

Annex 1: Information provided to clients

Content

1.	Introduction.....	3
2.	Information for clients.....	3
3.	Information on services provided by the Bank	5
4.	Concluding contract with client	5
5.	Communication with the client and prospect	6
6.	Information on protection of financial instruments of the client.....	6
7.	Information regarding investment counseling services	7
8.	Handling financial instruments of clients	8
9.	Depositing financial instruments of clients on foreign market.....	8
10.	Type of orders, order of receipt and execution	9
11.	Handling conflicts of interest	11
11.1.	Circumstance representing or which may lead to conflict of interest	12
11.2.	Procedures and measures for handling conflicts of interest.....	12
12.	Information on financial instruments	14
13.	Risks of investing into financial instruments	16
13.1.	General operating risks with financial instruments	16
13.2.	Special risks in dealing with financial instruments	17
14.	Other information regarding financial instruments.....	19
15.	Client Reporting on order execution.....	19
15.1.	Confirmation of order execution	19
15.2.	Reports on financial instruments and assets of clients	19

1. Introduction

In providing investment services and activities as well as additional services to clients, the Bank is obliged to put client interests ahead of its own interest and to operate in a fair, honest and professional manner, in accordance with best client interests, while respecting principles established under the provisions on the Law on Capital Market (hereinafter: the Law).

The Bank has a special organizational segment intended for providing investment services and activities as well as additional services: the Capital Markets Department.

2. Information for clients

Information about the Bank

Corporate name:	OTP banka Srbija akcionarsko društvo Novi Sad
Head office and address:	Novi Sad, 5, Trg slobode
Official registration number:	08603537
TIN:	100584604
Website:	www.otpbanka.rs
Name of organizational segment:	Capital Markets Department
Address of organizational segment:	Novi Beograd, Bulevar Zorana Djindjica 50 a/b
Email:	broker@otpbanka.rs
Email for client complaints:	prigovori@otpbanka.rs
Email for electronic Submission of orders:	nalog@otpbanka.rs ; order@otpbanka.rs
Telephone numbers:	+381 11 205 3389; + 381 11 205 3390; + 381 11 205 3395; +381 11 205 3396; +381 11 205 3397;
Fax no.	+ 381 11 222 8541
Operating license (under Law on Capital Markets, Official Gazette RS 31/11, 112/15, 108/16, 9/20 and 153/20):	No. 2/1-109-335/4-19 issued 05.04.2019.
Operating license (under Law on Capital Markets RS no 129/2021):	No. 2/1-120-3104/9-22 issued 27.04.2023.

Competent authority:	Securities Commission Omladinskih brigada 1, 11 070 Novi Beograd; Website: www.sec.gov.rs
Membership:	Belgrade Stock Exchange a.d. Beograd Omladinskih brigada 1, 11 070 Novi Beograd Telephone: 011/311-72-97 Website: www.belex.rs
	Central Securities Depository and Clearing House Trg Republike br. 5, 11 000 Beograd Phone: 011/333-13-80 Website: www.crhov.rs
	Deposit Insurance Agency Investor Protection Fund Knez Mihailova br. 2-4, 11 000 Beograd Website: www.aod.rs
Language of communication:	Serbian

The Bank may communicate with prospect clients – foreign legal entities and natural persons in English or another foreign language foreseen under the contract, provided that categorization and the contract are drawn up in the Serbian language, i.e. bilingually. Trading and transfer orders and corporate events notices, requests for corporate activities on foreign markets, as well as communication with clients - foreign persons may be exercised only in the English language, with no obligation of translation into the Serbian language.

- Manner of submitting the order:**
- Directly to Capital Markets Department
 - Directly within the branch network
 - By phone
 - By email
 - By fax
 - Through application (protected service)

The Bank and the Client communicate in a way that is most convenient for the client, which the client has opted for at the time of concluding the contract, i.e. negotiating cooperation, which is specified in the Client Categorization Questionnaire. The Client may always change contact data or manner of communication by submitting the request for change of certain data of the Bank.

The client is obliged, immediately upon occurrence of the change or its registration in case of legal entity, to inform the Bank of the change of any data that is relevant for representation and notifying the client, as well as for fulfilling obligations and submitting of Bank notice at the time of providing investment services and activities, as well as additional services.

