INVESTMENT SERVICES
AT UNICREDIT BANK
CZECH REPUBLIC AND SLOVAKIA, A.S.

UniCredit Bank Czech Republic and Slovakia, a.s., as one of the leading banks in the Czech Republic and Slovakia, would hereby like to familiarise its clients with investment services and ancillary investment services provided by the Bank, with investment instruments and with the principles of protecting investment banking clients.

UniCredit Bank Czech Republic and Slovakia, a.s. is a part of a strong and high-performing European banking group, UniCredit Group, which holds a dominant position in Central and Eastern Europe. This enables **UniCredit Bank Czech Republic and Slovakia, a.s.** to facilitate its clients' foreign trade and contact with their partners.

UniCredit Bank Czech Republic and Slovakia, a.s. offers comprehensive and first-rate products and services provided by personal bankers who have corresponding expertise and an ample range of competences. Personal bankers take individual approach to every client and prepare reasonable, useful and effective solutions and offers for him. The relationship between the personal banker and the clients is based on mutual trust and discretion.

<u>Data on UniCredit Bank Czech Republic and Slovakia, a.s., basic information on the investment services provided</u>

<u>Data on the bank:</u>
Business name: **UniCredit Bank Czech Republic and Slovakia, a.s.**
Registered office: Prague 4 - Michle, Želetavská 1525/1, Postal Code 140 92
ID No.: 64948242
Entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 3608 (hereinafter also the **"Bank"** or **"UniCredit Bank"**).

<u>Information regarding the licence to provide investment services</u>
UniCredit Bank fulfilled the exacting conditions imposed by the relevant legal regulations and the requirements of the Czech National Bank, and it holds an extensive licence for providing investment services and individual investment instruments.

The basic scope of the licence, broken down to individual investment services and investment instruments and therefore also providing a summary description of the services and instruments pursuant to Act No. 256/2004 Coll., on Capital Market Undertakings, as subsequently amended (hereinafter also the **"Act"**), can be expressed in a graphic and simplified form as follows:

UniCredit Bank

<table>
<tr><th colspan="2" rowspan="2"></th><th colspan="4">Investment instruments to which the service relates</th></tr>
<tr><th>Investment securities (shares, bonds, etc.)</th><th>Collective investment securities (participation certificates, etc.)</th><th>Money market instruments</th><th>Derivatives and similar instruments</th></tr>
<tr><td rowspan="7">Investment services</td><td>Reception and transmission of orders</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Execution of orders on the client´s account</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Trading on one's own account</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Portfolio management</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Investment advisory</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Operation of a multilateral trading facility, organised trading facility</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Underwriting or placement of investment instruments</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td rowspan="7">Ancillary services</td><td>Custody and administration of investment instruments for a client</td><td>√</td><td>√</td><td>√</td><td></td></tr>
<tr><td>Provision of a credit or loan to a client for the purpose of facilitating a trade with an investment instrument</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Consultancy activity concerning capital structure, industrial strategy, etc.</td><td colspan="4">√</td></tr>
<tr><td>Investment research and financial analysis</td><td>√</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>Foreign exchange services related to the provision of investment services</td><td colspan="4">√</td></tr>
<tr><td>Services related to underwriting</td><td>√</td><td>√</td><td></td><td></td></tr>
<tr><td>Service similar to an investment service that relates to a thing to which the value of a financial instrument referred to a derivative</td><td></td><td></td><td></td><td></td></tr>
</table>

A detailed scope and exact lists can be consulted on the official web page of the Czech National Bank.

State supervision over the capital market in the Czech Republic is performed by the Czech National Bank (Česká národní banka). UniCredit Bank was issued a respective licence to provide investment services by the Czech National Bank on 16 January 2004, under ref. no. 2004/141/520.

The contact information for the Czech National Bank is as follows:
Česká národní banka
Na Příkope 28, 115 03 Prague 1
tel.: +420 224 411 111
fax: +420 224 412 404
www.cnb.cz
Green Line (designated in particular for lodging complaints) tel.: +420 800 160 170
(Address of the filing room: Česká národní banka, Senovážná 3, 115 03 Prague 1; Electronic filing room: podatelna@cnb.cz)

Membership in professional associations, public markets and settlement systems:
– Česká bankovní asociace – Czech Banking Association (http://www.czech-ba.cz)
– Asociace pro kapitálový trh CR – Czech Capital Market Association (http://www.akatcr.cz)
– Burza cenných papíru Praha, a.s. – Prague Stock Exchange (www.pse.cz)
– Centrální depozitár cenných papíru, a.s. – Central Securities Depository Prague (www.cdcp.cz)

1) Client communication

The Bank highly emphasises flexible and prompt communication with its clients. Each client can contact his or her relationship officer with any question concerning the provision of the respective investment service or investment instrument. In case the client is unsure about the specific contact information of his or her relationship officer, the client can dial the Info Line at 800 14 00 14. Additional contact information can be found on the Bank's website: www.unicreditbank.cz .

