

**NOTICE REFERRING TO IMPORTANT FACTS RELATED TO THE ACTIVITIES OF
INVESTMENT FIRMS AND THE ACTIVITIES OF PAYMENT INSTITUTION**
(hereinafter referred to as "Notice")

Article I.
Basic Information

Bank is notifying the Client on and the Client acknowledges and agrees with the following facts:

- (1) On the basis of a permission from the Czech National Bank with a registered office in Prague (hereinafter referred to as "CNB"), the Bank is authorized to perform activities of an investment firm. It is authorized to sign a contract with the Client (hereinafter referred to as "Master Agreement"), because it is authorized to provide core investment services and actions and ancillary investment services necessary for the execution of the subject of the Master Agreement, primarily the following:

Core investment services:

- a) the receipt and transmission of instructions related to investment instruments,
- b) carrying out instructions related to investment instruments on the client's account. The execution of instructions related to investment instruments on the account of another person,
- c) dealing with investment services on own account,
- d) management of assets of a client under a contractual agreement with the client, if an investment instrument is part of such assets,
- e) investment advisory related to investment instruments,
- f) underwriting or placing investment instruments with the obligation of their subscription,
- g) placing investment instruments without the obligation of their subscription.

The investment service of the receipt and transmission of instructions in relation to investment instruments also comprises negotiating business with investment instruments.

Investment advisory related to investment instruments is the provision of individualized advisory, which directly or indirectly aims at the purchase, sale, underwriting, placement, payment, holding or other dealings with a specific investment instrument or instruments.

Ancillary investment services:

- a) safekeeping and administration of investment instruments,
- b) provision of a loan or credit to a client in order to enable a business transaction with an investment instrument that the provider of the loan or credit participates on,
- c) consultancy service related to capital structure, industrial strategy and related issues, as well as the provision of meetings and services related to the transformations of companies or company transfers (corporate finance)
- d) provision of investment recommendations and analyses of investment opportunities or similar general recommendations connected to business with investment instruments.

- e) execution of foreign exchange operations connected to the provision of investment services,
- f) services related to the underwriting or placing of investment instruments,
- g) a service similar to an investment service which is related to asset value, which is connected to the value of the investment instrument as stated in § 3 paragraph, 1 letters g) to k) of act no. 256/2004 Coll., on Business Activities on the Capital Market as subsequently amended (hereinafter referred to as "Act on Business Activities on the Capital Market") and which is related to the provision of investment services.

The investment service of safekeeping and administration of investment instruments including connected services also includes a register of securities linked to the central securities register or an independent register of investment instruments or a register linked to the independent register of investment instruments.

- (2) On the basis of a permission from the CNB, the Bank is authorized to perform activities of a payment institution. The Bank is entered in the list/register of providers.
- (3) On the basis of the Master Agreement, the Bank conducts business (i.e. Agreements or Transactions) with the Client as specified in the Master Agreement. Information regarding the nature and characteristics of these investment instruments, the changeability of their prices, the Client's obligations connected to the investment instrument or created in connection to dealing with such an instrument, including possible obligations, are further described according to the nature of the given investment instrument in information brochures, which can be found on the internet address of the Bank: www.csob.cz/mifid
- (4) A certain amount of risk is connected to business according to the Master Agreement. More detailed information related to the risks connected with business according to the Master Agreement is available in information brochures, which can be found on the internet address of the Bank: www.csob.cz/mifid
- (5) During the provision of the aforementioned services and the execution of activities connected to these services, the Bank, as an investment firm, is obliged to fulfill all duties in accordance with the principles set out in legislation. Above all, it is obliged to follow the rules for dealing with clients and the rules for dealing with their asset values and the rules for the organization of internal relations and operation, among other reasons in order to prevent a conflict of interest with its clients.
- (6) All communication between the Bank and the Client according to the Master Agreement takes place in the Czech language, in the manner stated in the Master Agreement, unless a different language of communication is explicitly appointed in the Master Agreement. In situations that bear no delay, the communication with the Client may be led in the appointed language of communication by telephone/telephones with the use of the telephone number/numbers of the Client stated in the Master Agreement, or otherwise appointed by the Client.
- (7) If a malfunction of the telephone is to occur during the telephone communication between the Bank and the Client, the communication will take place using the mobile phone of the Client. If this mode of communication is also impossible, the email will be used as an alternate mode of communication. In the case that that this mode of communication is also not possible, the communication will take place via a recommended letter. Communication with the Client via a telecommunications system is recorded and archived by the Bank, in accordance with the specific regulations (as amended by act no. 101/2000 Coll., Personal Data Protection Act and Act no. 499/2004 Coll., on Archiving, as subsequently amended).

- (8) The supervision of the Bank's activities as a payment institution and a provider of payment services is performed by:

Czech National Bank
Cash and Payment Systems Department
Na Příkopě 28, 115 03 Praha 1

Mailing address:
Na Příkopě 28
115 03 Praha 1

Telephone and fax numbers:
tel.: 224 411 111 (central office)
800 160 170 (free of charge for questions)
fax: 224 412 404, 224 413 708

Email addresses:
info@cnb.cz
podatelna@cnb.cz

- (9) The supervision of the Bank's activities as an investment firm and a provider of services connected to the purchase and sale of securities is performed by:

Czech National Bank
Department of Regulation and Supervision of the Capital Market
Na Příkopě 28, 115 03 Praha 1

Mailing address
Na Příkopě 28
115 03 Praha 1

Telephone and fax numbers
tel.: 224 411 111 (central office)
800 160 170 (free of charge for questions)
fax: 224 412 404, 224 413 708

Email addresses
info@cnb.cz
podatelna@cnb.cz

Further information on supervisory authorities for individual investment services which are provided on the basis of the Master Agreement, can also be found in individual related materials, which supply information for investors/clients who the investment services are destined for.

Article II. **Categorization of clients and further information**

- (1) The Bank is obliged to classify its clients in one of the categories set by the Act on Business Activities on the Capital Market. Based on the character of the Master Agreement and for its use the following categories are set: Standard (nonprofessional) client, Professional client and Eligible counterparty.

The above mentioned categories are specified thus:

A) **A Standard (nonprofessional) client** (customer) is:

A client who does not fulfill the thereafter listed conditions provided by the Act on Business Activities on the Capital Market or whose request to be included among Professional clients or Eligible counterparties was not met. Such a client has the highest level of protection when investing. A client appointed into the category Standard client must fulfill the conditions in accordance with the principles set out in legislation for an unprofessional client.

