

INFORMATION ON THE RULES OF EXECUTION OF ORDERS**1. General Provisions**

- 1.1 In order for the Bank to perform its obligations under the Contract, the Client, who is a legal person or a natural person – entrepreneur acting in relation to its business activity, who trades with instruments traded on an Execution venue is required to have LEI (Legal Entity Identifier). In case the Client has no LEI assigned or its LEI is not valid and updated, the Bank may refuse to accept or execute an Order and is not obliged to perform its obligations under the Contract.
- 1.2 While providing investment services, the Bank is entitled to receive payments from third parties, so called inducements. The inducements serve to enhance the quality of services provided by the Bank. The acceptance of such inducements is not in conflict with the Bank's obligation to act in the best interest of the client. The Bank will inform the Client about these inducements according to the regulatory rules. The Bank does not accept inducements related to the forwarding or executing the Client's Order that may lead to breach of the Rules of Execution of Orders.
- 1.3 The Bank satisfies its clients' Orders in a relevant Execution venue at best conditions possible, above all with regard to:
- the price of Securities attainable at the relevant Execution venue under given market conditions;
 - Costs;
 - speed at which the Order can be executed;
 - likelihood that the Order shall be executed, i.e. probability with which the Bank will be able to execute the Order in its entire volume. This factor shall not have a crucial influence shall the liquidity level of the Execution venue be high;
 - volume of the intended Transaction;
 - terms and manner of the Transaction Settlement;
 - type of the Order and other crucial features of satisfying the Order "at best" (e.g. the Execution venue selected by the Client does not accept the defined Order type);
 - other factors important for the Order execution under best conditions.
- 1.4 To determine the relative importance of the factors described in point 1.3 the Bank takes into account the following criteria:
- The characteristics of the customer, his/ her categorization included, i.e. whether the customer is professional or not professional;
 - The characteristics of the Order including information whether the Order is related to securities financing trading (SFT);
 - The characteristic features of Instruments that are subject to the Order;
 - The characteristics of Execution venues where the Order may be executed.
- 1.5 The Bank executes the Client's Order in relation to orders of other clients in the time order the Bank receives them.
- 1.6 **A customer who is not professional.** When executing the Orders of non-professional customers at best possible conditions, the crucial criteria is among others the price of the Instrument and total Costs related to the execution and settlement of the trade. Other factors as speed, likelihood of execution and settlement, size and type of the Order etc. have priority only in case that they bring the best possible result of the Order's execution for the Client.
- 1.7 **Professional customer.** When executing Orders of professional customers at the best possible conditions, other criteria are considered. Nevertheless price and Costs are the crucial parameters. Other important criteria are speed and likelihood that the Order shall be executed. Other criteria are considered according to the type of the Instrument.
- 1.8 **Selection of the Execution venue.** As a rule, the Bank settles Orders of its customers on Execution venues where the level of liquidity of the Instrument to which the Order relates is the highest. These Execution venues meet the criteria of the lowest price and execution Costs, and the high level of liquidity ensures



settlement of the Client's Order in the required volume without delay. Shall the level of liquidity be the same on several Execution venues, the Bank decides according to the criteria described in previous points.

Shall the liquidity of the Instrument be on such a low level that it disables settlement of the Client's Order under current market conditions, the Bank purchases the Instrument on its own account and transfers it to the Client's account subsequently. The Bank decides about the Execution venue based on the price of the Instrument. By following this process related to illiquid Instruments, the Bank is able to get a better price for the Client and fully settle his/ her Order without undue delay. This way of Orders' execution is not subject to specific fees beyond the fees and charges described in the Pricelist.

The Client agrees that the Bank, when executing the Order according to the rules of the Execution venue, is authorized to execute the Client's Order by purchasing the Instrument on its own account and transferring it to the Client's account or any account defined by the Client subsequently.

The list of the Execution venues is available on the internet website www.kb.cz/mifid2.