UniCredit Bank is able to communicate with its clients not only in Czech but also in English and German. Similarly, in addition to the Czech versions, key contractual documentation of the Bank is available also in English and German versions.

Communication between the Bank and the client related to the performance of the relevant investment service, particularly regarding placement of orders, takes place either personally at a point of sale of the Bank, always in writing only or, if expressly agreed so, by phone or through a facsimile message or other electronic form. Specific rules governing the placement of orders by a client, including possible alternative forms of communication, are defined in the respective agreement and/or in business terms and conditions for providing an investment service.

The Bank is obliged to ensure that sufficient records be kept of all its rendered services, activities and trades. Such records are understood to include also recordings of telephone conversations and electronic communications where related to the services provided under the agreement, no matter if a particular conversation or communication does not result in provision of a service. Copies of the conversations and communications with the Client shall be available at the request for five years.

The Bank provides its clients with regular reports on provided investment services. In the case of investment services for which the Bank accepts client orders, the client is informed of the executed trade without undue delay after the trade has been executed (or, as the case may be, once the Bank has received information on the execution of the trade), whereas if the Client agrees, he or she is informed in such a way which allows remote access. As a rule the Bank uses abbreviations in such information (e.g. market identification or type of an order). The list of such abbreviations and their explanation is given in a document List of Abbreviations that is at the Clients' disposal in branches of the Bank or on its websites.

As regards other services, the Bank delivers regular statements and reports to the client. The scope, frequency and dates, or possible variants thereof, are stipulated by legal regulations, and, in compliance with these regulations, the Bank makes an agreement with the client on specific conditions according to the client's preferences.

2) Scope of provided investment services and the related contractual conditions

A. Provided investment services

The Bank offers its clients the possibility of investing in funds and trading in securities on domestic and foreign markets through a wide range of foreign and domestic stocks, bonds, collective investment securities and other securities[1].

The substance of the respective contract relationship is an activity of the Bank, which, based on the client's orders and on the client's behalf, and usually in the Bank's name (commission contract), or as the case may be in the client's name (mandate contract), arranges the purchase and sale of securities. Therefore, the Bank performs acceptance, delivery and brokerage of the client's orders for the client.

The trading venue where the Bank arranges for respective trades in securities generally are regulated markets (stock exchanges, etc.). Alternatively, the Bank – in particular regarding foreign securities – delivers the order for executing the trade to a reputable securities dealer (usually from the banking UniCredit Group) having access to relevant foreign markets. In the case of such securities the brokerage of which consists in securing their subscription or, as the case may be, redemption

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[1] If this document works with a definition "security", it shall mean both a security as such and a book-entry (registered), security, unless other thing follows from the nature of the transaction.

(repurchase), the place of executing the client's order is the issuer itself or a person authorised by the issuer or by another pertinent person (typically in the case of fund participation certificates the registrar and the transfer agent).

For this type of investment service and the relevant agreement type, such terms as brokerage, intermediation or arrangement of a trade in an investment instrument are also typically used.

A detailed explanation and description of the rules for executing clients' orders, including a list of places of exchange, are specified in a separate document of the Bank named Policy of Order Execution.

The Bank is also a professional partner in the offer of derivative treasury products. In this area, the Bank offers its clients, in particular, various options of hedging against market risks and the like.

The contractual conditions or specific agreement for derivative or similar products essentially consist in the fact that the client can contract forward transactions directly with the Bank where the amount of the future payments depends on the development of the underlying values (exchange rates, interest rates, etc.). The Bank then proposes respective parameters for a transaction requested by the Client, and it is entirely at the client's discretion whether or not he or she ultimately decides to contract the respective transaction with the Bank. The contracting parties are obliged to settle respective due amounts resulting from the agreed transactions. In the case of options, the option buyer is obliged to pay the price of the option (the option premium), otherwise no fees are paid for respective transactions.

The provision of an investment service concerned is often referred to in the market as treasury activity, dealing, trading, or the like.

Furthermore, UniCredit Bank is a reputable provider of the investment service of custody and management of investment instruments.

Along with the basic activities consisting in the physical custody of securities and exercise of basic rights arising out of holding securities (collection of returns, etc.), the contract relationship may also cover – depending on the agreement with the client and on the nature of an investment instrument – services consisting particularly in keeping relevant records on the investment instruments (especially in managing property accounts of securities holders, etc.).

Additionally, UniCredit Bank has maintained an important position on the Czech market as an issuer of its own securities, in particular bonds, including mortgage-backed securities.

The contractual relationship in this area is similar to brokering the purchase (in this case, subscription) of the specific security being issued.