B 1) A Professional client (customer) is an entity defined as a Professional client by the Act on Business Activities on the Capital Market.

This refers to the following entities

- a) a bank or an institution of electronic money
- b) a savings or a lending co-operative society
- c) an investment firm
- d) an insurance company
- e) a reinsurance company
- f) an investment company
- g) an investment fund
- h) a pension fund
- i) a pension company
- j) a person whose principal activity is securitization
- k) a person who deals with investment instruments on own account with the aim of reducing risk (hedging) from business with investment instruments listed in § 3 paragraph, 1 letters d) to k) and this activity belongs among his principal activities,
- l) a person who deals with investment instruments on own account listed in § 3 paragraph, 1 letters g) to i) or commodities and this activity belongs among his principal activities,
- m) a legal entity, to which it pertains to manage the assets of the state when providing the purchase, sale or management of its claims or other activities, or during the restructuralization of business companies or other legal entities with an asset participation of the state,
- n) a foreign person that corresponds to any persons referred to in letters a) to m)
- o) a state or a member state of a federation
- p) the Czech National Bank, a foreign central bank or the European Central Bank and
- q) The World Bank, the International Monetary Fund, the European Investment Bank or another international financial institution.

B 2) By a **Professional client** (customer) it is further understood:

- a) a business company founded for the purpose of business that, pursuant to the latest annual report, meets at least 2 out of 3 criteria, which are:
1. the total amount of assets amounting to at least 20 000 000 EUR,
 2. a net annual turnover amounting to at least 40 000 000 EUR
 3. an equity amounting to at least 2 000 000 EUR,
- b) a foreign person founded for the purpose of business that meets the conditions set in letter a)

B 3) A **Professional client on request** is a person who:

- a) asks the Bank to be treated as a Professional client and the Bank accepts and
- b) which at the same time meets at least 2 of the 3 following criteria:
1. for each of the past consecutive quarters he has dealt with the investment instrument that the request relates to on the relevant regulated market with a registered office in a Member State of the European Union or in the relevant multilateral trading system operated by a person with a registered office in a Member State of the European Union, in a significant volume with an average number of at least 10 business transaction per quarter,
 2. the total amount of his financial assets and investment instruments amounts to at least 500 000 EUR, or
 3. for a period of at least one year has exercised or exercises, in connection with his employment, occupation or function in the sphere of the financial market, an activity, which requires the knowledge of businesses or services that the request relates to.

The Bank may grant an agreement if it makes sure that the applicant meets the criteria according to the letter b) and has the necessary experience and expert knowledge in reference to the business or businesses with investment instruments that the request relates to, that he is capable of making his own investment decisions and understands the related risks.

A request according to the letter a) and above must have a written form. An attachment of the written request is the applicant's statement that:

- he is aware that this change may mean the loss of the claim to a compensation from a foreign system similar by its purpose to the Guarantee Fund of Investment Firms, and
- The Bank may adhere to its duty to inform a Professional client in a smaller scale than a client who is not a Professional client.

Clients listed as Professional clients do not receive the same level of protection as clients listed as Standard clients. A lower level of protection is especially connected to: information, some obligations connected to conducting business on client's account, the confirmation of business deals and statements. Professional clients also needn't have a claim to compensations from foreign compensation systems for investors similar to the Guarantee Fund of Investment Firms in the Czech Republic. It is presumed that a Professional client has the necessary expert knowledge and experience in the sphere of investment to allow him to make his own investment decisions and appropriately assess the risks he undertakes in connection to an investment service or a business transaction with an investment instrument, for which he is a Professional client. It is also presumed that a Professional client has in relation to investment advisory a sufficient financial background for undertaking connected investment risks corresponding to his investment targets. The appointment into a client category does not restrict the offer of services according to this Master Agreement.

The Bank continuously checks and regularly evaluates, whether a Professional client according to B 3) hasn't stopped meeting the conditions listed above.

A Professional client, on the request in paragraph B 3), may become a client who is not a Professional client, i.e. a Standard client, if he sends a written request to the Bank. The Bank will grant this request.

A Professional client according to paragraphs B 1 and B 2 is considered a client who is not a Professional client within the range of business with the investment instrument or investment services that they agree upon with the Bank. It must be clear from the agreement which business or businesses with an investment instrument or which investment service this relates to. In the case when this agreement was not closed in a written form, the Bank is obliged to issue a confirmation statement on the client's request. A client listed in paragraphs B 1 and B 2 is considered as a client, who is not a Professional client also in the case when the Bank notifies him without his request that it considers him as such a client. It must be clear from this communication to the client which business or businesses with an investment instrument or which investment service this relates to. The appropriate forms for the transfer into another client category will be given to the client by the Bank at the client's request.

C 1) **Eligible Counterparty:**

During the provision of services on the basis of the Master Agreement, the Bank may regard the Professional client (see definition at point B1) as an **Eligible Counterparty**. Towards such a person the Bank doesn't have to follow the rules for dealing with customers by course of the Act on Business Activities on the Capital Market.

C 2) **An Eligible Counterparty on request** is such a person who meets the conditions of paragraph B2) or B3) and who asks the Bank to be treated as an Eligible counterparty and the Bank agrees with this request. The request must be in written form.

An Eligible counterparty on request may again become a Professional client in accordance with B2) or B3) if a written request is sent to the bank. The Bank will grant this request.

(2) For the purpose of classification the Bank is entitled to ask clients for their personal data, which for all natural persons are the name and surname, date of birth, personal identification number if one was appointed and permanent residence. For entrepreneurs listed in the Commercial Register these are the business company or place of business and identity number, if one was appointed.

(3) As an investment firm, the Bank has the duty to acquire, apart from the above mentioned personal information, also information regarding the expert knowledge and experience of the Client in the sphere of investment. In cases provided by the Act on Business Activities on the Capital Market, e.g. when the Bank provides the Client with investment advisory, information about the financial background and investment targets which should be reached by the provision of the service are also required. The acquired information allows the Bank to assess whether the provision of the given investment service corresponds to the level of the Client's expert knowledge and experience in the sphere of investment including the understanding of risks related to the investment, as well as corresponding to his financial background and investment targets.