- 1.9 When executing the Order the Bank follows the instructions of the Client. The Bank notifies the Client that Client's explicit instruction concerning the execution of an Order (e.g. a price limit, an Execution venue where the Order shall be executed, type of Order etc.) may prevent the Bank from executing the Order in accordance with the aforesaid rules. The Client who gives the Bank an explicit instruction related to Order execution is aware of this risk and the Bank will not notify the Client every time the Client communicates the explicit instruction to the Bank. The Bank executes the Client's Order in compliance with these rules with respect to the criteria not specified by the Client.
- 1.10 Considering the complexity and variability of financial markets the Bank cannot guarantee the best possible result for each individual Order. The objective of these rules is to consistently achieve a large amount of Orders executed with the best possible result.
- 1.11 The Orders' execution rules and their effectivity is subject to an assessment performed by the Bank at least on an annual basis or anytime when there is a significant change on capital and financial markets or a change of any other factor that may influence the best possible result for the Client. The Bank annually publishes:
 - 5 Execution venues where the most of clients' Orders was executed within the past year in terms of traded volume, and
 - Summary and conclusions of analysis focused on the quality of execution of Orders on Execution venues where the Orders were executed within the past year.
- 1.12 This information will be published on its website www.kb.cz/mifid2.

2. Placing orders

- 2.1 The Client shall give Orders to the Bank either orally over the telephone or in writing, unless the Contract requires a specific manner for a certain Order. Trading Orders may only be given over the telephone, unless agreed otherwise by the parties to the Contract. Orders may only be given via the links specified in Annexe 1 to the Contract or through other links designed for giving the Orders, which shall be communicated to the Client or made public for this purpose by the Bank. An Order shall be binding as of the moment of being communicated to the Bank (when given over the telephone) or as of the moment of being delivered to the Bank in the manner specified in the Contract (when given in writing) and shall remain in effect until the day set forth by the Client but not longer than by deadlines stated herein.
- 2.2 The Bank shall be entitled to ask the Client to confirm, without any unnecessary delay, an Order for the participation in a primary auction that has been given over the telephone, by delivering it in a written form by fax, in person, by messenger/courier service or by registered letter. In such case, the Order given to the Bank over the telephone shall be binding for the Client, while the Bank shall not be obliged to execute the Order until the Client confirms it in a manner specified in the foregoing sentence.
- 2.3 An Order must include all decisive particulars required by the Bank in the Contract.
- 2.4 Upon receipt of an Order or request for another operation, the Bank shall be entitled to ask the Client to identify himself/herself in a manner satisfactory for the Bank; furthermore, the Bank may request from the Client to identify himself/herself by means of an prearranged password or using technical means of identification, if they are available to the Client (hereinafter the "Authorisation"). A possible non-performance of the Authorisation by the Bank shall not affect the validity of the Order.
- 2.5 Having received an Order for the procurement of a sale of Securities, the Bank shall not examine whether or not the Client is entitled to sell the Securities. Upon receipt of an Order, the Bank shall take steps necessary



for the procurement of a purchase/sale of Securities pursuant to the Order. The Bank shall also be entitled to procure a purchase/sale of Securities by selling Securities owned by itself to the Client or buying Securities from the Client on its own account.