3. Information on services provided by the Bank

The bank holds a license for providing the following investment services and activities, as well as additional activities:

- 1) In accordance with provisions in article 2, point 2) of the Law, the Bank provides the following investment services and activities:
 - a. Receipt and transfer of orders related to one or more financial instruments
 - b. Executing orders on behalf of the client
 - c. Trading for own account
 - d. Portfolio management
 - e. Investment counseling
 - f. Patronage of financial instruments, i.e. implementation of financial instrument with redemption obligation procedure.
 - g. Implementation of offer of financial instruments without right of redemption.
- 2) In accordance with provision 2, point 3) of the Law, the Bank provides the following additional services:
 - a. Custody and handling of financial instruments on behalf of the client (custody services) and related services including administrating funds and collaterals, except maintenance and keeping security account as per Chapter XIV of the Law
 - b. Approving loans and credits to investor in order to conclude transaction with one or more financial instruments when the company gives loans or credits is involved in the transaction
 - c. Counseling regarding structure of capital, business strategy and related issues, as well as counseling and services regarding merger and acquisition of business subjects;
 - d. Services involving currency conversion related to providing investment services;
 - e. Research and financial analysis and other forms of recommendations regarding transactions with financial instruments;
 - f. Services related to patronage
 - g. Investment services and activities, as well as other services, related to the basis of financial derivatives under point 19) subpoints 5, 6, 7 and 10 of this paragraph, when related to providing investment and additional services.

4. Concluding contract with client

The Client and Bank conclude a contract to define types of services which the Bank provides to the client in accordance with the Operating Rules.

The Bank is obliged to refer the Client to the website containing the Operating Rules and all additional legal acts and information of importance for the client.

When concluding the contract in writing, Bank employees are authorized to sign contracts with the client in accordance with the Bank's internal acts. By signing the contract, the employee confirms that he/she has identified and categorized the client, while the client confirms that he/she has understood and willingly agrees to the provisions of the Contract, the Operating Rules with annexes and the Tariff.

5. Communication with the client and prospect

In accordance with the Law and bylaws of the Commission, the Bank communicates and submits information on durable data carrier, if:

- 1) Submission of data on such carrier is suitable and in line with the manner of communication, provision of Bank services and submission of requests, information and orders of the client if this is the manner in which business between Bank and Client is maintained, and
- 2) The person to whom the information is to be provided agrees in everything and has independently elected for information to be provided on such other data carrier.

The Bank provides information to clients on its website, and as these information are not directly addressed to clients, the Bank guarantees that the following conditions have been met:

- 1) Submission of data on such data carrier is adequate in view of the context in which business relations evolve or will evolve between the Bank and Client
- 2) The client must explicitly agree to providing information in such form;
- 3) The client must be informed electronically on the website and location on the website where they can access this information;
- 4) Information must be up to date;
- 5) Information must be available on that website within information validity period, which the client may reasonably require for searching purposes.

Providing information electronically is deemed appropriate in view of the context in which business operations between the Bank and clients evolve or will evolve, if there is evidence that the client has regular access to the internet, which the client confirms and proves by submitting the email address for business purposes.

6. Information on protection of financial instruments of the client

The Bank holds and manages financial instruments in the name and on behalf of the client, i.e. on its own name and on behalf of the client, i.e. in its own name and on its own behalf, on the domestic market, and manages them in the CRHOV information system, whereas on the foreign market, the Bank holds financial instruments of clients with the Depository and the Central Depository, in accordance with the Operating Rules (keeping and administering financial instruments of clients).

The bank is responsible for actions or mistakes of its employees, and is responsible to the client for actions or mistakes of third parties involved in the transaction execution procedure in accordance with the Law and the by-laws of the Commission.

In order to avoid the risk of holding financial instruments or funds on an account of a third person, the Bank takes the following measures:

- 1) Regarding records, account and communication:
 - Keeps precise and accurate records of all issued client orders, keeps book of orders, account records and complete communication in accordance with Operating Rules,

- Regularly reconciles records it keeps with the records, accounts and account balances of third parties that hold the clients' assets,
 - Maintains data in such a way that the assets of one client can be distinguished from assets of other clients and the Bank's property at any moment and immediately.
- 2) The financial instruments account of the Bank is kept at CRHOV separately from the account of financial instruments of the client;
 - 3) fully operates in line with adopted procedures whereby operational risk from loss or decrease of client assets, i.e. rights related to these assets are reduced to the lowest possible level;
 - 4) 4) When accounts containing financial instruments or funds of a client or prospect are under the competence of the legislation of a foreign country, the rights of the client or prospect in relation to such financial instruments or funds may differ.