(4) For the purpose of assessing the suitability of the service demanded by the Client, as well as the appointment of the Client into an appropriate category, a questionnaire, or another document which substitutes a questionnaire in the case of some of the investment instruments, is given to the Client. Answering the questions listed in this questionnaire or other document is the condition for the signing of the Master Agreement, with the exception when on the basis of the Master

Agreement the Bank provides a given service to the Client solely at the request of the Client.

- (5) In the case when the Bank evaluates the information acquired from the Client in such a way, that the provision of the particular investment service to the Client does not correspond to the facts discovered in accordance with this article, paragraph (3), (4) above, it will inform the Client of such a finding. In such a case no service is provided only when the Client insists on the provision of a specific business and confirms this with his signature. In such a case the Bank holds no responsibility for the possible losses of the Client.
- (6) A pledge of secrecy applies to all information from the Client according to principles set out in legislation. Information from the Client is handled, safe kept and archived in accordance with the principles set out in legislation. (Act no. 101/2000 Coll., On the Protection of Personal Information, as subsequently amended, complete wording under no. 525/2004 Coll., and act no. 499/2004 Coll. on Archiving and Document Services and on the change of some acts as subsequently amended)
- (7) The Bank would like to inform the Client about the possibility of other costs arising in connection to businesses in accordance with the Master Agreement, including taxes, the payment of which the Bank does not provide. The tax system related to business according to the Master Agreement adheres to the present principles set out in legislation of the Czech Republic, especially the current Law on Income Tax. The subject of the income tax of natural persons or legal entities are the incomes according to the relevant regulations of the Law on Income Tax. This law will also set the rules for income tax exemption. The regime of taxations of the incomes or profits of individual clients depends on the current tax regulations and the client's situation, which needn't be the same for everyone. The bank does not offer tax advisory.
- (8) When providing services according to the Master Agreement, the Bank is obliged to use all expert care which is necessary for the maintenance of the Client's rights in accordance with the principles set out in legislation.
- (9) The Bank is obliged to inform the client about possible known risks connected to business according to the Master Agreement and is entitled to refuse a Client's instruction which could negatively affect the client's financial situation. It is further obliged to inform the Client about possible risks which could be connected to a desired service or instruction and the possible protection against these risks. Detailed information about the facts in this paragraph can be found in the information brochures on the Bank's internet pages: www.csob.cz/mifid
- (10) If problems arise while processing the client's instructions, the Bank immediately informs the Client of these problems. The communication in such a case will take place in the standard manner, in the way described in the Master Agreement, unless the Client and the Bank explicitly agree upon a different mode of communication for these instances.
- (11) Before concluding the Transaction or the Agreement or accepting an instruction, the client always has the right to require information about the current rate or price of the investment instrument on public markets or the rate or price that the investment instrument was last dealt for on public markets, if the investment instrument wasn't dealt on public markets on the given day.
- (12) The Client agrees that the Bank is entitled to group his instructions with the instructions of other customers. The Bank is entitled to group the Client's instructions with the instructions of other clients. The Bank is generally entitled to carry out a Client's instruction or a transaction on its own account together with an instruction from another client in a way that the grouping of instructions is not disadvantageous for clients, whose instructions are to be grouped, otherwise the client, whose instruction is to be grouped, must be informed that the grouping of this instruction could be to his disadvantage, if such a disadvantage can occur. The possible grouping of instructions does not have an effect on the fees the Client is charged in connection to the services provided on the basis of the Master Agreement.

- (13) The Bank may refuse the provision of a desired service, either partially or completely, if a conflict of interests could arise between the Bank and the Client or the Client and other customers of the Bank. The Bank is obliged to inform the Client about such a situation without delay and demand an agreement from him, or an instruction regarding the consequent procedure. In such a case, the communication will take place in the standard manner, in the way described in the Master Agreement.
- (14) When providing investment services in relation to discharging the subject matter of the Master Agreement, there exists a risk of a conflict of interests, which could negatively affect the interests of clients. When providing investment services according to the Master Agreement, measures are taken to ensure the observance of rules of conduct towards clients including the obtaining of information from clients and procedures consisting mainly of judging the appropriateness of a service demanded by the Client and in some cases also appointing a Client into an appropriate category, warning the Client about the inappropriateness of a demanded service, keeping secrecy about acquired information, setting the inside control system of the Bank and separating some activities, which ensure the provision of investment services to the Client on the basis of the Master Agreement and all this leads to the decrease of such a risk.

When providing investment services the Bank identifies and manages conflicts of interest between itself and its clients or between the clients themselves, in accordance with the principles set out in legislation.

Being a member of a group of businesses, the Bank identifies and manages conflicts of interest likewise with respect to all predictable circumstances, which can initiate conflicts of interest resulting from the structure of the group of businesses and the subject of enterprise of its members.

The above mentioned conflicts of interest must not negatively affect the interests of customers.

If, despite the adopted measures it is not possible to reliably prevent a negative impact of conflicts of interest on the interest of the Client, the Bank shall inform the Client about the nature or source of the conflicts of interest prior to the provision of the investment service.

More information about the issues connected to conflicts of interest and the specification of measures which the Bank takes in order to prevent such conflicts, are available in the document "Approach of ČSOB to managing of Conflicts of Interest when offering Investment Services" which can be found on the internet page www.csob.cz/mifid

- (15) In relation to offering services according to the Master Agreement the Bank may accept from third persons other than clients or provide such third persons with financial obligations, which either allow or are necessary for the provision of investment services according to the Master Agreement or they contribute to an improvement of services provided to clients and are provided under such conditions as not the endanger the fulfillment of the Bank's obligation to act with expert care including the duty to act in the best interest of the Client.
- (16) The agreements about the existence and conditions of security interests or rights of lien of the Bank are stated in the Master Agreement or another contractual document referring to investment instruments.
- (17) The Client may submit a complaint or grievance in accordance with the ČSOB Complaint Procedure, which defines the method of communication of the Client, a potential client or other person and the Bank in cases where the Client submits a complaint or grievance to the Bank. The purpose of the Complaint Procedure is to define the required content of complaints and grievances, the procedures related to submission of complaints and grievances by the Client to the Bank and the conditions of the handling of complaints and grievances by the Bank. The Complaint Procedure is published on the Bank's website (www.csob.cz) and is also available to clients at each of the Bank's outlets.