On the basis of the relevant contract relationship created for the purpose pro providing a specific investment service, the client undertakes to pay the Bank remuneration for this activity including possible related costs. More detailed information on the Bank's remuneration and costs (fees) for providing investment services is specified in an independent document of UniCredit Bank, the Price List of UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter just the "Price List").

The client is informed by the Bank in advance of the total price of the provided investment service, including any and all fees, taxes paid through the Bank, and other possible related costs as well as any additional financial obligations arising out of providing an investment service with regard to a specific order (trade).

In addition to this summary of individual investment services and basic conditions of the respective contract, the Bank always makes it possible for its clients to familiarise themselves in detail and in advance with the wording of the contract and of other related documents. The Bank's specialists are prepared to respond to any questions concerning the provision of the investment services and to give the necessary explanations so as to ensure that the client is sufficiently satisfied prior to signing the contract that the contractual conditions are clear to him or her.

The Bank provides the investment services directly and, in offering them, can also cooperate with tied agents pursuant to Section 32a et seq. of the Act.

The client is informed about any potential conflicts of interest, about inducements accepted or given by the Bank upon providing the investment service, and about the related rules of the Bank in a separate document named Conflict of Interests Policy. In particular, the Bank has established such procedures that ensure that the client be informed of the risk of a potential conflict of interest and of inducements essentially on the basis of individual orders (trades) or through the particular information document regarding the relevant product or through the particular information on its websites. The details of inducements are available on request.

The companies of Amundi group which manage the renowned Amundi collective investment funds and provide management of clients' assets if part of it is an investment instrument, upon the discretion within the contract arrangement (hereinafter just "Portfolio Management") are main business partners in area of provision of investment services related to the securities and collective investment. The Bank intermediates for its clients the purchase of investment instruments issued by these collective investment funds and the Portfolio Management investment service.

The Portfolio Management performed by the Portfolio Manager consists in buying and selling investment instruments with the aim of achieving the optimal performance of the managed portfolio. Orders for purchases and sales of investment instruments for the portfolio are given by the Portfolio Manager, not by the client himself or herself. The client undertakes to pay the Portfolio Manager the agreed remuneration for such Portfolio Management of the client's assets.

There are a number of different names for this investment service on the market such as, in particular, portfolio management, asset management, and others.

The Bank does not provide investment advisory service to its clients.

B. Investment instruments and their risks

Investment instruments can be classified according to various aspects. From the client's point of view as the investor, classification by the risk undertaken by the client when investing in the investment instruments is clearly the most appropriate. In this respect, investment instruments can be classified into the following groups:
(i) Investment instruments with a partially guaranteed return of the invested amount,
(ii) Investment instruments entailing a risk of a loss of up to 100% of the invested amount;
(iii) Investment instruments entailing risk of a loss of up to 100% of the invested amount and a rise of other, additional financial obligations.

Ad (i)
Investment instruments with a partially guaranteed return of the invested amount are, in particular, the instruments for which legal regulations or the terms and conditions of the of the securities issue set out an obligation for the issuer to repay the investor at least the invested amount upon the instrument's maturity. Furthermore, these include instruments for which the return of the principal is guaranteed by the provision of a third party guarantee. In some cases, a key precondition for the return of an invested amount is the requirement to hold such investment instruments until their maturity.

These investment instruments usually include bonds, treasury notes, and mutual funds certificates of guaranteed equity funds.

During the time of holding such an investment instrument, its market price may fluctuate, but such fluctuation of the market price has no impact on the return of the invested amount at the time of its maturity. Some issuers and/or persons or entities providing guarantee may lawfully participate in a guarantee system, from which partial compensation is paid in case the issuer and/or the person or entity providing the guarantee are unable to meet the obligations. In case of bankruptcy of the issuers and/or persons or entities providing guarantee who do not participate in such guarantee system, the return of the whole invested amount can be in peril.

Ad (ii)
Investment instruments entailing a risk of a loss (and in some cases, a loss of up to 100%) of the invested amount are those where the option of redemption of the investment instrument by the issuer is not used or where such legal option does not exist.. The key factor for the investor is the market price of the investment instrument.

Such investment instruments typically include those mentioned in para. (i) above not held until maturity, mutual funds certificates, certificates, stocks, purchased options, and others.

During the time of holding such an investment instrument, its market price can fluctuate considerably. Therefore, at the time of selling such investment instrument, there is a risk of losing a part or the whole invested amount.

Ad (iii)
Investment instruments entailing a risk of a loss of up to 100% of the invested amount and, furthermore, of the rise of additional financial obligations are such where a legal obligation exist for the client to pay other financial obligations depending on the development of the market price of the investment instrument. This category also comprises such investment instruments that do not require any initial investment but the substance of which entails a potential rise of financial obligations for the client in future.