7. Information regarding investment counseling services

In the investment advisory process, the Bank provides its clients with a non-independent investment advisory service, i.e., it distributes investment advices that are not based on independent research.

During non-independent investment advisory service, the Bank does not provide its clients with access to a wide range of financial instruments available on relevant markets and does not evaluate a sufficiently wide range of financial instruments available on markets that are sufficiently diverse by type of instrument or of issuer, to ensure that the investment objectives of the client are properly met.

The creation of investment advice is limited to instruments proposed by a related entity with which the Bank has signed a contractual relationship on the provision of capital market analysis and research services.

Given that the Bank exclusively provides non-independent investment advice, it does not create organizational requirements and control mechanisms to separate the two types of investment advisory services (independent/non-independent), nor is there any need for additionally explaining to the client of areas of application of these two types of services.

The Bank does not provide regular (periodic) assessment of suitability of recommended financial instruments or services as part of the non-independent investment advisory services.

In accordance with the provisions of Article 20 of the Rulebook on the Rules of Conduct of Investment Companies when Providing Services and Article 48 of Operating Rules through investment advisory service, the Bank will recommend to the client instruments such as shares, bonds or other non-complex instruments that can be acceptable both for small and for professional investors.

As part of the investment advisory service, the Bank does not have any built-in reward mechanisms to encourage employees to act against the best interests of clients. During the provision of investment advisory services, the Bank only receives payments and/or benefits from third parties, i.e. performs payments/benefits to third parties whose purpose is to improve the quality of the service and does not disturb the Bank from complying with its obligation to act honestly, professionally and in accordance with best interests of their clients.

In accordance with the provisions of the Law, the Bank will provide the client information on the website about all costs and fees related to the performance of transactions with a financial instrument that was the subject of investment advice.

The Bank delivers to the client a Suitability Questionnaire with the Client filled out by the client, which, in addition to mandatory elements, also contains a part related to sustainability preferences. This part is not subject to a mandatory response by the client, nor will it be included in the assessment when defining the client's investment profile. At the explicit request of the client, the sustainability provisions under this Suitability Questionnaire will be used when compiling non-independent investment advice.

8. Handling financial instruments of clients

The Bank uses financial instruments owned by the client only on the basis of client order and without the intention and prior consent of the client it may not:

- Pledge or sell financial instruments owned by the client without the client's prior written authorization or order;
- Use financial instruments of the client for payments of its obligations, as well as obligations of other clients.

Financial instruments deposited in the CRHOV database are managed and recorded by the CRHOV, which carries out the clearing and settling procedure, in accordance with the provisions of the Law and the CRHOV Operating Rules.

Financial instruments are deposited with the foreign Depository and the Central Depository, which, in cooperation with the Bank, performs the clearing and balancing procedure, in accordance with international market rules.

The Bank performs of types of client orders, immediately upon receiving them and without delay.

The Bank may perform orders on the regulated market, MTP and OTP, OTC market, as well as other regulated market inland or abroad.

The Belgrade Stock Exchange a.d. is the market organizer in the Republic of Serbia.

9. Depositing financial instruments of clients on foreign market

While selecting a foreign Depository on whose accounts it will hold financial instruments of clients, the Bank is required to check:

- The expertise and market reputation of the Depository
- Whether the Depository is subject to regulations in the country which conducts business operations regulating the custody of instruments on behalf of another person, the receipt and submission of order by foreign Bank client in accordance with the rules of the market organizer and/or MTP, OTP or OTC market in that country
- To periodically revise the choice of Depositories and agreed arrangements for holding and keeping financial instruments of clients.

Exceptionally, the Bank may deposit the client's financial instruments with a depository in a country where the holding and safekeeping of financial instruments for the account of another person are not specifically regulated, but only if the nature of the financial instrument or the investment service associated with the said instrument requires depositing at a depository in that country, about which it shall specifically inform the client prior to providing the service.

The Bank may transfer financial instruments to another investment company abroad, when the financial instruments are kept on the Bank's summary account with a foreign depository.

When choosing a foreign Depository for clients, the Bank duly takes into account the expertise, efficiency and market reputation of the Depository. Deposited assets of clients with a foreign Depository, another investment company, are kept separately from the assets of the foreign Depository or the Bank, they are not incorporated into the bankruptcy or liquidation estate, nor can they be used to collect claims against that investment company or the Bank.