The Complaint Procedure shall apply to complaints and grievances under the Master Agreement, provided that such complaints and grievances are submitted in writing to the following address:

Československá obchodní banka, a. s.
Radlická 333/150
150 57 Praha 5
Financial Markets
Attn.: Head of the Financial Markets Department

In accordance with the ČSOB Complaint Procedure, this Notice provides the following details on complaints and grievances:

a) The requisites of complaints and grievances

- aa) A complaint is a submission by the Client in the event that the Client believes that the Bank has failed to comply with the contractual provisions or has acted contrary to legislation.
- ab) A grievance is a submission by the Client against the form and content of any information provided to the Client or, as the case may be, against any actions or conduct of the Bank's employees etc.
- ac) Each complaint or grievance submitted must contain the following information about the Client and about the subject matter of the complaint or grievance:
- name, surname and date of birth of an individual or name / commercial name and ID No. of an individual – businessman or a legal entity or IPPID of an electronic distribution channel Client
 - contact address or telephone no. or e-mail address where the Bank may ask for more details on the complaint or grievance concerned;
 - account no., if the Client has an account kept with the Banks;
 - accurate description of the matter being complained about accompanied by relevant data and documents (e.g. an account statement, a copy of a payment order, a contract/agreement or other information).
- ad) The Bank may invite the Client to supply further documentation related to the complaint or grievance concerned. The Client is obligated to provide the necessary assistance during the proper process of handling the complaint or grievance concerned. An incomplete complaint may be completed by the Client within ten (10) calendar days after delivery of a request for completion. If the Client fails to complete the complaint on the Bank's request, the Bank will handle the complaint on the basis of incomplete data if possible, otherwise the Bank will put the complaint aside.

b) Time limits

- ba) The time limit for handling a complaint or grievance is thirty (30) days after delivery of the complaint or grievance to the Bank. The time limit for correction or completion of the complaint is not included in the 30-day time limit. If it is not possible to handle the complaint or grievance within the 30-day time limit, the Bank shall

inform the Client in writing about the reasonably expected date of handling the complaint or grievance.

- bb) The Bank shall inform the Client in writing or by e-mail about the handling of the complaint or grievance, unless a different method of providing this information is individually agreed with the Client.
- bc) The costs associated with the handling of complaints and grievances submitted by clients shall be borne by the Bank, unless the schedule of charges specifies otherwise.

c) Appeal options

- ca) If the Client is not satisfied with the way in which its complaint or grievance has been handled, the Client may refer in writing to the Bank's registered office. In the case of disputes between the Client and the Bank in transfers of funds in the area of payment systems and disputes between the issuers and users of electronic means of payment, the Client may refer to a financial arbitrator. This shall not affect the Client's right to refer the matter to a court.

d) Time limits for submission of complaints and dismissal of complaints by the Bank

- da) A complaint must be submitted without undue delay after the Client becomes aware of the reasons for a complaint, but no later than during the limitation period specified by the applicable legislation.
- db) The Bank will dismiss a complaint, if:
 - the Bank documents that it has acted in the matter concerned in accordance with the relevant contractual provisions and/or legislation
 - the limitation period has expired
 - proceedings have commenced before a financial arbitrator or a court in the matter concerned
 - a decision has already been made by a financial arbitrator or a court in the matter concerned

Article III.
Information about the Guarantee Fund of Investment Firms

- (1) The Guarantee Fund is a legal person that operates a guarantee scheme under which compensation is paid to the clients of an investment firm that is unable to discharge its obligations in relation to its customers. The Guarantee Fund is a legal person which is listed in the Commercial Register.
- (2) The Guarantee Fund ensures verification of claims for the payment of compensation from the Guarantee Fund and ensures payment of compensation from the Guarantee Fund.
- (3) The Guarantee Fund is not a state fund. Special legal principles governing insurance do not apply to the Guarantee Fund.
- (4) Every investment firm is obliged to pay a contribution to the Guarantee Fund.

- (5) CNB shall notify the Guarantee Fund, without undue delay, that:
- a) an investment firm is for reasons of its financial situation not capable of discharging its obligations consisting in the release of assets to customers and it is not likely to discharge the same within 1 year, or
 - b) a court has adjudicated bankruptcy in respect of the assets of an investment firm or issued another decision as a result of which the customers of the investment firm cannot effectively claim release of their assets from the investment firm.
- (6) The Guarantee Fund shall publish in a suitable manner, without delay and in agreement with the CNB, a notification containing:
- a) the information that an investment fund is unable to discharge its obligations,
 - b) the place, manner and deadline for the registration of claims for compensation and the commencement of the payment of compensation from the Guarantee Fund, and
 - c) any other information associated with the registration of claims.
- (7) The time period allowed for the registration of claims may be no less than 5 months from the date of the publication of the notification referred to above. The fact that this time period has elapsed may not be invoked to refuse payment of compensation from the Guarantee Fund.
- (8) To calculate the compensation from the Guarantee Fund as at the date of the receipt by the Guarantee Fund of the CNB's notification, the value of all components of the client's assets which could not be issued to the client for reasons directly linked with the financial situation of the investment firm, including any co-ownership interest of the client in assets in co-ownership of assets with other clients, save for the value of any financial assets entrusted to an investment firm that is a bank or a branch of a foreign bank and administrated by it on accounts ensured pursuant to a special legislative act governing the activities of banks, shall be added up as at the date of the receipt by the Guarantee Fund of the CNB's notification. The resulting sum will be reduced by any sums payable by the client to the investment firm as at the date of the receipt by the Guarantee Fund of the CNB's notification. By the client's assets it is for these purposes understood the financial assets and investment instruments of the client, which the investment firm took over for the purpose of provision of an investment service and financial assets and investment instruments gained for these values for the client, with which the investment firm can deal.
- (9) The fair values of investment instruments as at the date of the receipt by the Guarantee Fund of the CNB's notification shall be decisive for the calculation of compensation. When calculating the compensation, the Guarantee Fund will take into account any contractual arrangements between the investment firm and the client, if they are regular, especially actual accrued interest or other yields to which the client became entitled as at the date of the receipt by the Guarantee Fund of the CNB's notification.
- (10) Compensation shall be paid to the client in the value of 90 % of the sum calculated pursuant to paragraphs 8) and 9) above, but no more than a Czech crown equivalent of 20 000 EUR for one client of one investment firm.
- (11) The compensation from the Guarantee Fund must be paid within 3 months of the verification of the registered claim and calculation of the amount of such compensation. In exceptional cases, The CNB may, at the request of the Guarantee fund, extend this time limit, pursuant to the first sentence, by no more than 3 months
- (12) None of the following are entitled to a compensation from the Guarantee fund:
- a) the Czech Consolidation Agency,
 - b) a territorial self-governing unit,
 - c) a person who, during the course of 3 years preceding the CNB's notification
 - i. has carried out an audit or participated in an audit of an investment firm, the clients of which are being paid compensation from the Guarantee fund,
 - ii. has been a director of an investment firm, the clients of which are being paid

