INVESTMENT SERVICES IN THE UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S., THE BRANCH OF THE FOREIGN BANK

UniCredit Bank Czech Republic and Slovakia, a.s., as one of leading banks in the Czech Republic and Slovakia, would like to inform herewith its clients on investment services, financial instruments and principles of protection of investment banking customers**.**

UniCredit Bank Czech Republic and Slovakia, a.s., is part of the strong and powerful European banking Group UniCredit with a dominant position in Central and Eastern Europe. Thanks to it UniCredit Bank Czech Republic and Slovakia, a.s. facilitates the international trade and contacts with its partners to its clients.

UniCredit Bank Czech Republic and Slovakia, a.s., offers comprehensive and quality products and services provided by personal bankers with appropriate expertise and sufficient scope of competencies. Every client is individually approached by his/her personal banker who prepares for him/her meaningful, useful and effective solutions and offers. The relationship of a personal banker with clients is based on mutual trust and discretion.

Information on UniCredit Bank Czech Republic and Slovakia, a.s.
Business company: UniCredit Bank Czech Republic and Slovakia, a.s.
Official address: Prague 4 - Michle, Želetavská 1525/1, postcode 140 92
Id. No.: 64948242
Registration in the Commercial register: section B, file 3608 of the Commercial register kept by the Municipal court in Prague, performing the banking activities at the territory of the Slovak republic through its organisational unit (a branch) with the official address in Bratislava designed as:

Organisational unit:
UniCredit Bank Czech Republic and Slovakia, a.s., the branch of the foreign bank
Šancová 1/A, 813 33 Bratislava, Slovak republic,
Id. No.: 47 251 336,
Registered in the Commercial register of the Regional court in Bratislava I, section: Po, file No.: 2310/B.

(hereinafter also as the “Bank” or “UniCredit Bank“).

UniCredit Bank Czech Republic and Slovakia, a.s., the branch of the foreign bank, is the organisational unit of the foreign bank having its official address in the member state of the European Union, situated at the territory of the Slovak republic that performs banking activities and that is entitled to provide investment services, investment activities and ancillary services. UniCredit Bank Czech Republic and Slovakia, a.s., holds the bank licence issued on 16.1.2004 by the Czech National Bank (ref. No. 2004/141/520, file 520/93/19.12.2003).
In accordance with the relevant European Community rules governing the operation of banks and investment firms and in accordance with § 11 of Act No. 483/2001 Coll. on banks as amended, UniCredit Bank Czech Republic and Slovakia, a.s. has established a branch of the foreign bank in the

Slovak Republic for the purpose of providing of relevant banking and investment services. UniCredit Bank Czech Republic and Slovakia, a.s., the branch of the foreign bank, is subject, within the provision of investment services, to the supervisory authority of the home state (the Czech National Bank) and also to the supervisory authority of the host state (the National Bank of Slovakia), especially with regard to the Bank's rules of business in relation to clients in terms of the Act No. 566/2001 Coll. on securities and investment services and on changes and amendment of certain laws as amended (hereinafter referred to as the "Act on securities").

The basic scope of the licence, broken down to individual investment services and financial instruments and therefore also providing a summary description of the services and instruments pursuant to Act on securities can be expressed in a graphic and simplified form as follows:

<table>
<tr><th colspan="2" rowspan="2">Investment services, activities and ancillary services pursuant to the bank licence</th><th colspan="4">Financial instruments involved in the service</th></tr>
<tr><th>Investment securities (shares, bonds, etc.)</th><th>Securities of collective investment (mutual funds etc.)</th><th>Instruments of monetary market</th><th>Derivatives</th></tr>
<tr><td rowspan="9">Investment services and activities</td><td>Reception and transmission of orders</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Execution of orders on behalf of the client</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Dealing on own account</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Investment advice</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>Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Placing of financial instruments without a firm commitment basis</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Operation of multilateral trading facility</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Operation of organised trading facility</td><td></td><td></td><td></td><td></td></tr>
<tr><td rowspan="7">Ancillary services</td><td>Safekeeping and administration of financial instruments at client´s account, including the custodianship and related services, namely cash/collateral management</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Provision of credit or loan to the investor to allow to carry out a transaction with one or more financial instruments where the firm is involved in the transaction</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings</td><td colspan="4">✓</td></tr>
<tr><td>Foreign exchange services where these are connected to the provision of investment services</td><td colspan="4">✓</td></tr>
<tr><td>Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td></tr>
<tr><td>Services related to underwriting</td><td>✓</td><td>✓</td><td></td><td></td></tr>
<tr><td>Investment services and activities that relate to underlying assets of the derivatives connected to the provision of investment or ancillary services</td><td></td><td></td><td></td><td></td></tr>
</table>

The detailed scope and exact list can be directly verified at official web pages of the National Bank of Slovakia www.nbs.sk.