10. Type of orders, order of receipt and execution

Orders for the buy or sell of financial instruments may be provided by domestic and foreign legal entities and natural persons – Bank clients.

The content of orders is determined in accordance with the Law, bylaws of the Commission, other regulations and acts of organizers of the market on which financial instruments to which orders refer are traded.

Clients may submit to the Bank the following types of orders for the buy or sell of financial instruments, according to:

(1) Types of transactions:

- Buy - order to buy financial instruments
- Sell - order to sell financial instruments;

(2) Prices:

- Market order - contains instruction to buy or sell financial instruments at current price at the time of entering the order into the information system of market organizer, and
- Order limit - contains instruction to buy financial instruments at the price specified in the order or at more favorable price, i.e. sell financial instruments at the price specified in the order or at more favorable price. The expressed price of a limit order represents the maximum price that the client is ready to pay, and of a sell order - the minimum price that the client is willing to accept for a specific financial instrument;

(3) Duration:

- Daily order - expires at the end of the working day when it was submitted
- Up to date order - for duration of not longer than 90 days;
- Order till revocation - with 90-day term.

When the client places a daily order, the Bank is obliged to enter that information in the IT system of the market organizer immediately after checking the order coverage (on the same day, according to the order of receipt), i.e. if the order was placed after the end of trading - at the beginning of trading on the first subsequent business day. When the client does not determine the price under the order, the order is marketable and ceases to be valid upon expiry of the day of its entry into the market organizer's information system.

In addition to basic types of orders, clients may also submit to the Bank other types of orders determined by acts of market organizer, which organizes the market where such orders are submitted.

Special types of order especially imply the following orders:

- Special condition order
- Minimum execution order
- Iceberg order
- Bloc trade order
- Fill or kill order
- Immediate or cancel order
- Stop order
- At the open
- At the close
- All other orders established under acts of the organized market.

In cases when the order is made by telephone or electronically, the order does not contain client signature.

If the Bank receives an unclear or incomplete order, it may require the client to provide change or supplement of the order, i.e. it may postpone order execution until clarification is made.

If the order is signed by certified electronic signature of the client, the order contains all prescribed elements, it is delivered to the address for electronic delivery of the order under point 2 of this Annex 1: Information provided to clients Operating Rules, while the control of the accuracy of the certified electronic signature is verified in accordance with the internal acts of the Bank.

For all data that are not specified in the order, and have not been specified as mandatory elements of the order or for implied data, the Bank is guided by client interests, whereas it executes the order in such a way as to try to ensure the greatest possible protection of client's interests by executing such order.

In certain cases, the order contains:

- An authorization to the Bank to enclose the sell order of clients to clients orders of another investment company or credit institution, in order to achieve more favorable sale terms;
- Authorization to the Bank to entrust order execution to another investment company or credit institution;
- Consent to the Bank to simultaneously, within the same sale and purchase of financial instruments, represent the buyer and the seller of financial instruments.

The client can change or revoke the order at the time provided for receiving client orders in the premises of the Capital Market Department or the organizational part of the Bank authorized to receive client orders, as well as in other ways provided for in these Operating Rules. The client must be aware of the fact that there is a chance that withdrawn order has already been executed or is in the process of being executed on a respective market of the market organizer and that, if such is the case, the Bank will not be able to execute or perform the order.

As location for receiving orders, the Bank sets:

- Business premises of the Capital Markets Department
- Branch – organizational segment of the Bank.

A client order is considered received if recorded in the Bank's book of orders, following checks of prerequisites regarding coverage of financial instruments and pecuniary assets, regardless on the manner of submitting the order.

11. Handling conflicts of interest

The Bank may not privilege its own interests over those of the clients.

The Bank must organize its business operations in such a way to reduce to least possible level any conflict of interest between the interest of clients and the Bank, relevant persons or persons closely related to them, as well as mutual conflicts of interest between Bank clients.

The Bank takes adequate measures to recognize and prevent or manage conflicts of interest, including conflicts of interest of Relevant Persons, all persons closely related to them, on the one hand, and the interests of its clients, on the other, as well as mutual conflicts of interest of individual clients, which may arise during the provision of investment services and activities and additional services or combination thereof.