Such investment instruments typically include those of the derivative type and, in general, any instruments purchased for obtained loan (advance).

These investment instruments are mostly connected with so-called leverage. Leverage can be generally defined as a mechanism by which a small percentage change of the price of the underlying asset of a derivative or an investment instrument bought on credit results in a several-fold change in the profit or loss regarding the funds invested by the client.

During the time of holding such an investment instrument, its market price can fluctuate considerably. Therefore, at the time of selling such investment instrument, there is a risk of losing a part or whole invested amount, and additional financial obligations may even arise for the client.

When making an investment decision it is necessary to take into account the expected return, relevant risks and liquidity. Nevertheless in practice the maximum values of these criteria are often excluded. Maximum return can only be achieved at low liquidity or high risk. On the contrary, with low risk or maximum liquidity, it is often possible to achieve only a low return. To find an investment on the market associated with maximum return, maximum safety with maximum liquidity is practically impossible.

C. <u>Description of individual investment instruments</u>

Investment instruments can be categorized according to similar characteristic signs to the following:
I. investment securities of collective investment
II. investment securities
III. money market instruments
IV. derivatives.

I. Investment securities of collective investment

Collective investment securities are securities representing a share in investment funds or foreign investment funds.

Units of investment funds (in particular mutual funds in the form of unit trusts)
A mutual fund unit is a security or book-entry security, which represents the share of the shareholder in a mutual fund and which is associated with the rights of the shareholder specified in the prospectus, or the mutual fund statute, in particular the right to buy back of the mutual funds unit.
Mutual funds are certain managed portfolios of shares, bonds or other investment instruments. These are funds that associate a large group of small investors whose money is invested in this portfolio. It can be said that around the world, the investment of the management company of the mutual funds is

officially represented by the investors and all the work involved in the investment will be performed for them. Each investor thus holds the units of chosen mutual fund, the value of which corresponds to the share of the funds invested in their own fund assets. The mutual fund portfolio is structured and maintained to fulfill the investment objectives stated in the prospectus, or in the statutes that each mutual fund must present to prospective investors or the public.
The revenue depends on the price trend of the underlying securities in the basket of securities in the fund's portfolio.
The risk depends on the price trend of the underlying securities in the basket of securities in the fund's portfolio.

Information on particular mutual funds is mainly available in the Key Investor Information Document (KIID), which the customer receives prior to entering the instruction to purchase the investment instrument from his/her banker.

II. Investment securities

Investment securities are securities tradable on the capital market.

Shares

The shares are securities that confirm the share held in the company (public joint-stock company). The fundamental rights of the shareholders involve participation in the company's profits and the right to vote at the general meeting of shareholders (with the exception of preference shares).
The revenue from investment into share capital is comprised of dividend payments and price gains or losses and cannot be predicted with certainty. A dividend means the distribution of revenues to the shareholders according to the decision of the general meeting of shareholders. The amount of the dividend is expressed either in the absolute amount per share or as a percentage of the nominal value of the share. Revenue earned on dividends in relation to the market price of shares is called dividend income. In general, it is considerably lower than the dividend as a percentage of the nominal value, since the market price of the shares is usually above their nominal value. The greater part of the revenues from the investment into the share capital is usually achieved by the increase in the market price of the share.
The risk depends on market conditions when the shares are traded on a regulated market and the situation of the issuer.

Information on specific issuing of shares admitted for trading on a regulated market is available in the prospectus of the securities, resp. issuers of shares admitted for trading on a regulated market are obliged to regularly make available the information set forth by relevant revelation.

Bonds

A bond is a security or book-entry security with which there is connected right to repay a certain outstanding amount corresponding to the nominal value by its issuer, either at the same time or at a certain point in time, and if applicable, other rights under the Act on Bonds or the bond issue terms and conditions. Unlike shares, this type of security provides a predetermined financial revenue (coupon) (with the exception of a zero coupon bond). Bonds thus oblige the issuer (the debtor) to pay the bond holder (creditor, buyer) interest on the invested capital and repay the principal according to the terms of the bond.
Revenue from bonds consists of interest on capital and differences between the purchase price and the price at the sale/purchase of the bond. The revenue can only be determined in advance if the bond is held to maturity. In the case of floating interest rates, the revenue cannot be determined in advance. When comparing the annual revenue (based on the assumption of the total amount of the repayable loan), it is based on international standards for the calculation of the annual revenue. The price upon the sale of the bond before the purchase (market price) is not known in advance. Then the revenue may be higher or lower than the originally calculated revenue.
The risk depends on the market situation if the bonds are traded on a regulated market and the issuer's situation and any market factors if the amount of the coupon is dependent on the amount of the interest rate.

Information on the specific issues of bonds is available in the issue terms of the bond, or in a prospectus for securities in the case of publicly offered bonds or bonds admitted for trading on a regulated market. The issuers of bonds admitted for trading on a regulated market are obliged to make the information provided by the relevant legal regulations available on a regular basis.

