

DELIVERABLE SPOT AND FORWARD CNY & CNH FOREIGN EXCHANGE TRANSACTIONS

Product Disclosure Statements

Contents

Important Information.....	2
Glossary	3
Key Information	4
Significant risks	4
Acknowledgements	5
Entering into a Transaction.....	6

Important information

Issuer and contact details

This Product Disclosure Statement (PDS) is issued by Clydesdale Bank PLC (trading as Virgin Money ("the Bank")). It provides important information about Renminbi Spot and Forward foreign exchange transactions (Transactions) and should be read before making a decision to enter into these Transactions. You can obtain more information by speaking to your Financial Risk Solutions Manager or calling the team on 0800 917 5591.

Updated information

The information in this PDS is subject to change. If the change is materially adverse, the Bank will provide updated information by issuing a supplementary or replacement PDS which will be sent to your email address. If the change is not materially adverse, we will discuss it with you before you book any Transaction. You can also access this updated information and get a paper copy of any updated information without charge by speaking with your Financial Risk Solutions Manager.

General information only

The information set out in this document is general in nature. By providing this PDS, the Bank does not intend to provide financial advice or any financial recommendations. We have prepared this PDS without taking into account your objectives, financial situation or needs.

Before acting on this information, we recommend that you consider whether it is appropriate for your circumstances.

You should carefully read and consider all of the information in this PDS and any other disclosure document and seek independent expert financial, legal and tax advice before making any decision about a product including whether to acquire or to continue to hold it.

Privacy policy

The Bank may also be required to provide personal information and copies of documents that you have supplied to correspondent banks or regulatory authorities in Hong Kong and the People's Republic of China, which is described in more detail in paragraph (f) of the Acknowledgements section of this PDS.

Cooling off period

There is no cooling off period after entering a Transaction. Transactions may be terminated early, however subject to the risk that additional costs may be incurred. Cancellation, early termination or other variations of a Transaction are at the Bank's discretion.

Glossary

The meanings of these expressions are provided to assist you with this handbook - however if any expression has a specific definition in any contract between our customers and the Bank in relation to a Transaction, then the definition in that contract will apply to the legal rights and obligations between us..

<p>Business Day means a day on which commercial banks are open for normal banking business in the place specified in the confirmation for each Transaction, or else in London and Hong Kong.</p>	<p>Master Agreement means the Bank's standard ISDA Master Agreement, Foreign Currency Transaction Master Agreement or Foreign Exchange T&Cs.</p>
<p>Currency Pair means the two currencies that a customer wishes to exchange in a Transaction.</p>	<p>Other Banks means one or more other branches or affiliates of the Bank and other financial providers who may or may not be appointed by the Bank. Other Banks may in each case be local or overseas.</p>
<p>CNH means Renminbi deliverable into or from an account maintained outside Mainland China.</p>	<p>Renminbi means the lawful currency of the People's Republic of China.</p>
<p>CNY means the International Standards Organisation (ISO) currency code for Renminbi and is applied to all payments in Renminbi. It is also used to refer to Renminbi that is deliverable into or from a Mainland China</p>	<p>Settlement date means the date in the future on which the currencies will actually be exchanged and delivered.</p>
<p>Exchange Rate means the price payable by the customer to exchange and deliver currencies.</p>	<p>Spot Rate means the Exchange Rate that is set at a given time, and applies to a Transaction to exchange the relevant currencies at that time (although the Settlement date can be up to two account Business Days later).</p>
<p>Forward Rate means the Exchange Rate that is set at a given time, and applies to a Transaction to exchange and deliver currencies in the future.</p>	<p>Transaction Amount means the amount of one currency that you agree to exchange for another currency.</p>
<p>Mainland China or People's Republic of China excludes the Special Administrative Regions of Hong Kong and Macau and Taiwan for the purpose of the explanations given in this handbook.</p>	<p>Transaction Date means the date on which the Customer and the Bank enter into a Transaction.</p>

Key Information

Main purpose

The Bank is able to offer CNY Spot and Forward Transactions for settlement value-tomorrow, spot, forwards and FX swaps (out to twelve months) for cross-border trade payments and assist with the conversion of CNY trade receipts from the People's Republic of China back to other currencies such as GBP, USD and EUR.

There is a mandatory regulatory requirement to verify that any CNY remittance into or from an onshore account in Mainland China is for an eligible trade transaction (within the meaning of the Renminbi foreign exchange rules) with a suitably regulated Chinese enterprise and provide the Bank with supporting documentation or proof of that underlying commercial transaction prior to the entry into any CNY Spot or Forward Transaction.

Transactions that are deliverable outside Mainland China (CNH) are not restricted to trade payments.