- compensation from the Guarantee fund,
 - iii. has been a person having a qualifying holding in an investment firm, the clients of which are being paid compensation from the Guarantee fund,
 - iv. has been a person close to the person referred to in points 1 to 3 above, as stipulated in the Civil Code.
 - v. has been a person belonging to the same business group as an investment firm, the clients of which are being paid compensation from the Guarantee fund,
 - vi. has carried out an audit or participated in an audit of a person belonging to the same business group as an investment firm, the clients of which are being paid compensation from the Guarantee fund,
 - vii. has been a director of a person belonging to the same business group as an investment firm, the clients of which are being paid compensation from the Guarantee fund,
- d) a person in which an investment firm the clients of which are being paid compensation from the Guarantee fund, had or has at anytime within the 12 months prior to the receipt by the Guarantee Fund of the CNB's notification or a person having a qualifying holding in such an investment firm a share exceeding 50% of the registered capital or the voting rights,
 - e) a person who, in connection to money laundering, entrusted funds obtained through a criminal activity to an investment firm, the clients of which are being paid compensation from the Guarantee fund,
 - f) .A person who caused, through a criminal activity, an investment firm, the clients of which are being paid compensation from the Guarantee fund, to be unable to discharge its obligation in relation to its clients,
- (13) The Guarantee fund will suspend the payment of compensation
- a. in respect of client assets where it is apparent from the course of criminal proceedings that they may be the assets of a person who, in connection to money laundering, entrusted funds obtained through a criminal activity to an investment firm, or
 - b. A person suspected of committing a crime which caused the investment firm to be unable to discharge its obligation in relation to its clients, payment shall be suspended for the period of criminal proceedings conducted against such a person.
- (14) The Guarantee Fund will suspend the payment of compensation pursuant to paragraph 13) without undue delay after becoming aware of the above facts.
- (15) A client's right to be paid compensation from the Guarantee Fund will lapse upon the expiry of 5 years from the due date of the client's claim to payment of compensation from the Guarantee fund.
- (16) Detailed information can be found in the Act on Business Activities on the Capital Market

Article IV.
The Insurance of Funds

- (1) When dealing with the Client's financial assets the Bank is obliged in connection to the Master Agreement to take such measures as to protect the Client's rights to these assets and especially to exclude the use of these assets for business on its own account or the account of another client, unless agreed otherwise with the Client. These measures do not relate to the Client's deposits at the Bank including the balances on the current, deposit or other account of the Client with the Bank.
- (2) The provision of article III. does not apply to the Client's financial assets, the dealing with which follows the appropriate regulations of act no. 21/1992 Coll., on Banks, as subsequently amended, which regulates the activity of the Deposit Insurance Fund.

Article V.
Payment System

- (1) Prior to conclusion of the Master Agreement the Client was informed by the Bank about the following:
- a. the Bank (commercial name, registered office, branch office address, electronic address used for communication with the Client)
 - b. the method of communication between the Bank and the Client
 - i. the means of communication between the parties and the technical requirements for the user's equipment for such communication;
 - ii. the manner and time limits of providing information or making information available;
 - iii. the language in which the Master Agreement is to be concluded and the language in which the communication between the Bank and the Client will take place during the term of the Master Agreement;
 - iv. the user's right to obtain, on request, information and the terms and conditions of the Master Agreement.
 - c. The Master Agreement and its terms and conditions:
 - i. the method of modifying the Master Agreement;
 - ii. the data on the duration of the Master Agreement = for an indefinite term;
 - iii. termination and consequences of termination = the Bank's right to terminate Transactions early and set the Early Termination Date;
 - iv. the fact that the Bank's proposal for modification of the Master Agreement is deemed accepted under the terms set forth in section 94 (3) of the Payment System Act;
 - v. information on the governing law of the Master Agreement and on the powers or jurisdiction of courts;
 - vi. information on the method of out-of-court settlement of disputes between the Client and the Bank and on the Client's option to file a complaint to a supervisory authority.
 - d. the Client's and the Bank's responsibility under the Master Agreement
 - i. the terms under which the Client will bear the loss resulting from an unauthorized payment transaction, including information on the amount up to which the Client will bear this loss;
 - ii. information on the method and time limit for notification of an unauthorized or incorrectly executed payment transaction to the Bank;
 - iii. the Bank's responsibility for an unauthorized payment transaction;
 - iv. the Bank's responsibility for incorrect execution of a payment transaction;
 - v. the terms of refund of the amount of an authorized payment transaction executed at the recipient's initiative;
 - vi. the terms under which the provider recipient is authorized to carry out corrective settlement under the act on banks or under the act on credit unions
 - e. the payment service provided:
 - i. a description of the payment service;
 - ii. information or unique identifier the provision of which is a precondition for the proper execution of the payment order;
 - iii. the form and procedure of handing over consent to the execution of the payment transaction and withdrawal of such consent;
 - iv. information on the moment of acceptance of the payment order according to [(if agreed) and on the moment close to the end of a business day];
 - v. maximum time limit for execution of the payment service;
 - vi. [(if agreed) information on the limitation on the total amount of payment transactions executed by using a payment instrument for a certain period under section 99];

- vii. information on the remuneration that the user is obligated to pay to the provider and information on whether this remuneration is composed of several individual items plus a breakdown of these items;
 - viii. information on interest rates and exchange rates that are to be applied or information on the method of calculation of interest or conversion of currencies and the relevant day and index or basis for the determination of a reference interest rate or a reference exchange rate, if a reference interest rate or a reference exchange rate is used;
 - ix. [(if agreed) information on the fact that the Bank may, at any time, unilaterally and without prior notice modify the parties' agreement on interest rates and exchange rates according to and further information related thereto];
- f. information on the fact that the Bank is entered in the list/register of providers, the Bank's registration number or other information allowing for identification of the Bank in such list/register;
- g. the name and registered office of the body that supervises the Bank's payment services activities.

