is designed to be held to the agreed Maturity Date in order to match your investment requirement. It is a product designed to be entered into for its term and cannot be easily sold. Early termination may occur (i) if certain events of default or other termination events occur or (ii) at the sole discretion of Bank of Scotland plc, in which case early termination payments may apply.

**Early exit impact:** If the product is terminated early, in whole or in part, an Early Termination Payment may become payable by either you or Bank of Scotland plc. The Early Termination Payment is linked to market parameters and settlement on early termination will be specific to your Interest Rate Swap. It will be influenced by a number of factors which include but are not limited to: whether it is an increasing or decreasing interest rate environment; the movement of the interest rates since the transaction Trade Date; the amount affected by the early termination.

**The Early Termination Payment is not a penalty charge.** The sum represents the economic value of what Bank of Scotland plc would have paid if the product continued as agreed.

## How can I complain?

### Contact us

Should you have any complaints about the product, the conduct of Bank of Scotland plc and/or the person advising on or selling the product, please follow the below steps:

- Include the following information so we can resolve your complaint as quickly as possible: as much information as possible about your complaint; any actions you wish us to take to resolve your complaint;
- Visit us in branch or contact your Relationship Manager
- Call us on **0345 300 0268** or **+44 131 549 8724**
- Contact us online at <http://business.bankofscotland.co.uk>; or
- Write to us at **The Manager, Bank of Scotland, Customer Services Box 761, Leeds LS1 9JF**

## Other Relevant Information

Additional relevant information may be set out in the confirmation, as supplemented and amended by the applicable definitions and the master agreement terms. These are available upon request from your Bank of Scotland plc's representative. Information about your relationship with us can be found at <http://business.bankofscotland.co.uk>.