Suitability

CNY Spot and Forwards are suitable for importers and exporters and can help to protect your business from unfavourable movements in the exchange rate.

Significant risks

- The main risk of CNY Spot and Forwards is that the Exchange Rate achieved on a Transaction may be less favourable than the exchange rate that you could have achieved by simply transacting in the future at the Spot Rate.
- Renminbi is not fully convertible, is subject to exchange rate risks, a changeable regulatory framework and the availability of Renminbi in the market.
- Each Transaction must be settled on the Settlement date. It is your responsibility to ensure that you have the required amount of currency to deliver to us on the Settlement date.
- When you enter into a Transaction with us, you are locked into the terms of that Transaction. If your foreign currency needs change because an underlying commercial transaction is cancelled or substantially altered, you will still need to settle on the Settlement date (unless we agree otherwise with you).

Important note

CNY Spot and Forwards should only be entered into if their use is consistent with your risk management strategy and financial circumstances. It is your responsibility to monitor any risks associated with your CNY Spot or Forward Transactions.

What is the minimum amount?

There is no minimum amount for a CNY Spot or Forward; subject to any applicable regulatory requirements.

What settlement dates are available?

The earliest settlement date offered is value-tomorrow i.e. the next business day. Any Transaction for delivery tomorrow will need to be completed by 5pm the previous day. There is no value-today capacity offered in CNY.

On the Transaction Date, the Bank will agree the Settlement date with you and specify it in the confirmation. The Settlement date for a Spot is one or two Business Days after the Transaction Date.

For Forwards, the minimum settlement date is three Business Days after the Transaction Date, The maximum is dependent on the Bank's internal limit structuring but can extend up to twelve months depending on circumstances.

Significant risks

Timing risk

If your business requires a certain amount of a currency on a specific date, you will need to ensure that your Transaction settles before this time. For example, if the Settlement date occurs after you need to pay an amount owing under your commercial transaction, then there is a risk that you may not have sufficient funds to fulfil your obligations. You should note in this regard that CNY remittances cannot take place on public holidays in the People's Republic of China. Such public holidays include the Spring Festival holidays (also known as Chinese New Year holidays), which are relatively long and whose dates change from year to year. The Bank recommends that you ascertain the dates of public holidays in the People's Republic of China before scheduling any CNY remittances. You should also note that CNY/CNH remittances into or from an account maintained outside Mainland China (including Hong Kong) may not take place on public holidays in the financial centres where such accounts are located and the Bank recommends that you ascertain the dates of public holidays in such financial centres before scheduling any such remittances.

Regulatory and Market Risk

Another significant risk is that Renminbi is not yet fully convertible. Conversion of Renminbi and the cross-border remittance of Renminbi are subject to regulations relating to foreign exchange control of the People's Republic of China which may change from time to time. You and your related Chinese counterparty are responsible for obtaining all

relevant governmental regulatory approvals/licences, verification and/ or registrations themselves for the purpose of cross-border remittance of Renminbi (including, but not limited to, any which may be required by Chinese regulators) and complying with all relevant laws and regulations (including, but not limited to, the Administrative Rules on Settlement of Cross-border Trades in Renminbi and its related implementation rules) and any specific regulatory measures imposed on any particular Chinese counterparty by Chinese regulators. Neither the Bank nor any of its affiliates shall be liable for any non-compliance of applicable laws or regulations by you or your related Chinese counterparty.

Conversion and cross-border remittance of Renminbi is subject to:

- The availability of Renminbi outside the People's Republic of China;
- Any applicable laws, rules, regulations, policies, circulars and guidelines issued or imposed by any regulatory authority, government agency, clearing or settlement bank or agent custodian or professional body governing Renminbi related activities or services, and/or any applicable agreement for clearing and settlement of Renminbi, each as may be amended or updated from time to time (Applicable Renminbi Provisions);
- Any force majeure events which may render the conversion and cross-border remittance of Renminbi impossible or impracticable, such as any event which materially restricts or hinders the ability of the Bank or its affiliates to obtain, convert, remit or transfer Renminbi, or to provide or perform the settlement of the Transaction due to any reason beyond the Bank or its affiliates' control.

If the Bank or any of its affiliates are unable to settle your Transaction due to any regulatory or other restrictions on the conversion or remittances of Renminbi imposed by the applicable authorities or Renminbi clearing or settlement bank(s) or agent(s), the inability to connect or delay in connecting, with relevant funds transfer system, because of system failure or other reasons not caused by the Bank or any errors or omission of an administrative or operational nature, the Bank shall not be required to settle the Transaction unless and until such time as such Renminbi remittance restrictions, system disruption, system failure, or administrative or operational errors or omissions are resolved. You agree that the involvement of Other Banks in connection to settlement of your Transaction(s), and any possible delay, suspension or termination of settlement is entirely at your risk. You agree, to the fullest extent permitted under applicable laws that the Bank and its affiliates are not liable for any loss of any kind you may incur in connection with such involvement of Other Banks or any such delay, suspension or termination of settlement of your Transaction.