ČSOB's Approach to Limiting Conflicts of Interests in the Provision of Investment Services

1. Introduction

When providing investment services, Československá obchodní banka, a. s. (hereinafter "ČSOB") acts honestly, fairly and professionally in accordance with the best interests of its clients. Protection of interests of all clients is a priority of ČSOB. With expansion of the complexity and range of the products offered to its clients in the area of investment services, and with growing number of clients to whom ČSOB offers its services, and their specific requirements, there is also a growing risk of situations whereby the interests of various individual clients, or the interests of ČSOB clients and ČSOB itself, might not be in line with one another. That is the reason why, when providing investment services, ČSOB identifies and manages conflicts of interest in accordance with the principles established by law and adopts necessary measures in order to mitigate potential negative impacts on the interests of the clients as much as possible. As ČSOB is a member of the KBC Group, it also identifies and manages conflicts of interest with regards to all foreseeable circumstances that could give rise to conflicts of interest resulting from the structure of the business group and the lines of business of its members. ČSOB's approach towards conflicts of interest is also in line with the principles applied by the KBC Group.

The principles for managing of conflicts of interest are based on directive no. 2004/39/EC, on Markets in Financial Instruments, and were implemented into Czech legislation under act no. 256/2004 Coll., Capital Market Undertaking Act, as amended, and public notice no. 303/2010 Coll., on more detailed regulations when providing investment services, as amended. In ČSOB the regulations for managing conflicts of interest are set forth primarily in the Policy on Conflicts of Interest when Providing Investment Services (hereinafter the "Policy"), which deals with specific conflicts of interest that can arise between ČSOB, its employees, clients and potential clients, in connection with the provision of investment services. The Policy lays out potential situations from which conflicts of interest could arise and measures for mitigating them so as to avoid damaging the interests of any ČSOB client.

Generally, conflicts of interest can result from situations whereby the provider of investment services or an employee thereof:

- could acquire a financial advantage or avoid a financial loss to the detriment of the client,
- has vested interest in the in the outcome of the service provided to the client that is different than the client's own interest in the outcome of the service,
- has a motive to prioritise the interest of one client before the interests of another client, for example, having a financial or other motive to prioritise the interests of a client or group of clients above the interests of another client, or
- is engaged in the same line of business as the client (i.e. the client is a competitor of the investment services provider),

ČSOB manages the abovementioned conflicts of interest so that they do not impact negatively on clients' interests.

2. ČSOB Procedures for managing conflicts of interest

In order to manage potential conflicts of interest, when developing new investment instruments and services, ČSOB assesses whether new conflicts of interest could arise through the launch of the investment product or service on the market. The same process is followed during regular revisions of the investment products and services that ČSOB is already offering. In cases where a potential conflict of interest cannot be ruled out, ČSOB takes all adequate measures to eliminate

conflicts of interest, or to minimise them, should elimination not be possible in order to minimize the adverse impact on the interests of the clients.

ČSOB uses organisational and administrative measures to prevent and manage conflicts of interest when providing investment services, those being primarily:

Policies:

- The ethical code for ČSOB employees, the aim of which is to establish and promote the company's values, which include primarily the fair conduct of employees in the interest of the clients,
- The ethical code for traders on financial markets,
- The policy on conflicts of interest when providing investment services,
- The policy on inducements when providing investment services (detailed information on ČSOB approach on inducements when providing investment services is available at www.csob.cz/mifid),
- The policy on personal transactions of employees,
- The policy on gifts and other benefits.

Rules:

- of the anti-corruption programme in the KBC Group,
- on protection and handling internal and other confidential information on clients,
- on conduct of business with customers,
- on trading on the financial markets.

Organisational and administrative measures:

- preventing the exchange of confidential information between divisions and employees of the bank undertaking activities that could be in mutual conflict of interest (the so-called "chinese walls" principle)
- preventing market manipulation and abuse of internal or other confidential information on clients,
- setting up the system of employees remuneration, so that the remuneration of an employee carrying out a specific activity does not depend directly on the remuneration or results of employees carrying out other activities, if those activities can be in mutual conflict of interest.

In case that even in spite of adopted regulation and measures, it would not be possible to reliably and sufficiently prevent the detrimental influence of a conflict of interests on the interests of a client, ČSOB will inform the client of the nature and source of the conflict of interest before providing any investment services and thus allow them to make an informed decision.

In order to prevent any uncertainty, ČSOB hereby informs its clients and potential clients of the existence of potential conflicts of interest that generally arise from the nature of bank activities and the membership of ČSOB in the KBC Group. These potential conflicts of interest, which ČSOB manages in accordance with the abovementioned principles, arise from the fact that ČSOB

- distributes investment instruments issued by ČSOB or other companies from the KBC Group, and
- arranges issues and/or distributes the instruments of issuers to whom it also provides other services of a financial nature.

INFORMATION ABOUT THE PRINCIPLES OF EXECUTION OF CLIENT'S INSTRUCTIONS UNDER THE BEST CONDITIONS ("Information")

Introduction

This document contains information about the principles and policies ("principles") about executing client's instructions during the provision of investment services and associated services under the best conditions. It is destined for clients of ČSOB and serves to inform clients about the execution of instructions under the best conditions.

ČSOB has taken the necessary steps to document these principles in detailed procedures and to ensure their observance.

1. Information on the principles of execution of clients' instructions under the best conditions

In accordance with the Act on Business Activities on the Capital Market, the Československá obchodní banka, a. s. (hereinafter referred to as ČSOB) is as an investment firm obliged to take all the necessary steps to ensure the best possible results when executing instructions on behalf of its clients. These steps are contained in this "Information about the principles of execution of clients' instructions under the best conditions."

Principles of the best executions of instructions apply to clients, who are according to the Act on Business Activities on the Capital Market classified as standard customers (nonprofessional clients) or as professional clients. The principles further apply to the financial instruments that the given act deals with.

In the case when ČSOB will not have an explicit instruction from the client, it will try to execute the order according to the principles listed in this Information about the execution of clients' instructions under the best conditions.

2. Approach to the best execution

2.1. Principles of the best execution

The execution of an order may be affected by various factors (such as the price, costs, speed, the probability of execution and settlement, volume, nature or any other aspect relevant to the execution of the instruction.)