Supervisory bodies:

Česká národná banka
Na Příkope 28
115 03 Praha 1
tel.: 224 411 111
fax: 224 412 404
www.cnb.cz
Green line (mainly for possible claims):
tel.: 800 160 170
Address of filing room:
Česká národná banka
Senovážná 3, 115 03 Praha 1
electronic filing room: podatelna@cnb.cz

Národná banka Slovenska
Imricha Karvaša 1
813 25 Bratislava
tel.: 02/5787 1111
fax: 02/5787 1100
www.nbs.sk
Contact for public: info@nbs.sk

Membership in professional associations, public markets and settlement systems:
- Slovak Bank Association
- Association of investment firms
- Stock exchange in Bratislava (Burza cenných papierov v Bratislave, a.s.)
- Central Depository of Securities SR, (Centrálny depozitár cenných papierov SR, a.s.)

I. Communication with clients

The Bank puts the greatest emphasis on its flexible and prompt communication with its clients. Each client may contact his/her banker with any question concerning the provision of the relevant investment service or financial instrument. If the client is not sure of the specific contact details of the banker, he/she can contact the phone number +421 2 4950 1111 or the Infoline +421 2 6920 2090 daily from 07:00 am to 22:00 pm or by e-mail at the address kontakt@unicreditgroup.sk. Further contact information are shown at web pages of the Bank at: www.unicreditbank.sk.

UniCredit Bank is able to communicate with its clients not only in the Slovak language, but also in the English language. In addition to the Slovak version, the key contractual documentation of the Bank is also available in the English version.

Records of communication
The communication between the Bank and the client in the performance of the relevant investment service, in particular in respect of giving the orders, shall be made in person at the Bank's place of business, in writing or, if expressly agreed, by telephone, fax or other electronic means. The Bank is obliged to make a record of communication with the client. Specific rules for giving of orders by the client, including the possible other forms of communication, are governed by the relevant contract or business terms and conditions for the provision of investment services.

The Bank is obliged to keep records of all provided investment services, investment activities and ancillary services and performed transactions. The records shall include telephone calls and electronic communications relating to the provision of services under the relevant contract, even if such communication does not result in the conclusion of a transaction or the provision of service related to the client´s order. The records shall be provided to the concerned clients upon request and kept for five years.

Order confirmations and regular reports
The Bank provides its clients with regular reports on provided investment services. In the case of investment services where the Bank receives the client's orders, the client is informed of the realized transaction without undue delay after the transaction (or after when the Bank has received the transaction information) and where the client agrees, he/she is informed on the performed transaction in a way allowing the remote access.

In the case of other services, the Bank provides regular statements and reports to the client. The scope, frequency and dates, respectively their possible amendments are based legal regulations and the Bank concludes with the client the specific conditions in the contract according to his/her preferences.

Acting of a client through a representative
The client deals with the Bank either personally, or a representative acts for him, namely (a) a legal representative (parent, guardian, statutory representative, etc.) or (b) a representative based on a power of attorney. When submitting an instruction, the Bank requires a statement that the representative does not need consent or approval of another person or body, or if such consent or approval is necessary, he has it. The representative is responsible for the compliance of the exercise of rights and obligations with the relevant legal regulations and decisions of the competent authorities.

i. Acting of a legal representative
The use of funds in the child's account as a minor is subject to legal restrictions. The legal representative is authorized to dispose of funds in the account of a minor exclusively for his benefit. For managing funds in other than ordinary matters during property management, or in cases expressly established by legal regulations, court approval is required. The bank is not obliged to assess whether such approval is necessary for a specific procedure.

ii. Acting of a contractual representative
The client is obliged to familiarize the authorized person with the relevant contract and business conditions and is responsible for their compliance by the authorized person. The power of attorney loses its legal effects upon the death of one of the parties, as regards a natural person or upon the demise of one of the parties as regards the legal entity and its rights and obligations do not transfer to another entity. The legal effects of the power of attorney will also be lost by its revocation (by the power of attorney), termination (by the authorized person), execution of the act to which it was limited or the expiration of the period for which it was granted.