Structured bonds
Structured bonds link an investment to a bond and another usually riskier asset. The bond component ensures a certain amount of return on the invested amount, since according to the Act on Bonds (or in the case of foreign bonds according to the terms of the bond) the issuer is obliged to repay at least the nominal value of the bond. The risk part of the structured bond relates to the coupon. The amount of the coupon is usually derived from the development of the price or value of another underlying asset (share, index, exchange rate, etc.)
The revenue of structured bonds is derived from the value of the underlying asset.
The risk depends on the market situation if the bonds are traded on a regulated market and the issuer's situation and the structure of the underlying asset.

Information on specific structured funds is mainly available in the Key Information Document (KID), which the customer receives prior to entering the instruction to purchase the investment instrument from his/her banker.

Investment certificates
An investment certificate is a debt security connected to the issuer's obligation at maturity to return a predefined amount with a return based on the price of the underlying asset to which the certificates are connected. Underlying assets may be stocks, stock indices, commodities, currency pairs, interest rates, etc. The terms of each issued certificate are predefined. Investment certificates offer the opportunity to participate in the development of the prices of individual securities or derived products. The certificate holder directly participates, for example, in the index price development (index certificate) or in a special basket of shares (basket certificate).
The revenue of an investment certificate is derived from the value of the underlying asset.
The risk depends on the market situation if the investment certificates are traded on a regulated market and the issuer's situation and the structure of the underlying asset.

Information on specific investment certificates is mainly available in the Key Information Document (KID), which the customer receives prior to entering the instruction to purchase the investment instrument from his/her banker.

III. Money market instruments

The money market satisfies the short-term cash requirements of various economic operators in the market, especially financial institutions and governments. The short-term imbalance in the income and expense of most of these subjects results in the need to enter the money market and become a debtor, thus making the existence of this market conditional. The money market is very large and there is a large volume of transactions on it. There is no centralized trading place for money market, such as the stock market; it is a market where the trades are mainly performed via telephone and electronic computer systems. It is marked with great speed, every missed day signifying loss of interest income, because they are mostly large amounts of funds.

Money market instruments are short-term debt securities for which the maturity period is not longer than a year. These include state treasury bills, deposit papers (deposit papers in the conditions of the Slovak Republic), commercial papers and other securities representing short-term receivables. Money market instruments are generally not subject to investments by customers, categorized as retail, i.e. non-professional customers.

State treasury bills
A treasury bill is a discounted debt security issued by an issuer (the state) with a maturity of up to one year. It is in the form of a bond, while the treasury bill holder obtains revenues only when they are resold to the issuer (or before maturity).
The difference between the nominal value and the lower issuance rate is the interest revenue from the bills, the funds of the obtained issuing used to span the deficit of the state budget in the current year.
The revenues of the state treasury bills is typically lower than the interbank reference interest rate (EURIBOR, PRIBOR), which results from the lower risk of the state as the issuer. It responds

sensitively to changes in economic conditions, the regular fall of interest rates during a recession, while growing during periods of expansion.
The risk of non-performance is low, but depends on the ability of a particular state to repay its liabilities.

Bills of exchange
Bills of exchange are similar to treasury bills as part of the discount market. However, the significant difference is that they are mainly issued by companies that finance their short-term needs in such a manner. A bill of exchange is the unconditional and indisputable written obligation of the borrower to pay owed money amount to the holder of the bill of exchange at a certain time. The bill of exchange must always be in paper form.
The bill of exchange is higher compared to standard term deposits depending on the amount invested and the number of days to maturity.
The interest rate is set individually depending on the current situation on the interbank market.
The risk depends on the situation of the bill of exchange debtor.

IV. Derivatives

Derivatives are instruments derived from underlying assets. It is a form of term trading, i.e. there is a delay between the negotiation of trade and the performance of the terms of trade. The most widely used underlying assets are interest rate, currency, asset instruments or commodities. The main reasons for the creation and use of financial derivatives by economic subjects prevailingly include the effort to secure financial risks, speculative trades to achieve higher profits and to make effective use of free funds.
Basic functions of derivatives:
- **speculation:** based on expectations of future movements in the price of the underlying asset; speculators buy underlying assets for their future delivery when they believe that their price in the spot market will be higher than the current price on the forward market in the future; the advantage of speculative operations is that they only require low or no capital.
- **arbitration:** means profiting from the use of price differences of the same asset or instrument traded on two or more markets; an arbitrator buys an asset or instrument on a market where its price is lower and sells it on a market where its price is higher; an arbitrator undergoes only minimal risk because both transactions occur simultaneously.
- **hedging:** may be characterized as mitigating, spreading and transferring financial risks to other entities; there are more hedging strategies, mainly security against the change of commodity prices, the change of the securities rate, the change of the interest rate, the change of the exchange rate or security against change in the securities market.