To assess the relative importance of individual factors, the ČSOB takes into account these criteria:

- a) the characteristics of the client based on the client's nature, including his classification as nonprofessional or professional client,
- b) the nature of the client's instruction,
- c) the nature and characteristics of investment (financial) instruments,
- d) the characteristics of the execution venues to which that order can be directed;

For nonprofessional clients the best result will be determined by a complete assessment, taking into account the price of the investment (financial) instrument ("instrument") and all costs connected to the execution of the instruction, including the final volume of fees the client is charged. Regarding professional clients, the price and costs factors for the client will also have a large relative importance for reaching the best possible result of instructions given by this type of clients.

However, there can be circumstances when other factors may be more important for the execution of instructions on behalf of nonprofessional or professional clients. This might for example be the case for instructions above or below the standard business volume or orders for illiquid instruments. ČSOB may therefore, at its own discretion, execute instructions based on other factors that will, according to ČSOB, result in acting in the best interest of the client.

2.2. Execution venues

An execution venue may be a regulated market, a multilateral trading system (MTS), an investment firm executing systematic internalization, a market maker or another liquidity provider, if it is not related to actions on the regulated market or a multilateral trading system or an investment firm executing systematic internalization or a foreign execution venue, whose function is similar to some of the execution venues listed above.

The principles of instruction execution contain for each type of instrument a list of different venues, where the instructions may be sent. They list those venues that enable ČSOB to continually reach the best possible results when executing the instructions of its clients.

In certain circumstances, ČSOB can also use other execution venues, for example when dealing with an instrument which is unusual for ČSOB.

ČSOB will regularly assess whether the execution venues included in the principles of instruction execution bring the client the best possible result, or if the execution arrangement should be changed.

Execution venues used by ČSOB:

- a) Issuer of securities of collective investment (most often ČSOB Investiční společnost, a.s. and KBC Asset management N.V., or let us say ČSOB, if it executes the business on its own based on a contract with the issuer)
- b) Prague Stock Exchange
- c) OTC markets

2.3. Instruction execution

ČSOB will execute the client's instruction in accordance with its execution principles under the best conditions by using one of the following methods or a combination thereof.

- (1) The instruction can be executed directly on the selected regulated market or MTS or, where ČSOB is not a direct member of the relevant market or MTS, ČSOB can transmit the instruction to a third party market participant, with whom ČSOB has arrangements for handling instructions for that regulated market or MTS.
- (2) The order can be transmitted to another broker or dealer or another entity of the KBC Group for execution, in which case ČSOB will either determine the ultimate execution venue and instruct the other broker or dealer accordingly or it has made sure that the broker or dealer have a set system in place which enables ČSOB to comply with its own principles of instruction execution under the best conditions.
- (3) An instruction related to a listed financial instrument can be executed outside a regulated market or MTS, for example by ČSOB acting as an execution venue itself. However, in order to be able to execute an instruction in a listed financial instrument outside a regulated market or an MTS, ČSOB has to obtain the prior explicit consent of the client. No such consent is required for the execution outside a regulated market or an MTS for non listed financial instruments.

- (4) Units in collective investment undertakings (participating certificates in mutual funds, shares of investment funds and shares of foreign funds) are dealt outside the so called regulated markets usually. The client's instructions are realized directly by ČSOB or passed on to a person who ensures the closure of the transaction. This execution method is connected to ensuring the price reflecting the economic value of the asset and is the most advantageous in respect to the costs.

These principles or a part of these principles may not be applied unless a specific instruction is received from the client.

2.4. Specific instruction from the client

Where the client gives specific instructions relating to the execution of an instruction, for example the indication of an execution venue, ČSOB will execute that instruction in accordance with this specific instruction and will be deemed to have taken all reasonable steps to provide the best execution of that instruction.

WARNING: a specific instruction from a client may – with respect to the aspects contained in such instructions - prevent ČSOB from taking the steps that it has designed and implemented in its principles of execution to obtain the best possible result for the execution of such instructions.

2.5. Grouping of instructions

The client's instructions may be grouped with instructions of other clients. ČSOB is also entitled to carry out a client's instruction or a transaction on its own account together with an instruction from another client in a way that the grouping of instructions is not disadvantageous for clients, whose instructions are to be grouped, otherwise the client, whose instruction is to be grouped, must be informed that the grouping of this instruction could be to his disadvantage, if such a disadvantage can occur. The possible grouping of instructions does not have an effect on the fees the client is charged in connection to the services provided by ČSOB.

2.6. Conflict of interests

- (1) When providing investment services ČSOB identifies and manages conflicts of interest between itself and its clients or between the clients themselves, in accordance with the principles set out in the legislation.
- (2) Being a member of a group of businesses, ČSOB identifies and manages conflicts of interest likewise with respect to all predictable circumstances, which can initiate conflicts of interest resulting from the structure of the group of businesses and the subject of enterprise of its members.
- (3) The above mentioned conflicts of interest must not negatively affect the interests of clients.
- (4) If, despite the adopted measures it is not possible to reliably prevent a negative impact of conflicts of interest on the interest of the client, ČSOB shall inform the client about the nature or source of the conflicts of interest.

3. Best execution based on the type of instrument

For each class of financial instruments, ČSOB has defined the key execution factors that will be taken into account when executing instructions and information and the execution venues that best suit its requirements. In this chapter a summary is presented.

- The principles described in this Information do not restrict ČSOB to act otherwise in case it considers that in acting so the instruction might not be executed in a way that the best possible result for the client is obtained.
- In case of emergency, such as a disruption of the execution system, ČSOB may not have the possibility to execute the instruction according to the described method. In these exceptional circumstances, ČSOB will try to execute the instructions in the most advantageous way under the current circumstances.

3.1. Bonds / Money Market instruments

ČSOB will generally pass the instructions to bonds or money market instruments to the home market, if this place provides the given instrument sufficient liquidity.

In case ČSOB concludes that no execution venue meets the internally defined criteria of sufficient liquidity, the instruction will be executed outside a regulated market or an MTS. The determining factors for the execution, price and costs, will be respected. For the pricing ČSOB may rely on internal models that are subject to internal verification.

3.2. Units in Collective Investment Undertakings

ČSOB will generally execute the instructions to units in collective investment undertakings on its own, based on a contractual agreement with the issuer, or pass them on to the transfer agent of the instrument.