II. Scope of provided investment services and related contractual conditions

1. Investment services

Through a wide range of foreign and domestic shares, bonds, securities, collective investment securities and other securities the Bank offers its clients the opportunity to invest money and to trade in securities on domestic and foreign markets.[1]

1 If the term "security" is used in this document, it shall mean a documentary security as well as a book-entered security if the nature of the matter does not imply anything else.

The nature of the relevant contractual relationship consists in the activity of the Bank that, based on the orders of the client at his/her account (in favour of the client), usually on its behalf (commission agreement) or on behalf of the client (mandate contract), procures the purchase and sale of securities. Therefore, the Bank performs for the client the reception, transmission and the execution of orders.

Trading venues where the Bank provides securities transactions are usually the regulated markets (exchanges, etc.) or the Bank, in particular in the case of foreign securities, transmits the order execution to one of the renowned investment firms (usually from the UniCredit banking group) that has access to the relevant foreign markets. In the case of securities the acquisition of which consists in securing the underwriting, redemption, the issuer itself or the person charged by the issuer or other person (typically in the case of mutual funds the registrar and the transfer agent) is the trading venue of the client's order.

For this type of investment service and the relevant contractual type, the term "brokerage", "procurement" or "brokering" of a financial instrument, etc., is also commonly used at the market.

The detailed explanation and description of the rules for the execution of the client´s orders, including a list of trading venues, are stated in the separate document of the Bank, in the Strategy of the order execution. The Bank is also a professional partner in offering of the treasury derivatives, where it offers to its clients, in particular, various options for securing against market risks, etc.

Terms and Conditions, respectively the contract for derivative and similar products, consist namely in the fact that the client can agree a hedge business with the Bank, where the amount of future performance depends on the development of the underlying asset (exchange rates, rates, etc.). The bank will propose the parameters of the relevant transaction to the client's request and it is purely up to the client to decide whether to close the deal with the Bank. The parties are obliged to pay the relevant amounts due from the negotiated deals. In the case of options, the buyer of option is obligated to pay the price (option premium), otherwise no fees are paid for the respective deals.
The provision of the related investment service is often referred to in the market as, for example, the treasury, dealing or trading action, etc.

In addition, the UniCredit Bank is a renowned provider of investment services for safekeeping and managing financial instruments.

A contractual relationship, in addition to the basic activities of physical custody of securities and the exercise of fundamental rights resulting from the ownership of securities (yield collection, etc.), may, pursuant to the agreement with the client and according to the nature of the financial instrument, also include services consisting in particular in keeping of relevant records on financial instruments (property accounts of securities owners, etc.).

In the context of the relevant contractual relationship entered into for the purpose of providing a particular investment service, the client undertakes to pay the remuneration to the Bank for such activity and any related costs. For more information on the remuneration and costs (fees) of the Bank for the provision of investment services the Bank issues its specific document of UniCredit Bank that is the Pricelist of banking services of the UniCredit Bank Czech Republic and Slovakia, a.s., the branch of the foreign bank (hereinafter referred to as the "Price List").

The client is informed by the Bank in advance on the total price of the provided investment service, including all fees, other related costs and other financial liabilities resulting from the provision of an investment service in regard to a specific instruction (trade).

In addition to this overview of individual investment services and basic terms and conditions of the relevant contract, the Bank always allows its clients to make detailed advance notice of the contract wording and other related documents. The Bank specialists are ready to answer any questions regarding the provision of investment services and provide the necessary explanations to ensure that the client is sufficiently certain, before the contract is signed, that the terms of the contract are clear to him/her.