For the purpose of determining the types of conflicts of interest that arise during the provision of investment services and activities and additional services or their combination, the presence of which may harm client's interests, the Bank takes into consideration whether the Bank or a Relevant Person or a person who is directly or indirectly, through control, associated with the Bank, finds itself in any of the following situations, either as a result of providing investment or additional services, i.e. performing investment activities, or for other reasons:

- 1) The Bank or such person could achieve financial gains or avoid financial loss to the detriment of the client;
- 2) The Bank or such person has interest in the outcome of the service provided to the client or transaction executed for the client's account, which differs from the interest of the client;
- 3) The Bank or such person has financial or other motive to privilege the interest of another client or group of clients over the interest of the client;
- 4) The Bank or such person perform the same activity as the client;
- 5) The Bank or such person receive or will receive from a non-client additional incentive regarding the service provided to the client, in the form of money or non-money benefits or services.

The proceedings that should be honored and measures to be taken include at least the following items required for the Bank to ensure the necessary level of independence:

- 1) efficient procedures for preventing or controlling the sharing of information between relevant persons taking part in activities involving the risk of conflict of interest when such a sharing of information could harm the interests of one or more clients;
- 2) separate supervision of relevant persons whose main functions include performing activities for the client account or providing services to clients with possible conflicting interests or which otherwise represent different interests that may be in conflict, including the interests of the Bank;
- 3) removal of any direct connection between the remuneration policy of relevant persons who are mainly engaged in one activity and the policy of remuneration or income earned by other relevant persons predominantly engaged in another activity, in the event that a conflict of interest may arise in connection with those activities;
- 4) measures whereby any person is prevented or restricted from exerting undue influence on the way in which the relevant person provides investment or auxiliary services or performs activities;
- 5) measures to prevent or control the simultaneous or consecutive participation of relevant persons in certain investment or additional services or activities if such participation could harm the proper handling of conflicts of interest.

Prior to executing a transaction for the client, the Bank is obliged to acquaint the client with possible conflicts of interests with the interests of the Bank, i.e. with interests of other Bank clients, including with the general nature, and with sources of such conflicts.

In order to prevent conflicts of interest, the Bank organizes the performance of its activities in separate organizational segments.

In order to prevent conflicts of interest, the Bank proceeds in accordance with these Operating Rules and other internal acts of the Bank which define this area.

11.1. Circumstance representing or which may lead to conflict of interest

Conflicts of interest between the Bank, the Relevant Person and all persons closely related to them, on the one hand, and the Bank's clients, on the other, as well as between clients, may arise when receiving and executing orders for the purchase or sale of financial instruments for the account of the Bank's clients and orders of Relevant Persons, or orders that are executed in the name and on behalf of the Bank (dealer orders) when those orders are placed simultaneously on the same market for the same financial instrument of the same issuer.

11.2. Procedures and measures for handling conflicts of interest

Procedures for detecting and resolving possible conflicts of interest in Bank operations involve the following activities:

- (1) Identifying conflicts of interest is the duty of all relevant persons;
- (2) Notifying about conflicts of interest – any identified conflict of interest is reported to the Bank's internal controller who is authorized to following and gather information about the

existence of a conflict of interests, to keep a register, notify Bank management and competent organizational segments of the Bank;

- (3) Estimating conflicts of interest by gathering all necessary information for the purpose of determining the existence of conflicts of interest, the manner of resolving and of notifying clients about the conflict of interest;
- (4) Resolving conflicts of interest is handled by managers, internal controllers and competent organizational units of the Bank.

The Bank implements all necessary actions and measures to prevent conflicts of interest. In case of conflict of interest, such conflicts should be resolved so as to ensure that interests of the Bank and/or Relevant Persons do not result in possible loss for clients, nor putting the client in a subordinate position.

All relevant persons and their related persons are required to refrain from providing investment services and activities and additional services by working in the interest of certain clients, and to the detriment of other clients of the Bank. Relevant persons and persons related to them are obliged, while providing investment services, activities and additional services, to:

- 1) Put client interest before their own
- 2) Operate in a fair, honest and professional manner in accordance with best interests of the client

The Bank applies all necessary actions and measures to prevent conflicts of interest.

