



OTP BANKA SRBIJA
BOARD OF DIRECTORS OF THE BANK
DATE: 29.03.2023.

By virtue of Article 26, paragraph 1, item 20 of the Articles of Association of OTP banka Srbija as of 31.01.2022, the Board of Directors of the Bank hereby adopts the:

RULEBOOK ON CLIENT CLASSIFICATION

1. GENERAL PROVISIONS

Article 1

This Rulebook on Client Classification (hereinafter: Rulebook), which constitutes an integral part of the Rules of Procedure for Investment Services and Activities and Ancillary Services of OTP banka Srbija (hereinafter: Rules of Procedure), regulates proceeding of OTP banka Srbija when rendering investment and ancillary services, i.e. performing investment services in connection with categorisation of clients of OTP banka Srbija.

2. TERMS

Article 2

Terms and expressions used in this Rulebook have the following meanings:

- **Law** means the Law on the Capital Market (Official Gazette of the Republic of Serbia, No. 129/2021);
- **Securities Commission** (hereinafter: "**the Commission**") is an independent regulatory and supervisory institution of the Republic of Serbia that exercises public powers in accordance with the competences prescribed by the Law;
- **Credit institution** is an entity licensed in accordance with the provisions of the law regulating prudential rules for credit institutions; that is, in the Republic of Serbia, a credit institution is an entity licensed in accordance with the provisions of the law regulating banks, i.e., in accordance with the provisions of the law regulating credit institutions;
- **Bank - OTP banka Srbija** is a credit institution in terms of the Law, licensed by the National Bank of Serbia to carry out banking activities in accordance with the Law on Banks and licensed by the Securities Commission to carry out the activities of an investment company;
- **Capital Market Department** is a separate organizational part of the Credit Institution intended for the provision of investment services from Article 2, Paragraph 1, Items 2) and 3) of the Law. As part of its business activities, the Bank, that is, the Capital Market Department provides, within its competences, ancillary services from Article 2, Paragraph 1, Item 3), Sub-items (2) and (4) of the Law, which do not require the Commission's permission;
- **Client** is any legal or natural person to whom the Bank provides its Services;

- **Financial instruments** are:
 1. Transferable securities;
 2. Money market instruments;
 3. Units of collective investment institutions;
 4. Options, futures (futures contracts), swaps, interest rate forwards (unstandardised interest futures contracts) and all other contracts on derivative financial instruments related to securities, currencies, interest rates, or returns, emission units as well as all other financial derivatives instruments, financial indices or financial measures that can be settled physically or in cash;
 5. Options, futures, swaps, forwards, and all other commodity derivative contracts that:
 - a) Must be settled in cash, or
 - b) May be settled in cash at the option of one of the contracting parties, except in case of default or other reason for terminating the contract;
 6. Options, futures, swaps, and all other commodity derivative contracts and can be physically settled, provided that they are traded on a regulated market, MTF or OTF, with the exception of wholesale energy products traded on OTF and which must be settled physically;
 7. Options, futures, swaps, forwards, and all other commodity derivative contracts which can be settled physically, if they are not specified in sub-item (6) of this Item and do not have a business purpose, and have features of other derivative financial instruments;
 8. Derivative financial instruments for the transfer of credit risk;
 9. Financial contracts for differences;
 10. Options, futures, swaps, interest forwards and all other contracts on derivative financial instruments relating to climate variables, transport costs, inflation rates or other official, economic and statistical data, which must be settled in cash or can be settled in cash at the option 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, indices and units of measurement that are not specified in this item, which have the features of other derivative financial instruments, taking into account, among other things, whether they are traded on a regulated market, OTF or MTF;
 11. Emission units consisting of any units determined to be in compliance with the provisions of the law governing the greenhouse gas emissions trading system;
- **Permanent data carrier** is a device which:
 - 1) Enables the client to store data that has been personally addressed to him so that it is easily accessible for future use for a period that corresponds to the purpose of storing such data; and
 - 2) Enables unaltered reproduction of such saved data.

3. CLIENT CATEGORISATION

3.1 Client categorization

Article 3

Before providing the service, the Bank is obliged to classify the client into the category of professional or designated professional or retail investors (clients). The Bank carries out the categorization, in accordance with these Rules of Procedure and this Rulebook, based on the information available in connection with the client's:

- 1) Investment goals;
- 2) Knowledge and experience;
- 3) Financial position.

When it determines that a client no longer belongs to the initially determined client category, the Bank is obliged to take appropriate measures to change the client's category.

Professional investors are obliged to inform the Bank in a timely manner of all facts that could affect the change of the established category.

The Bank is obliged to inform each client, through a permanent data carrier, of the following:

- 1) Client category in which it is classified;
- 2) Level of interest protection that will be provided to him;
- 3) Possibilities to request classification into another client category, as well as any changes in the level of protection resulting from such a decision.