The client is informed on possible conflicts of interests, the received or provided inducements by the Bank in the provision of investment service and the Bank's related policies in a separate document of the Bank, the Policy of Conflicts of Interests. In particular, the Bank has set up procedures to ensure that the client is informed of the risk of potential conflict of interest and inducements based on individual orders (trades) or through an information material on the specific product or through the information on its website. Details of inducements are available on request.
The Amundi Group companies are the Bank's major trading partners in the provision of investment services related to securities of collective investment. These companies manage Amundi reputable collective investment funds and provide the investment service of management of the client´s assets if it includes a financial instrument at its discretion within the contractual arrangement. The Bank arranges for clients to obtain financial instruments issued by these funds of collective investment and the investment services of management. In the market, a client can meet a number of designations for this investment service, especially portfolio management, asset management, etc.

The Bank also provides investment advisory service to its private banking clients. The investment advisory is provided under the special contract which describes in detail the conditions of the provision of this investment service.

2. Financial instruments and their risks

Financial instruments can be divided based on various perspectives. From the point of view of the client as an investor, the most appropriate approach is to divide them in terms of the risk that the client undergoes by the investment in the financial instruments. In this sense, the financial instruments can be divided into the following groups:
(i) financial instruments with a partially secured return on the invested amount,
(ii) financial instruments carrying a risk of up to 100% of the loss of the invested amount,
(iii) financial instruments carrying the 100% loss of the amount invested and the origin of additional financial liabilities.

Ad (i)
Financial instruments with partially secured return on the invested amount are primarily such instruments where the issuer is obliged, under the instrument's maturity date to repay the minimum amount invested, based on the legislation or the emission terms. It is also an instrument where the return of the principal is guaranteed by providing a third party guarantee. Sometimes, the key condition of the return on the invested amount is the requirement to hold these financial instruments until their maturity date.
Typically, these are the financial instruments such as bonds, treasury bills, units of guaranteed mutual funds, etc.

During the period of holding of such a financial instrument, the market price of the instrument may fluctuate, and this fluctuation in the market price does not affect the return on the maturity of the invested amount. Certain issuers or persons providing a guarantee may, by law, participate in a guarantee scheme from which a partial refund is paid when the issuer or the guarantor are unable to meet their obligations. In the case of bankruptcy of issuers or guaranteeing persons not participating in the guarantee schemes, the entire invested amount may be jeopardized.

Ad (ii)
Financial instruments bearing the risk of loss (sometimes even up to 100% loss) of the invested amount are instruments where the possibility of maturity of a financial instrument is not used by the issuer or such legal option does not exist. For the investor, the market price of such financial instrument is decisive.
Typically, it includes the financial instruments of the type ad (i) not kept until the maturity, units of mutual funds, certificates, shares, purchased options, etc.

During the period of holding of such financial instrument, the market price of the instrument may significantly fluctuate, i.e. at the time of the performance of such financial instrument there is a risk of loss of its part or even the entire invested amount.

Ad (iii)
Financial instruments bearing the risk of up to 100% loss of the invested amount and the origin of additional financial liabilities are the instruments where there is a legal obligation on the part of the client to pay additional financial liabilities depending on the development of the market price of the financial instrument. This category also includes the financial instruments that do not require any initial investment, but from their character the eventual occurrence of future client liabilities results.
Typically, it means the derivative financial instruments and generally any financial instruments purchased through a credit (loan).

These financial instruments are usually related to the so-called leverage effect. The leverage can generally be described as a mechanism where a small percentage change in the price of the underlying asset of a derivative or a financial instrument purchased based on a loan means a multiple-percentage change in profit or loss in relation to the client's own invested assets.

During the period of holding of such financial instrument, the market price of the instrument may significantly fluctuate, thus, at the time of performance of such financial instrument, there is a risk of losing part or even the entire invested amount, and even the additional financial liabilities may arise.

In investment decision-making, the expected return, associated risk and liquidity shall be taken into account. Practically, the maximum values of these criteria exclude each other. The maximum return can be reached only when the liquidity is low or when the associated risk is high. Vice versa, when the associated risk is low or liquidity is high only small return can be reached. It is practically impossible to find an investment on the market which is connected with maximum return, maximum safety and maximum liquidity at once.

3. Description of individual financial instruments

Financial instruments can be categorized according to similar characteristic signs to the following:
A. collective investment securities
B. investment securities
C. money market instruments
D. derivatives.