- 1) Relevant Persons of the Bank are obliged, for the purpose of preventing conflicts of interest, to abide by client protection principles, the principles of good faith and professionalism and other principles of Bank operations defined by the Law, bylaws and acts of the Commission, operating rules and other internal acts of the Bank;
- 2) The Bank organizes the exercising of its activities in accordance with its Operating Rules, bylaws and acts of the Commission and internal acts of the Bank, so as to prevent conflict of interest at the time of providing investment services and additional services:
 - Decision on dealer trade (in the name and on behalf of the Bank) is brought at the competent organizational unit of the Bank, organizational segment of the Bank that is separated from the Capital Markets Department – organizational segment which receives and transfers client orders for the purchase and sale of financial instruments;
 - Defined internal control system, especially control of activities of Relevant Persons and ban of activities of Relevant Persons with the aim of preventing conflicts of interests;
- 3) Adequate organizational structure of the Bank by putting “Chinese walls” between defined units regarding information confidentiality in the Bank;
- 4) Independence of Bank employees who perform activities involving potential conflicts of interest;

5) Obligatory information on external business activities, personal transactions are duly reported by all Relevant Persons to managers, internal control and competent organizational unit of the Bank.

If methods and rulebooks established by the Bank for managing conflicts of interest are not sufficient to convincingly ensure prevention of risk of damage to clients, the Bank is obliged to clearly warn the client of sources of conflicts of interest prior to concluding a business relation with the client.

Should the Bank estimate that, in individual cases, establishing efficient organizational and administrative measures established by the Bank in order to prevent its conflicts of interest or managing them are insufficient to reasonably ensure the prevention of damage to client interest, it shall disclose to the client the general nature and/or source of conflict of interest and take steps to mitigate these risks prior to beginning operating on its behalf. The form drafted on durable data carrier must contain clear indication that organizational and administrative measures, which the Bank took to prevent the conflict of interest or that managing this conflict of interest are insufficient to reasonably ensure prevention of risk of damage to client interests. This disclosure includes precise description of conflict of interest arising as part of providing investment and /or additional services, taking into consideration the classification of clients to whom the notice is addressed. The description should contain an explanation of the nature and sources of conflicts of interest and risks for clients arising as the consequence of conflict of interest and measures taken aimed at mitigating the risks, in sufficient details that allow the client to make a decision regarding investment or additional service in relation to which the conflict of interest arises.

12. Information on financial instruments

In accordance with the Law, financial instruments are:

- 1) Transferable securities
- 2) Money market instruments
- 3) Collective investment institution units
- 4) Options, futures (forward contracts), swaps, interest forwards (non-standardized interest forward contracts) and all other financial instruments derivative contracts involving securities, currency, interest swaps or returns, issue units and all other derivative financial instruments, financial indexes or financial measures which may be settled physically or in currency;
- 5) Options, futures, swaps, forwards and all other contracts on financial derivatives related to goods and which:
 - a) Must be settled in currency, or
 - b) Must be settled in currency of choice of one of the contracting parties, except in case of non-fulfilment of obligations or for other reason for terminating the contract
- 6) Options, futures, swaps and other contracts on derivative instruments involving goods and which may be settled physically, provided that they are subject to trading on the regulated market, MTP or OTP, except wholesale energy products which are traded at OTP and which must be settled physically;
- 7) Options, futures, swaps, forwards and other financial derivative contracts involving goods and may be settled physically, if not indicated under subpoint (6) of this point and do have a business purpose, and have other characteristics of financial derivatives;

- 8) Financial instrument derivatives for transfer of credit risk;\
- 9) Financial contracts for differences;
- 10) Options, futures, swaps, interest rate forwards and all other contracts on derivative financial instruments related to climate variables, transportation costs, inflation rates or other official, economic and statistical data, which must be settled in currency or can be settled in currency at the choice of one of the contracting parties, except in case of default or other reason for terminating the contract, as well as other contracts on derivative financial instruments related to assets, rights, obligations, indexes and units of measurement that are not specified under this point, and which have the characteristics of other derivative financial instruments, taking into consideration, among other things, whether they are traded on a regulated market, OTP or MTP;
- 11) Issue units comprising any units for which it has been determined that they are in line with provisions of the law that regulates the system of greenhouse gas emissions trading.

Money market instruments are the type of financial instruments that are usually traded on the money market, such as t-bills and commercial bills and deposit certificates, except payment instruments.