3.2 Professional investor

Article 4

The following are considered professional investors in relation to all Services, as well as financial instruments, in accordance with the Law:

- 1) Persons who are subject to the obligation to obtain a license or supervision in order to operate on the financial market, including:
 - (1) Credit institutions (banks);
 - (2) Investment companies;
 - (3) Other financial institutions that are subject to the obligation to obtain a license or supervision;
 - (4) Insurance companies;
 - (5) Collective investment institutions and their management companies;
 - (6) Voluntary pension funds and voluntary pension fund management companies;
 - (7) Dealers of goods and commodity derivatives;
 - (8) Other institutional investors;
 - (9) Other investors considered as professional in accordance with EU regulations;
- 2) Legal entities that meet at least two of the following conditions:
 - (1) Total assets amount to at least EUR 20,000,000 in RSD counter value at the official middle exchange rate of RSD against EUR determined by the National Bank of Serbia;
 - (2) Annual operating income amounts to at least EUR 40,000,000 in RSD counter value at the official middle exchange rate of RSD against EUR determined by the National Bank of Serbia;
 - (3) Own capital amounts to at least EUR 2,000,000 in RSD counter value at the official middle exchange rate of RSD against EUR determined by the National Bank of Serbia;
- 3) The Republic, autonomous provinces and local government units, as well as other states or national and regional bodies, the National Bank of Serbia and central banks of other states, international and supranational institutions, such as the International Monetary Fund, the European Central Bank, the European Investment Bank and others, similar, international organizations;
- 4) Other institutional investors whose main activity is investing in financial instruments, including persons engaged in securitization of assets, or other financing transactions.

The Bank can provide the client, at his request, with treatment with a higher level of protection, i.e., the treatment enjoyed by retail investors, clients who are not professional investors.

The Bank is obliged to inform the person referred to in paragraph 1, before providing the service, based on information about such a person available to the Bank, that he is considered a professional investor and will be treated as such, unless the Bank and the investor agree otherwise.

The Bank is obliged to inform the professional investor about the possibility of changing the agreed terms in order to ensure a higher level of protection of his interests, with the fact that it is the responsibility of this client to request a higher level of protection of his interests when he considers that he is not able to properly assess, that is, manage the risks inherent in an investment.

A higher interest protection level is mandatorily provided when a professional investor concludes a contract in written form with the Bank, specifying therein that it does not want to be treated as a professional investor, and such contract must clearly specify whether it pertains to one or more services, i.e. transactions, or to one or more product types, i.e. transactions.

3.3 Retail investor

Article 5

A retail investor is any client of the Bank who is not classified as a professional investor.

The Bank treats all clients who are not classified as professional investors as retail investors, as well as all clients who are natural persons.

A retail investor has a higher degree of protection than a professional investor, which refers to the following:

- 1) The Bank assesses the appropriateness of a retail investor's investment in a certain financial instrument based on his knowledge and experience in the field of investment and, if necessary, warns him of the possibility that he does not understand all the risks he would take with that investment and that the financial instrument or service is not appropriate for him;
- 2) The Bank holds financial instruments or funds of a retail investor, and it is obliged to provide the client with information regarding the protection of financial instruments and funds, which refers to the right to compensation from the Investor Protection Fund in prescribed cases;
- 3) When the Bank executes an order of a retail investor, achieving the most favourable outcome is also determined in relation to the total costs of the transaction itself.

3.4 Professional Investor's (Client's) Request for Client Category Change

Article 6

A professional investor who believes that he is unable to properly assess or manage the risks that characterize a certain investment, may request in writing from the Bank a higher level of protection of his interests in relation to all or individual services, types of transactions, or financial instruments.

When changing the category, the Bank and the client conclude a contract, i.e., an annex to the contract, which will specify the services, transactions, or financial instruments in relation to which the client does not want to be treated as a professional investor.

3.5 Request for Classification to a Professional Investor (Client) Category

Article 7

A retail investor who wants to be treated as a professional investor may request in writing from the Bank a lower level of protection of his interests in relation to all or an individual service, type of transaction, or financial instrument.

When changing the category of a retail investor to a professional investor:

- 1) The Bank shall:
 - Unambiguously and in writing, warn the client about the reduction of the protection of his interests and the loss of the right to compensation from the Investor Protection Fund,
 - Assess whether the client has sufficient knowledge and experience to independently make decisions about investments and properly assess risks related to investments,
 - Conclude a contract, i.e., an annex to the contract with the client in writing, which will specify the services, transactions, or financial instruments in relation to which the client wants to be treated as a professional investor, or to refuse to recognize the client as a professional investor;
- 2) The client is obliged to declare in a separate document, not included in the contract, that he is aware of the consequences of losing the level of protection.

The assessment of the client category from paragraph 2, item 1 of this Article involves checking whether the client - a professional investor meets at least two of the following conditions:

- 1) the investor has made transactions of a significant volume on the relevant markets, with an average frequency of at least ten transactions per quarter during the last four quarters;
- 2) the size of the client's financial portfolio, which includes both cash deposits and financial instruments, exceeds EUR 500,000 in RSD counter value at the official middle exchange rate of RSD against EUR determined by the National Bank of Serbia;
- 3) the investor works or has worked for at least one year in the financial sector at jobs that require knowledge of anticipated financial transactions or services.