It is generally understood that units in collective investment undertakings are dealt for prices which correspond to the price of the given unit in collective investment undertakings. The value of the units of a specific fund of collective investment owned by the client as at a certain date represents the values of the client's share of the assets of the given fund as at that date. The value of a unit in a collective investment fund can be known after the receipt and processing of the final prices of the units kept in the fund's portfolio. This principle of establishing the price of a unit in a collective investment generally ensures the fulfillment of the execution of the client's instruction under the most advantageous conditions. In exceptional situations, when it is not possible to provide the sale or purchase of a unit in the above mentioned way, another manner of execution of the client's instruction will be chosen, which will as much as possible respect the requirement of the most advantageous conditions for the client, especially in relation to the price and cost connected to the transaction.

In the case when the handover to a transfer agent would be unfeasible or unpractical, ČSOB will choose an alternate method of executing the instruction, respecting as much as possible the principle of the best result related to price and costs.

3.3. Derivatives dealt on the regulated market

Transactions with these derivatives will generally be placed on the most liquid market.

3.4. Derivatives dealt outside the regulated market (OTC derivatives)

These products include various options, futures, swaps, forward rate agreements and combinations thereof relating to currencies, interest rates or yields and securities, financial indices and commodities. These instruments are dealt outside the regulated market. Spot transactions, deposits or loans are not included in this regulation.

ČSOB is aware of the fact that a potential client or clients interested in OTC derivatives contact various investment firms to attain information about the price of the instrument. ČSOB has set

procedures to ensure that the price of a product is created in a competitive and fair way. For the pricing ČSOB may rely on internal models that are subject to internal verification.

4. Monitoring and updating

ČSOB will monitor the effectiveness of its instruction execution arrangements and its execution principles in order to identify and, where appropriate, correct any deficiencies. In particular, ČSOB shall assess, on a regular basis, whether the execution venues included in the principles of instruction execution under the best conditions provide for the best possible result for the client, or whether changes to the execution arrangements need to be made.

ČSOB shall notify its clients of any material changes to its instruction execution arrangements or of the instruction execution under the best conditions

5. Demonstration of best execution of client's instruction

The client is entitled to request ČSOB to demonstrate that it is executing or has executed his instruction in accordance with these principles of best execution.

ČSOB's Approach to Incentives in the Provision of Investment Services and Pension Product Distribution

1. Introduction

The purpose of this document is to provide general information about payments and other performances received and provided in the course of the provision of investment services (hereinafter referred to as "incentives") by Československá obchodní banka, a. s. (hereinafter referred to as "ČSOB"). ČSOB provides investment advice and the brokerage of other investment services to its clients who are planning to invest into collective investment fund unit certificates and into other investment instruments. ČSOB does not bill its clients for the costs of the provision of investment advice; instead, it receives one-off or regular incentives from third parties. To ensure the distribution of investment instruments by third parties, ČSOB provides incentives to its distributors. ČSOB ensures that these incentives received and paid by it increase the quality of the investment service concerned and that this does not in any way concern its obligation to act in the best interest of its clients. This is achieved, above all, through measures aimed at ensuring adherence to rules governing client treatment, by the set-up of ČSOB's internal control system and by the separation of certain activities aimed at the provision of investment services to clients.

The client will be informed about the specific amount of incentives in the provision of an investment service on the basis of a request submitted to a ČSOB client relations employee.

2. Generally about Incentives

ČSOB receives incentives in the form of commissions and other financial performance from investment companies managing collective investment funds, from securities traders, providers of client asset management investment services, from bond issuers, and other third parties. ČSOB also provides incentives to third persons distributing investment instruments. Incentives may be one-off, connected to the purchase of a particular investment instruments, or can be regular.

Incentives received from third parties or provided by third parties do not include operating fees required for the provision of investment services, such as fees charged by a regulated market or clearance system operator for the provision of its services, fees for an external audit, for accounting and legal services and consulting, subscription fees, fees for depository services, and fees for the use of paid information services.

In connection with a specific campaign, the costs actually expended on product promotion may be paid by another company from the ČSOB/KBC Group, up to the amount of the campaign budget set in advance.

3. Collective Investment Funds

ČSOB intermediates the issuance and redemption of shares in collective investment funds (unit certificates and fund stock). For this, the bank receives from investment companies a share of the management fee collected by them (a fixed management fee that a collective investment fund pays to the investment company that manages it; the specific management fee amount is stated in the statute of the given fund). The incentive amount ranges from 35% to 60% of the management fee and is set individually for each specific fund.

ČSOB also employs third persons in the distribution of shares in collective investment funds. For distribution through ČMSS, a.s., ČSOB grants an incentive of 35% to 60% of the management fee. For distribution through Česká pošta, s.p., the bank provides a fixed amount (modified on an annual basis) per commissioning agreement concluded, regardless of the amount invested.

4. Brokerage of the Conclusion of an Agreement with a Securities Trader

If a client (customer) enters into an agreement commissioning the purchase or sale of a security from/to another securities trader through ČSOB, ČSOB receives an incentive from the trader amounting to 30% of the fees paid to the securities trader by the client for one year after the conclusion of the

commissioning agreement, minus any costs immediately related to the performance of the securities trader's obligations to the client.

5. Brokerage of the Conclusion of an Agreement on the Management of a Client's Assets

In connection with the brokerage of the conclusion of an agreement on the provision of this investment service, ČSOB regularly receives from the provider of the service an amount corresponding to a share in the remuneration for the management of individual portfolios (so-called management fee), which share is determined from that part of the assets under management that were invested by clients – individuals who demonstrably entered into a management agreement through ČSOB. The remuneration amounts to 60% of the management fee received by the investment service provider.

6. Other Investment Instruments

With respect to certain existing third-party bond issues issued before or on 31 December 2011, ČSOB receives regular incentives of up to 1.00% p.a. of their nominal volume. With respect to bond issues issued from 1 January 2012 on, ČSOB does not receive any regular incentives, but may receive and provide one-off incentives of up to 2.00% of the nominal value.

7. Pension Products

ČSOB receives an incentive amounting to 3.5% of the average salary in the national economy, as announced by the Ministry of Labour and Social Affairs with respect to the first to third quarters of the previous calendar year, from ČSOB penzijní společnost, a.s., for the brokerage of pension or supplementary pension savings and related activities.