Transferable securities are a form of securities that can be traded on the capital market, except payment instruments, including notably:

- 1) Shares of companies and other securities that are equivalent to shares of companies and other subjects as well as deposit certificates related to securities;
- 2) Bonds and other forms of securitized debt, including deposit certificates related to securities;
- 3) all other securities that provide entitlement to acquiring and selling such transferable securities, settled in currency, and which amount is determined on the basis of transferable securities, currency, interest rate and returns, goods, indices or other determinable values;

Equity securities are shares and other transferable securities that are identical with shares of companies representing share in capital, as well as other types of transferable securities giving right to acquisition of these securities as the consequence of their conversion or exercising of rights to these securities, provided that securities are issued by the issuer of basic shares or that they belong to a group of that issuer;

Non-equity securities are securities that are not equity;

Debt securities are bonds and other transferable securitized debt instruments, except securities equivalent to company shares which, if converted or in case of exercising rights arising from them, give entitlement to acquiring shares or shares-equivalent securities

Deposit certificates are securities that can be traded on the capital market and that represent ownership of securities of a foreign issuer, which can be included in trading on a regulated market and that can be traded independently of securities of a foreign issuer.

Related instruments – are the following financial instruments, including those that are not included in trading, which are tradable at the trading venue and for which no request for inclusion in trading has been submitted at the trading venue:

- contracts and registration rights, acquisition and sale of securities;
- Financial instruments deriving from securities, i.e. financial derivatives;
- when securities are convertible or replaceable debt instruments, securities which these convertible or replaceable debt instruments can be converted or replaced;
- instruments issued by or are underwritten by the issuer or underwriter of securities which market value will probably have major effect on the price of securities or vice-versa;
- securities equivalent to shares, shares representing securities and all other securities that are equivalent to these shares.

Investment fund traded on financial market (hereinafter: ETF) - fund in which at least one investment unit or share class is traded during the day on at least one trading venue and with at least one market maker who takes measures to ensure that the price of investment units or shares on that trading venue does not significantly differ from the net value assets and, when applicable, from the indicative net asset value;

Certificates are securities tradeable on the capital market which, in case of payment by the issuer, are ranked above shares and below uninsured bonds or similar instruments;

Structured financial products – securities intended for securitization and transfer of credit risk related to financial assets fund which entitles the legal holder of securities to regularly receive payments that depend on money flows from financial instruments;

Derivatives of financial instruments traded on the financial market: financial instrument traded on the regulated market or a market of a third country, which in accordance with the law, is considered equivalent to regulated market;

13. Risks of investing into financial instruments

The conclusion of contract on providing services to the client confirms that the client has been acquainted and is aware of risks related to capital markets, and that the Bank put at its disposal information in adequate form.

Risks to which Bank clients are exposed may be general risks and special risks typical of certain financial instruments

13.1. General operating risks with financial instruments

- 1) RISK OF RECESSION – Risk of decreased value of financial instruments due to global or regional recession;
- 2) RISK OF TRANSFER OF FUNDS - If clients are non-residents or are from different countries, the transactions made in the settlement procedure include additional risk that the

execution of transfer of funds will be difficult or completely impossible due to the introduction of restrictive political or economic measures;

- 3) CREDIT RATING RISK – Risk that depends on the credit rating of a country:
 - a. Risk of failure to pay debt of certain country
 - b. Political risk, including risk from unexpected regulatory changes affecting the capital market and position of the investor
- 4) INFLATION RISK – Risk of decrease of value of financial instrument due to general price increase;
- 5) LIQUIDITY RISK – Risk of inability to sell financial instruments on the secondary capital market due to lower demand and market inefficiency;
- 6) ISSUER RISK – Risk of drop of financial instrument value due to drop of issuer's credit rating;
- 7) FINANCIAL LEVERIDGE RISK - Financial leverage is a rate of indebtedness that shows the interdependence between how much a certain person owes versus how much it owns from investments in financial assets. The impact of financial leverage can be positive or negative, depending on the rate of return on own funds invested in financial instruments, interest or other obligations paid on borrowed funds;
- 8) BANKRUPTCY OR RECEIVERSHIP RISK – Risk of decrease or complete loss of financial instrument value due to opening of receivership proceedings over the issuer of financial instrument or introduction of receivership when the issuer is the bank;
- 9) MARKET PSYCHOLOGY RISK – Risk of change of value of financial instrument due to speculative activities of large investors, i.e., due to corporate actions on the financial market;
- 10) OPERATIONAL RISK - The risk of failure of information systems and/or of interruption of communication links between banks, the Central Registry or other depository of financial instruments, regulated markets or MTP, and other regulated markets of financial instruments, as well as the risk of loss due to error, breakdown or damages caused by inadequate procedures, actions of persons or external events, including the risk of changing legal frameworks.