Derivatives			
Fixed term contracts			***Optional term contracts***
forward contracts	**futures**	**swaps**	**options**
currency	currency	currency	currency
interest	interest	interest	interest
asset	asset	asset	asset
commodity	commodity	commodity	commodity

Forward contract - represents the buyer's obligation to buy a certain amount of the underlying instrument at a certain date in the future at a fixed price; forwards are traded on OTC markets, not the stock market. The risk of settlement is borne by the client him/herself, because the settlement is carried out bilaterally between the buyer and the seller;
Futures - different from forward contracts in that the terms of the contract are standardized and it is traded on specialized exchanges, not OTC; the terms of the contract are specified in more detail by the stock exchange on which the contract is traded; the risk of settlement is borne by the stock exchange,
Swap – obliges two parties to exchange certain underlying assets at certain intervals in the future; there are actually two or more forward contracts that are contractually interconnected; swaps have so far only been traded on OTC, but there has recently been demonstrated interest in swap and stock exchange trading;

Option - unlike other derivatives, it is not only the obligation as well as the owner's right to purchase or sell a determined instrument on a determined date or for a certain time in the future at a fixed price, and the seller's obligation to sell or buy the instrument under specified conditions.
Individual types of financial derivatives have several common features:

- it is a trading of rights, i.e. with the right to buy or sell a certain asset, or to get some fulfillment
- it is always a form of a futures contract in which a certain agreed period expires between the conclusion of the agreement and its performance
- the contract may be closed only if the contracting parties have different expectations of the market, i.e. one party expects to increase the value of the underlying asset and the other, on the contrary, its stability (or decrease)
- a sufficiently liquid market for underlying assets is a prerequisite for the successful development of individual types of financial derivatives
- the revenue on derivative transactions depends on market conditions and price developments of the underlying assets
- the risk depends on the market conditions

Information on specific derivatives is mainly available in the Key Information Document (KID), which the customer receives prior to entering the instruction to purchase the investment instrument from his/her banker.

D. <u>General information about the substance of individual types of risks connected with investment instruments:</u>

Market risk – means the risk of a change (decrease) of the market price of the investment instrument due to some market factors (such as interest rates, exchange rates, prices of underlying assets, etc.). Exchange rate risk and interest rate risk are among the examples of market risk.

Exchange rate risk – is one of the forms of market risk. Exchange rate risk increases the total market risk of an investment instrument based on a potential change in the exchange rate. For example, securities denominated in USD entail a risk, in the event of a weakening of the USD, that there will be a decline of their market price denominated in CZK without the price of these securities denominated in USD changing in any way. Exchange rate risk concerns, in particular, investment instruments denominated in other than domestic currency, as well as currency derivatives.

Interest rate risk – is another form of market risk. It expresses a change (decrease) in the market price of an investment instrument depending on a change in interest rates. This concerns, in particular, trades in debt securities and interest-rate derivatives. The market price of most debt securities develops inversely to the development of interest rates.

Liquidity risk – liquidity is the capability of a prompt conversion of an investment instrument into cash. In the case that an investment instrument has low liquidity, a transaction involving it may be burdened with additional transaction costs, or it may even be impossible to carry out such transaction at the requested date. Liquidity risk is particularly relevant in the case of little-traded, structured or individualised investment instruments and in such investment instruments in which the buyer undertakes to hold the instrument for a certain minimum period of time.

Issuer's risk – expresses the probability that an issuer of securities will not be able to honour its obligations flowing from such securities (e.g. incapacity to redeem bonds), or that there will be a significant decline in the market price of the given security (of, for example, a stock) as a result of bad decisions by the management or due to the company's poor financial performance.

Segment risk – is connected with investment instruments the market price of which can be impacted by the economic situation of a given segment of the economy.

Political risk – is connected with such instruments whose market price, transferability, owner's rights, and the like can be influenced by a change of political situation (e.g. due to an introduction of foreign currency restrictions, nationalisation, etc.).

The client can manage the aforementioned risks in certain ways and can protect himself or herself against these risks. Nevertheless, with regard to some of the risks, negative impacts cannot be entirely precluded. The main tools for managing risks include selection of instruments with good ratings, diversification, and hedging. The Bank's offer primarily includes high-quality investment instruments in the sense that they have optimal tradeoffs between their potential returns and their risks. The Bank especially prefers issuers and investment instruments having so-called investment grade ratings. Diversification of risks means spreading investments among multiple investment instruments whose potential yields and related risks are, if possible, independent of one another (e.g. exchange rate risk can be mitigated via investment into instruments denominated in various currencies, etc). Hedging is understood to be a tailored, sophisticated, and typically a derivative structure in which a potential loss from one asset is compensated by a gain from holding another asset (investment instrument).