3.6 Designated professional investors

Article 8

Designated professional investors, for the purposes of this article, and in accordance with the Law, are investment companies, credit institutions, insurance companies, UCITS funds and their management companies, other financial institutions that are subject to the obligation to obtain a license and/or supervision in accordance with the laws of the Republic, national governments and their offices, including public authorities dealing with public debt at the national level, central banks, and supranational organizations.

The Bank may initiate transactions or enter into transactions with designated professional investors, without being obliged to fulfil the requirements of Article 177 (general principles and information for clients), Article 179, paragraph 1 and paragraphs 5-17 (information, advertising and incentives related to the provision of investment or ancillary services), Article 180 (assessment of appropriateness and suitability), Article 181, paragraphs 1 and 6 (contracts and reporting to clients and mortgage bonds), Article 186 (obligation to execute orders under the most favourable conditions) and Article 187, paragraphs 3-5 (rules for dealing with client orders (orders with limits) of the Law regarding these transactions or ancillary services directly related to these transactions.

The Bank may treat a client as a designated professional investor only if the client gives his consent, i.e., if the client agrees or requests to be treated as a designated professional investor, and the following procedure is applied:

- 1) The Bank provides the client with a clear written warning about the consequences such a request may have for the client, including the protections he may lose;
- 2) The client confirms in writing the request to be treated as a designated professional investor in general or in relation to one or more investment services or transactions, i.e., a type of transactions or products, and that he is aware of the consequences of the protection he may lose due to this request.

In its relationship with designated professional clients, the Bank acts honestly, fairly and professionally, and communicates in a fair, clear and non-deceptive manner, taking into account the nature of the designated professional investor and his activities.

A designated professional investor can, pursuant to Article 194, paragraphs 4 and 5 of the Law, demand that the Bank treat him as a client whose business is subject to the provisions of Articles 177 (general principles and information for clients), 179 (information, advertising and incentives related to the provision of investment or ancillary services), Article 180 (assessment of appropriateness and suitability), Article 181 (contracts and reporting to clients), 182 (Commission's by-law), 186 (obligation to execute orders under the most favourable conditions) and 187 (rules for dealing with client orders) of the Law, and in that case, the designated professional investor submits a request to the Bank in writing and must state in it whether he requests treatment as a retail investor or a professional investor for one or more investment services or transactions, i.e., one or more types of transactions or products, and if the designated professional investor does not explicitly request to be treated as a retail investor, and the Bank agrees with that request, the Bank shall treat that designated professional investor as a professional investor.

A designated professional investor may expressly request to be treated as a retail investor, in which case the Bank shall treat that designated professional investor as a retail investor by applying the provisions relating to requests for the treatment of retail/non-professional investors prescribed in the Law.

4. INFORMATION SUBMITTED BY THE BANK TO CLIENTS AND POTENTIAL CLIENTS

Article 9

All information, including marketing information, which the Bank submits to retail or professional or designated professional investors - clients, as well as potential clients, or which it distributes in a way that it is certain that it will be received by current or potential retail or professional investors, as well as designated professional investors, must be true, clear, and not misleading, and marketing material must be clearly marked as such.

It is necessary that the information from this Article:

- 1) Contains the Bank's business name and registered office;
- 2) The font size when specifying relevant risks in the information must be at least equal to the font size that is predominantly used for the information provided, and the page layout must ensure that such specification is highlighted;
- 3) It must be sufficient and displayed so as to be likely to be understood by the average client or potential client to whom it is addressed or who is likely to receive it;

- 4) Must not hide, minimize or obscure important details, statements, or warnings;
- 5) Is consistently presented in the same language in all forms of information and marketing materials delivered to each client, unless the client agrees to receive information in more than one language;
- 6) Is updated and relevant for the used means of communication;
- 7) Must not contain the name of any competent authority in a way that would indicate or suggest approval of the Bank's instrument or service by that authority.

Article 10

Submitting information comparing the Services, persons providing such services or financial instruments is permitted only if:

- 1) such comparison is meaningful and presented in an unbiased and balanced manner;
- 2) sources of information used for comparison are listed;
- 3) all the key facts and assumptions used for the comparison are listed.

Article 11

Information provided to clients are governed in detail by the Rules of Procedure and are stated in document "Information provided to clients" which is enclosed to the Rules of Procedure and is delivered to clients.

5. TRANSITIONAL AND FINAL PROVISIONS

Article 12

To all that is not regulated by this Rulebook on Client Classification shall apply the provisions of the Rules of Procedure and other internal acts of the Bank. Client classification and any other related issues are governed in detail by the Bank's internal act that applies to all not regulated hereunder.

Article 13

This Rulebook on Client Classification shall enter into force on the day of obtaining consent of the Securities Commission, and shall commence to apply eight days from the date of its publication on the bank's website.

THE BOARD OF DIRECTORS OTP BANKA SRBIJA
CHAIRMAN OF THE BOARD OF DIRECTORS,

LÁSZLÓ WOLF