13.2.Special risks in dealing with financial instruments

- 1) BUSINESS RISK – in dealing with shares: the of shares value drop due to usual periodical price trends on the market;
- 2) VOLATILITY RISK – Risk of change of share prices over a certain period, risk of non-payment of dividends;

3) CREDITWORTHINESS RISK – in dealing with bonds: risk of change of credibility of issuer as creditor, risk from change of interest rate, risk of cancellation i.e. cessation of debt payments by the issuer; liquidity risk; risk of exchange rate change; reinvestment risk; return curve risk;

4) DERIVATIVES RISK – Position risk arising due to change of their value in relation to change of established interest rate, prices of financial instruments, prices of goods, exchange rate of currencies, indexes and similar variables.

Dealing with money market instruments

- 1) RISK OF CHANGE OF CREDIT RATING OF ISSUER – Risk that the issuer will not be able to settle due obligations based on issued financial instruments;
- 2) LIQUIDITY RISK – As money market instruments are not quoted on secondary markets, and due to the probability that the investor will not be able to sell the instrument, and will have to keep it until maturity;
- 3) EXCHANGE RATE RISK – Risk of drop of value of the instrument denominated in one currency or with currency clause and expressed in another currency due to change of exchange rate of these two currencies.

Dealing with investment units

- 1) CURRENCY RISK – Risk that may arise from the fact that the fund's assets may include assets denominated in different currencies, which may result in depreciation (exchange rate increase) or appreciation (drop of exchange rate) of these currencies, which may affect the increase or drop of value of shares in the fund;
- 2) MARKET RISK – when the assets of the fund invested into financial instruments traded on the market loses its value due to drop of prices on the market;
- 3) CREDIT RISK – risk that the issuer into whose assets the fund's assets have been invested will not be able to meet its financial obligations, which may result in drop of fund assets value;
- 4) LIQUIDITY RISK – risk that the fund will not be able to quickly sell financial instruments at the price that is close to the fair price, or will not be able to sell the desired quantity of financial instruments.

In its business operations, the Bank restricts its liability only to incurred damage, which is the result of failure or of actions of Bank employees.

The Bank is not responsible for the client's losses that occur due to political unrest, natural disasters, pandemics, restrictions or prohibitions caused by government decisions, market rules, strikes, the actions and/or omissions of third parties or actions of the client himself, without the Bank's influence on the occurrence of loss for the client.

In its business operations, the Bank is not responsible for damage caused by risks associated with derivative financial instruments and client investments in objective risks associated with derivative

financial instruments, options, futures and other derivative financial instruments and risks arising from the collection of options, execution in money, top-ups, liquidity, currency exchange, interest, return and enforcement.

The Bank shall also not be responsible for damage or losses incurred by the client due to the fact that the client failed to notify the Bank in due time of the change of contact details, of person authorized for representation, i.e. in case of revocation and/or change of authorized representative, for actions of the client's authorized representative and his/her decisions to buy and/or sell financial instruments in the name and on behalf of the client.

14. Other information regarding financial instruments

In providing information on a financial instrument, the Bank is obliged to:

- 1) Acquaint the client with the terms under which the prospectus is available in case the financial instrument is subject to ongoing public offer and for which a prospectus has been issued;
- 2) Provide the client enough details on the guarantor or guarantee based on which it can make a correct assessment of guarantee in case when the financial instrument includes a the guarantee of a third person;
- 3) Provide the client adequate description of the individual components of the financial instrument and of the way mutual influence of several financial instruments increases the risk in cases of two or more different instruments, or services for which it is obvious that the risk associated with that instrument will be greater than the risks associated with each individual component of that instrument.

15. Client Reporting on order execution

15.1. Confirmation of order execution

The Bank is obliged on behalf of the client to provide the small investor on a durable medium a certificate of executed order, immediately after executing the order or by the first working day upon execution i.e. first working day following receipt of confirmation from third party.

When a small investor's order related to the purchase or sale of investment units is executed periodically, the Bank is obliged to send the client a confirmation of the execution of the order, as soon as possible, but not later than the first working day following order execution.

The client defines the way in which the order execution confirmation will be delivered, he/she cannot waive the right to be informed about the order execution, but can order the notification to be sent to another person, which he/she authorized.

15.2. Reports on financial instruments and assets of clients

The Bank is obliged, at least once a year, to submit on a durable media each client for whom it holds financial instruments or money assets a report on the assets of the client.