A. Collective investment securities

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

Units of investment funds
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.

B. 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.

C. 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 no 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 are 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.

D. 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	**future**	**swap**	**option**
currency	currency	currency	currency
interest	interest	interest	interest
asset	asset	asset	asset
commodity	commodity	commodity	commodity

Forward - 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,
Future - 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.

4. General information on the nature of each type of risk associated with financial instruments

Market risk - means the risk of a market price change (decrease) in a financial instrument due to one of the market factors (interest rate, exchange rate, price of underlying assets, etc.). Forms of market risk include, for example, currency and interest rate risks.

Currency risk - is one of the forms of market risk, the currency risk increases the overall market risk of a financial instrument as a result of a possible change in the exchange rate. E.g. USD dollar-denominated securities, following a weakening of the USD, record their decline in the market value expressed in EUR without changing the price of these securities in USD anyway. The currency risk is mainly related to financial instruments denominated in non-domestic currencies and currency derivatives.

Interest rate risk - is another form of market risk and reflects the change (decrease) in the market price of a financial instrument depending on the change in interest rates. The interest rate risk is mainly caused due to debt securities and interest rate derivatives transactions. The market price of most of the debt securities is inversely proportional to the movement of interest rates.

Liquidity risk – the liquidity is the ability to promptly the conversions of financial instrument into cash. In the case of low liquidity of a financial instrument, this transaction may be burdened with additional transaction costs, or even cannot even be performed at the required time. The liquidity risk is particularly relevant in the case of poorly traded, structured or individualized financial instruments, and in the case of financial instruments where the buyer undertakes to hold this instrument for at least a certain minimum period.

Issuer´s risk - expresses the likelihood that a securities issuer will not be able to meet its obligations arising from these securities (e.g. inability to repay the bonds) or due to erroneous management decisions and poor economic results, there will be a significant decline in the market price of the security (e.g. shares).

Sector risk - is associated with financial instruments whose market price may be affected by the economic situation of a specific industry.

Political risk - is associated with instruments whose market price, transferability and rights of the owner, etc. may be affected by a change in the political situation (e.g. the introduction of foreign exchange restrictions, nationalization, etc.).

Risk of inflation - is the risk that the value of the investment or the yield from it will be affected by inflation. When investing in financial instruments with a guarantee or capital protection, there is a risk that the capital protection will not protect investors from the impact of inflation over time and the real return, i.e. the nominal yield adjusted for inflation, will be negative.

The client may manage the above stated risks and assure them in some way, but in the case of some risks, their potential negative impact cannot be fully avoided. The main risk management tools are, in particular, the selection of sound financial instruments, diversification and hedging (reinsurance). The Bank's offer contains primary quality financial instruments in the sense of an optimal ratio of potential return and risk, especially preferred issuers and financial instruments that have so-called investment rating. The risks diversification means the distribution of investment in a number of financial instruments whose potential return and associated risks are mutually independent as far as possible (e.g. mitigating of the currency risk by investing in instruments denominated in different currencies). The reinsurance or hedging is an individual, sophisticated, usually derivative structure, where the loss of one asset corresponds to the gain from the holding of another asset (financial 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.

III. Protection of client assets

The Bank is obliged to comply with the following rules for holding the client's financial instruments or funds, and in particular, it does the following:
(i) it maintains records, in particular in the context of accounting records, which consistently ensure the separation of assets held for one client from assets held for other clients and from their own assets,
(ii) it maintains and performs entries into the prescribed financial instruments register (separate and follow-up registration),
(iii) it performs regular reconciliations of accounting and other mandatory records regarding the client's financial instruments and funds,
(iv) it provides the client with regular reports from the relevant registers,
(v) The Bank is, in compliance with its statutory obligation, the participant in the following compensation schemes:
- Investment firms Guarantee Fund
- Deposit Insurance Fund.

The assets of all clients of UniCredit Bank Czech Republic and Slovakia, a.s., a branch of a foreign bank, is protected in accordance with the conditions of Act no. 256/2004 Coll. on Capital Market business (hereinafter referred to as the "Act on Capital Market Business").

The Bank, being the investment firm, participates in the compensation scheme under Section 128 et seq. of the Act on Capital Market business which is secured by the Investment firms Guarantee Fund (GFOCP), to which it contributes in accordance with § 129 of the Act on Capital Market business.