A detailed explanation of the functioning and performance of an investment instrument under different conditions on the market, including positive and negative conditions, is provided in the Key Information Document or Key Investor Information Document and Information on costs and associated charges that a customer receives before the submission of instructions to purchase a given investment instrument from his/her banker.

3) Protection of client's assets

The Bank is obliged to observe the following rules for holding the client's investment instruments or funds, and, in order to do so, the Bank takes in particular the following steps:
(i) maintains such records, and especially accounting records, which guarantee strict separation of assets held for one client from assets held for other clients and from the Bank's own assets;
(ii) maintains and makes records in relation to investment instruments as prescribed by law (separate and relating registers of records);
(iii) performs regular reconciliations of accounting and other obligatory registers concerning the client's investment instruments and financial means of the Client;
(iv) provides the client with regular statements of respective registers;
(v) in accordance with its statutory obligation, the Bank is a participant in the following compensation systems:
– Securities Brokers Guarantee Fund,
– Deposit Insurance Fund.

The Bank, as a securities broker, is a party to the compensation system pursuant to Section 128 et seq. Of the Act secured by the Securities Brokers Guarantee Fund (hereinafter just the "SBGF") and to which the Bank contributes in accordance with the provisions of Section 129 of the Act.

Detailed explanatory information on the SBFG, information about conditions for providing compensation, information about calculating the amount of compensation from the SBFG, information about persons not entitled to receive compensation from the SBFG, and other details of the guarantee system are contained in the document "Information on the Guarantee System of the Securities Brokers Guarantee Fund".

Explanatory information on the respective compensation system and rules for filing claims is available at the address: www.unicreditbank.cz/web/mifid.

Investment instruments or funds entrusted by the client to the Bank, including those that may be obtained for the client within the scope of providing an investment service, may, and usually will, fall under the management of a third party that the Bank uses in performing its services.

Such third parties include entities that must be used by the Bank in order to duly perform the investment service, especially to ensure the following activities:
(i) executing and settling a transaction in investment instruments (typically, transfer of investment instruments or funds),
(ii) maintaining respective records of investment instruments or securities,
(iii) custody of investment instruments (i.e., meaning especially the physical entrustment of an investment instrument),

(iv) administration (i.e., meaning especially authorisation to exercise rights pertaining to the respective investment instrument, but not necessarily the physical entrustment), and
(v) maintaining clients' cash accounts (jointly referred to as "custodians").

Typical examples of such custodians are central securities depositories, banks maintaining clients' accounts for an investment services provider, depositary banks or clearing and settlement centres, or clearing members in investment instruments markets.

If the Bank uses the services of custodians, they maintain the clients' investment instruments under management in the Bank's name (or in the client's name) and keep them separately from the Bank's assets and the custodian's own assets. The Bank and the custodian assume responsibility for the custodian's legal conduct and, especially, for the observance of its obligations in accordance with the pertinent legal regulations and agreed contractual relationships. In this regard, the Bank in particular maintains corresponding records, carries out regular reconciliations, and is obliged to participate in appropriate client compensation systems.

The Bank hereby expressly warns the client that the legal regulations to which a custodian's activity is subjected may, and usually do, allow for the entrusted investment instruments to be recorded on a collective (aggregated) account. This involves higher risks and requirements particularly relating to the due and thorough maintenance of records and ability to unequivocally document the assets and ownership of investment instruments of each particular client that are maintained on the collective account. According to the legal regulations, the Bank is obliged in this regard always to maintain the following records in the name of the specific client.

The Bank is obliged to supply to the client on quarterly basis a statement from the obligatorily maintained register of the clients' investment instruments that the Bank records for the client. The client is entitled to request fitting explanations of or corrections to the records.

The Bank does not use such services of custodians that could prevent the client's investment instruments registered by the custodian from being identified separately from the investment instruments of that custodian or of the Bank.

The Bank primarily uses services of such custodians that are subject to regulations and legislation of the European Union, which ensures high standards of protection for holding the clients' investment instruments and funds. To the extent necessary for executing investment services for its clients, the Bank also uses custodians that are subject to regulations and legislation other than those aimed at protecting the investment instruments and funds of the clients of investment services providers in the European Union. Specifically, this means that the client's rights in relation to the entrusted investment instruments and funds may differ accordingly, especially with regard to the requirements for keeping separate records, inference of ownership, and the functioning of compensation schemes.

In this case, however, the Bank always uses such custodians exclusively on the condition that they meet the following requirements:
(i) the custodian operates in a country where a special regulation for the performance of its activity and, in particular, strict supervision over the financial market, similar to the standards applicable in the European Union, are implemented (for example, the USA);
(ii) the custodian functions as a local branch of a custodian that has its registered office in the European Union, and it is obvious that the standards of the custodian with its registered office in the European Union apply to its entire network;
(iii) there is an overview of the local regulations and their acceptability in terms of the standards of protection for holding clients' investment instruments.