Acknowledgements

When you enter into a Transaction you agree and acknowledge that:

- a) Renminbi is subject to substantial exchange rate risk and is currently not freely convertible;
- b) As applicable, you will at all times comply with the Applicable Renminbi Provisions and that any proposed CNY trade will be for an eligible trade transaction within the meaning of the Applicable Renminbi Provisions.
- c) You are acting for your own account and you have made your own independent decision to enter into the Transaction and as to whether the Transaction is appropriate or proper for it is based upon your own judgement and upon advice from such advisers as you have deemed necessary. You are not relying on any communication (written or oral) of the Bank as investment advice or as a recommendation to enter into that Transaction, it being understood that information and explanations related to the terms and conditions of that Transaction shall not be considered to be investment advice or a recommendation to enter into the Transaction. No communication (written or oral) received from the Bank shall be deemed to be an assurance or guarantee as to the expected results of that Transaction;
- d) You are capable of assessing the merits of and understanding (on your own behalf or through independent professional advice), and you understand and accept the terms and conditions and risks of that Transaction. You are also capable of assuming, and assume, the risks of Renminbi Transactions;
- e) The Bank is not acting as a fiduciary or adviser;
- f) The Bank or its affiliates are authorised to disclose and report all and any transaction data and/or information regarding you, your account(s), your account relationship with the Bank and/or any other Renminbi related services and copies of any supporting trade documents that you provide to the Bank to the relevant regulatory authorities, government agencies, clearing or settlement banks or agents or professional bodies governing or offering Renminbi related activities or services or the Bank's affiliated Renminbi participating banks, wherever it is situated (including the People's Republic of China regulators and Renminbi clearing and settlement banks where applicable);
- g) The conversion and settlement of Renminbi will involve Other Banks;
- h) The remittance of Renminbi will be subject to the practical circumstances of transmission and

geographical location of Other Banks; and

- i) Conversion of Renminbi and settlement of your Transaction may be delayed, suspended or terminated due to changes in the Applicable Renminbi Provisions or other applicable laws or regulations, acts or decisions of the People's Republic of China or other regulators, or acts, omission, default or non-compliance with the Applicable Renminbi Provisions or other applicable laws by Other Banks.

Entering into a Transaction

How do I enter into a Transaction?

You can initiate a Transaction by:

- Calling the Dealing Room
- Calling the Customer Support Centre

Before entering into a Transaction, the Bank advises you to obtain independent advice to ensure that the proposed Transaction meets your objectives and needs and is consistent with your financial circumstances and risk management strategy.

Documentation preconditions

You may need to sign the Bank's standard ISDA Master Agreement, Foreign Currency Transaction Master Agreement or Foreign Exchange T&Cs if you have not already done so. If you are a business customer you will also need to provide details as to which of your staff are authorised to deal on your behalf.

Our standard documentation for use in Transactions (including the standard ISDA Master Agreement, Foreign Currency Transaction Master Agreement or Foreign Exchange T&Cs) governs your dealing relationship with us and sets out terms and conditions that apply to any Transaction. In particular, they describe how Transactions are priced and outline the circumstances in which Transactions can be varied or cancelled.

You will need to sign a letter agreement binding you to the Acknowledgements as set out on page 5. You can obtain a copy of these documents from your Financial Risk Solutions Manager. You must read the terms and conditions of these documents carefully before entering into any Transaction. You should obtain independent legal advice if you do not understand any aspect of these documents.

Mandatory preconditions for all customers on CNY Spot and Forward Transactions deliverable onshore into or from an onshore Mainland China account.

You will be obliged to verify to the Bank that any CNY remittance into or from an onshore account in the People's Republic of China is for an eligible trade transaction (within the meaning of the Renminbi foreign exchange rules) with a requisite Chinese enterprise (incorporated in mainland China or if the transaction concerns the export of goods the enterprise also needs to have an export licence) and provide the Bank with supporting documentation (such as a sales invoice, third party trade documents or (for service trades) proof of the supply of service and location of the service provider and service receiver) prior to entry into the CNY Spot or Forward.

An eligible trade transaction is one that is for a cross-border trade transaction with one leg touching the People's Republic of China. Note that the timing and sequence of CNY conversion and the delivery of goods or service must be consistent and the conversion occur not more than three months before the transaction is due for settlement. If the Transaction does not meet these requirements, then the Bank may subsequently unwind it you will be liable for your own and the Bank's costs in doing so.

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