A detailed GFOCP instructions, information on the terms and conditions of reimbursement, the calculation of the GFOCP compensation amount, non-GFOCP compensation, and other details on the guarantee system are contained in the document named Information on warranty system of Investment firms Guarantee Fund.

Information on the applicable refund scheme and eligibility rules is available on the Bank web site, in the section of MiFID/Information Obligation:
https://www.unicreditbank.sk/sk/ostatne/mifid.html.

As an investment firm, the Bank is not a direct participant in foreign exchange reimbursement schemes, however, on the basis of contractual relationships, it always uses the investment services of its partner banks that are participants in the reimbursement schemes under the legislation of the relevant markets.

The financial instruments or funds, entrusted by the client, including those that may be available to the client in the context of the provision of an investment service, may and will usually be managed by a third party that the Bank uses to perform its services.

These are the persons that are necessary for the proper execution of the investment service, in particular in the sense of ensuring of the following actions:

(i) securing and settlement of a transaction with financial instruments (i.e., a typical transfer of financial instruments and funds),
(ii) keeping of relevant records of financial instruments, securities,
(iii) safekeeping of financial instruments (i.e. primarily in terms of physical entrusting of a financial instrument),
(iv) administration (i.e., in particular, in terms of entitlement to exercise the rights from the relevant financial instrument, but not necessarily physical),
(v) keeping of client funds accounts
(hereinafter referred to as "Custodians").

Typical examples of such custodians are central securities depositories, banks keeping client accounts of an investment service provider, deposit banks, or settlement centres or clearing members of financial instruments markets.

In the case of use of custodians' services, financial instruments or funds of clients are held in their administration on behalf of the Bank (possibly also on behalf of the client) separately from the assets of the Bank and assets held by the Custodian. The Bank and the Custodian are responsible for legal action and, in particular, for the observance of the Custodian's obligations in accordance with applicable law and negotiated contractual relationships. In any case, the Bank shall be liable to its clients for the repayment of all financial instruments and funds in custody in case of the custodian bankruptcy. In this point of view the Bank shall namely maintain appropriate records, carry out regular reconciliations and is obliged to participate in contributions to the relevant client compensation schemes.

The Bank hereby expressly informs the client that the legislation to which the Custodian is subject may allow and usually allow the entrusted financial instruments and funds to be recorded in a collective (aggregate) account. This case involves increased risks and claims, in particular with regard to the due and consistent evidence and unambiguous evidence of the assets and ownership of each particular client to the aggregated financial instruments or funds. In this sense, the bank is required by law to keep follow-up records on behalf of a particular client.

At least once a quarter, the Bank is obliged to send to the client an extract from its mandatorily kept records of financial instruments and client funds held by the Bank (unless they are the subject of a bank statement of monetary accounts in the Bank). The client is entitled to request any explanations or corrections in the records.

The Bank also does not use custodian services where it would be possible for the client's financial instruments to be identified not separately from the financial instruments of that Custodian or the Bank.

The Bank primarily uses the services of those custodians who are subject to EU regulatory and legal requirements that guarantee high standards of protection for the holding of financial instruments and clients' funds. The Bank, to the extent necessary for the execution of investment services for its clients, also uses custodians subject to different regulation and legislation than those which protect the holding of financial instruments and funds of clients of investment service providers in the European Union. Specifically this means that the rights of the client in relation to the financial instruments and financial instruments that are entrusted may differ, in particular, according to the conditions of the separate registration, the deduction of the ownership titles, the functioning of the compensation schemes and so on. However, in such case the Bank will always use these Custodians only subject to the following conditions:

(i) the Custodian operates in a state where there is special regulation for the performance of its activities and, in particular, strict financial market supervision, similar to the standards in force in the European Union (in particular, for example, the US),
(ii) the custodian acts as a local custodian branch of a European Union-based custodian, and it is clear that custodian standards of the European Union are applied throughout its network,
(iii) the custodian operates in the country where the UniCredit Group is represented, and there is an overview on the local regulation and its acceptability in terms of standards of protection of the holding of financial instruments and client funds.

