

Categorization of clients

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 Contract 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 person whose principal activity is securitization
- j) 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,
- k) 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,
- l) 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,

- m) a foreign person that corresponds to any persons referred to in letters a) to l)
- n) a state or a member state of a federation
- o) the Czech National Bank, a foreign central bank or the European Central Bank and
- p) 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 Contract.

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 Contract, 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.