In accordance with the legal regulations, and in relation to the investment instruments entrusted by or held for the client, the Bank may enforce a right of lien, right of pledge, right to setting off, right to supplement the security, right to final settlement, or any other similar right, and especially in the sense of the legal regulations governing the financial security institute. The specific conditions and options for enforcing these rights are always governed by the respective contract concerning the investment service in question. Certain similar rights in accordance with the legal regulations and specific contractual arrangements may also be enforced by the custodian, particularly the right of lien or right to setting off. This, however, does not affect the Bank's obligation to release to the client the investment instruments entrusted by or held for the client, regardless of the possible enforcement of such rights of the custodian towards the Bank and to the debit of the client's assets, while taking into account any potential legal claims of the Bank against the client.

The Bank does not use investment instruments that are part of the client's assets for purposes of making transactions consisting in the financing of securities or transactions on its own account or on the account of any other client.

UniCredit Bank publishes the levels of protection and costs connected with the individual levels of separation of accounts provided by UniCredit Bank to its customers, when it holds securities for them in the central depository. The information is available on the Bank's https://www.unicreditbank.cz/en/ostatni/CSDR.html.

4) Other important information

In addition to the information included in this document, the Bank informs the client of several other important informative documents that concern the provision of investment services by the Bank.

Pursuant to the Act The Bank is obliged to classify every client to whom it intends to provide an investment service into a so called client category. As part of this process, the client will obtain the **respective instructions relating to categorisation**, which include differences in dealing with non-professional and professional clients and eligible counterparties and specify the principles of the respective levels of protection.

The client should devote maximum care to reviewing the **contractual documentation**. The Bank always provides sufficient time to clients to read it carefully and is prepared in particular to answer questions so that the client fully understands all arrangements.

The Bank, including the international financial group of which it is a member, places maximum emphasis on protecting the interests of its clients. For this reason, special rules are established and published by the Bank in the document **Conflict of Interests Policy**.

Should exceptional cases occur in which the client suspects that the provided investment services lack due and professional care, the Bank has established and hereby refers the client to the **Claims Procedure**. These ensure that the client always receives the most satisfactory solution and that the Bank receives feedback allowing it to continue to improve its services.

If UniCredit Bank executes orders in relation to investment instruments for the client's account, the client may not be sure in today's diverse and global financial world how the Bank ensures the best execution for the client. For this reason, the Bank publishes a special document entitled **Order Execution Policy**. It provides the client with all the necessary information and the terms and conditions for executing investment orders and lists the places of exchange used by the Bank.

All prices of investment services provided by UniCredit Bank, including the associated costs and fees, are contained in the Bank's **Price List**.

Pursuant to the legal rules and regulations governing the provision of investment services not only in the Czech Republic but also within the EU, the Bank is obliged, prior to providing an investment service, to require specific information from the client so that the investment instruments and services may be provided with the necessary professional care.

Pursuant to the Act the Bank shall verify only the client's expert knowledge and experiences in the area of investments. In the event that the respective transactions are inappropriate, the Bank is obliged to inform the client of such fact, but will execute the transaction according to the client's orders. Thus, the responsibility for the respective investment decision is borne exclusively by the client and in no way by the provider of investment services.

The Bank is obliged to require information from the client concerning client's needs, profile and goals. If the Bank, based on such foregoing information, evaluates an investment instrument designated by the order as incompatible with the client's needs, profile and goals and, therefore, as unsuitable for the client's needs, profile and goals, the Bank shall alert the client to such finding, while, however, the Bank is still entitled to execute such transaction according to the order. Should that be the case, the liability for the respective investment decision shall always rest exclusively with the client, not with the Bank. The foregoing applies accordingly to the case where the client has failed to provide relevant information to the Bank in a comprehensive, accurate, true and up-to-date extent, or, where it has even completely refused to provide such information.

The offer of the Bank's investment instruments is adjusted with regard to the categorization or segment of the customer. The customer's target market (i.e. his/her/its investment needs, characteristics and objectives) is taken into account in a particular offer to a customer.

Prague, 6 February 2020

Notice: This document represents a basic document in the sense of fulfilling the information obligation of investment services providers pursuant to the provisions of Section 15d of Act and the provisions of Article 47 regulation (EU) 2017/565, supplementing Directive 2014/65/EU of the European Parliament and of the Council . Other specific information is contained in the separate documents of the Bank, including in particular the Order Execution Policy, Conflict of Interests Policy, Information on the Guarantee System of the Securities Brokers Guarantee Fund, Claims Procedure, Price List, product lists for individual investment instruments, Key Information Document and others.