In accordance with legal regulations it is possible for the Bank to exercise, in respect to entrusted or held financial instruments by the client, the right to advance, retention, reinsurance, final settlement or other similar right, in particular under the legislation governing the institute of financial security. The specific terms and conditions for the exercise of these rights are always governed by the relevant contract with regard to the concerned investment service. Certain similar rights in accordance with legal regulations and specific contractual provisions may also be exercised by custodians, in particular in the sense of the lien or the right to set off, which of course does not in any way affect the obligation of the Bank to pass to the client any financial or financial instruments entrusted or held by him/her regardless to the possible exercise of such custodian rights vis-à-vis the Bank to the prejudice to the client's assets, taking into account any legal claims of the Bank itself against the client.
The Bank does not use financial instruments that are part of the client's assets for the purpose of trading in securities financing, trading for own account or for the account of another client.

IV. Other important information

In addition to the above information, the Bank warns the client on several other important information documents relating to the provision of investment services by the Bank.

Pursuant to the Act on securities the Bank is obliged to notify each client to whom the investment service should be provided on the classification in one of three categories. As part of this process, the client will receive appropriate instructions on the categorization indicating differences in treatment and the principles of different levels of protection between nonprofessional clients, professional clients and eligible counterparties.

The client should pay maximum attention to studying contractual documentation. The Bank always provides clients with sufficient time for proper study and is namely prepared to answer any questions so that the client properly understands all provisions.

The Bank, including the international financial group in which it is a member, places the utmost emphasis on protecting the interests of its clients. For this purpose, specific rules are set out by the Bank within the document Policy of conflict of interests.

If there were exceptional cases where the client has the impression that his investment services are not provided with due diligence, the Bank has created and refers the client to its complaints and claims rules. They ensure that the client is always fully satisfied, and the Bank has feedback to continually improve its services.

If UniCredit Bank performs instructions on behalf of the client regarding he financial instruments, the client, in the today's diverse global financial world, may not be certain how the Bank will secure the best possible result for his client to execute his orders. For these purposes, the Bank publishes a separate document, the Strategy of orders execution. Here, the client can learn all the necessary information and conditions for the implementation of the investment guidelines and finds the list of trading venues used by the Bank.

All prices of the investment services provided by UniCredit Bank Czech Republic and Slovakia, a.s., the branch of the foreign bank, including related costs and fees, are stated in the Bank's individual Price Lists.

According to the legislation regulating the provision of investment services not only in the Slovak Republic but throughout the whole EU, the Bank is obliged, before the investment service is provided, to require certain information from the client so that the financial instruments and services can be provided with the necessary professional care.

Increased protection is provided for the investment advisory service and portfolio management of a client’s assets. In such case, the Bank verifies the client’s expert knowledge and experience in investments and in particular, his or her financial background and investment goals. The Bank will not recommend any transactions in investment instruments or investment services that would not be suitable for the given customer with regard to the client characteristics mentioned above.

Bank examines, under applicable legal regulations, the client´s expertise and investment experience, and if the transactions in question are inappropriate in this point of view, it is obliged to warn the client on this fact, but it is authorised to perform the transaction based on the client´s order. The responsibility for the investment decision in question is therefore solely born by the client and not by the investment service provider.
The Bank is obliged to require information from the client regarding his/her needs, characteristics and objectives in order to identify the target market for each financial instrument, i.e. information needed for product governance. If, on the basis of this information, the financial instrument that is the subject of the order is evaluated by the Bank as incompatible with the client's needs, characteristics and objectives, and therefore as being inconsistent with his/her needs, characteristics and objectives, the Bank informs the client, but it is entitled to perform the transaction based on the client´s order. The responsibility for the investment decision in question is therefore solely born by the client and not by the investment service provider. Similarly, this applies even if the client did not provide complete, accurate, true or up-to-date information to the Bank or refused to provide them.

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.

In Bratislava, 10th of October 2022

Warning: This document is a basic document in terms of the obligation to inform clients about the investment service provider pursuant to § 73d of the Act on securities and the article 47 of Delegated regulation of the Commission (EU) 2017/565. Further specific information is provided in the Bank's specific documents, which include, in particular, the Strategy for orders execution, Policy of conflict of interests, information on the Investment firms Guarantee Fund, Complaint rules, Pricelist, Key Information Document, etc.