- 2.6 **Merging of orders.** The Bank is entitled to merge several Orders given by its clients, provided that price requirements are identical. In such case, the Bank shall execute the order on its own account for the benefit of the clients and, while subsequently satisfying the Orders of the Bank's clients, respects the chronological order in which the Orders have been given. The Bank merges Orders only under condition when such merging is not less favourable for the Client or for other clients than the separate execution of the Orders. The Bank notifies the Client that although the Orders' execution rules have been adhered to, the merging of Orders might be unfavourable in terms of an individual Order. Shall the merged Orders be settled only partially, individual Orders of clients are settled according to chronological order in which the Bank received the Orders. The Bank is entitled to merge the Clients' Orders with orders on own account. In such a case the Bank always prefers settlement of clients' Orders to settlement of orders on own account.
- 2.7 The Client agrees that the Bank shall be entitled, in order to execute an Order in compliance with terms and conditions of a relevant Execution venue, to purchase a Security for the Client even on its own account and, subsequently, transfer the Security to the Client by crediting it to the Bank's account kept for clients and to the Security Subaccount, or to another account in which Client's Securities are registered.
- 2.8 The Bank notifies the Client that if an Execution venue should suspend trading of certain or all investment instruments registered in the relevant Execution venue and an Order expires before suspension is lifted, the Order shall not be executed.
- 2.9 In case of a failure/breakdown of an information system, telecommunication devices or recording devices, the Bank shall inform the Client, upon the latter's request, about further course of action and the manner of communication. However, the Bank and the Client may agree upon an alternative approach.
- 2.10 The Bank points out that whenever electronic means of communication are used (notably mobile phones, faxes, email or Internet), transferred data may be lost, damaged, delivered incomplete or late, and/or intercepted, misused or used in an unauthorised way. While communicating with each other, the Bank and the Client shall always be obliged to do their utmost to reduce such risks.
- 2.11 The Client may cancel or alter an Order given to the Bank on the condition that terms and conditions of a relevant trading system allow for the cancellation or alteration. The Bank shall make it possible for the Client to alter or cancel an Order on the condition that such alteration or cancellation is technically feasible and the Bank has not taken irreversible steps toward the execution of the Order.
- 2.12 Executing the Orders shall be subject to applicable law and business terms and conditions of trading Securities in the relevant Execution venue in which the Securities shall be traded. The Orders shall also be subject to rules of trading and regulations binding in the relevant Execution venue. The Bank shall make the aforesaid rules and regulations available to the Client upon request.
- 2.13 The Bank shall abide by the terms and conditions set forth by the Client at the moment of giving an Order for the procurement of a purchase/sale of a Security and shall consider such conditions binding when executing the Order. The Bank undertakes to take necessary steps to forward the Order to a relevant Execution venue without any unnecessary delay. The Bank shall have a right to suspend the execution of the Order on the grounds of a reasonable suspicion that Client's assets have been derived from unlawful activities, or other cases specified in the Contract.
- 2.14 The Bank points out that the deadlines and periods of time set forth herein shall be valid on the condition that possible technical problems of the system through which the Order is executed do not hamper its processing.
- 2.15 When processing the orders given by its clients, the Bank shall respect the chronological order in which the orders shall have been given.

3. Types of Client's Orders

3.1 Pursuant to the Contract, the Client can give to the Bank the Orders and advices listed below:

3.1.1 Trading Orders:

- 3.1.1.1 Order for the procurement of a purchase of a Security;
- 3.1.1.2 Order for the procurement of a sale of a Security;
- 3.1.1.3 Order for participation in a primary auction upon the issuance of a Security.

3.1.2 Non-Trading Orders:

Komerční banka, a. s., registered office at Praha 1, Na Příkopě 33/969,

Postal Code: 114 07, IČO (Company ID): 45317054

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3.1.2.1 Order for the procurement of an extract from the central register kept with the Czech CSD;

3.1.2.2 Order for the procurement of an extract from non-included accounts with the Czech CSD.

4. Order for the Procurement of a Purchase/Sale of Securities

4.1 The Bank shall be entitled to request that the Order for the procurement of a purchase/sale of Securities should contain, at least, the information specified below:

4.1.1 First name and surname of the individual listed in the Specimen Signature; Client's trade name and IČO (Company ID);

4.1.2 Identification of the Portfolio Account;

4.1.3 Identification of the Security whose purchase or sale should be procured (name/title and ISIN, or another unique identification, e.g. the Bloomberg code);

4.1.4 Minimal number (quantity) of tradable Securities pursuant to relevant rules of the Execution venue;

4.1.5 Price Limit (in the currency in which the Security is denominated) related to one Security (if no price limit is stated, it shall be implicitly understood that it should be "at best conditions and price");

4.1.6 Validity of the Order (unless specified, any order shall be implicitly valid until the end of the day of its submission);

4.1.7 Transaction currency and Execution venue where the Order should be executed (unless specified, it shall implicitly be the currency and Execution venue of the country in which the given Security is traded).

4.2 The Price Limit can either be expressed as a specific amount in a relevant currency or by the expression "at best", in which case the Bank shall be obliged to procure the purchase of Securities for the lowest possible price and the sale of Securities for the highest possible price that can be attained while purchasing or selling the Securities with due professional care in the time of procurement of the purchase or sale under the Contract.

5. Validity Period of an Order

5.1 An unspecified Order for a purchase/sale of Securities, specifically:

5.1.1 Of shares and similar Securities can be valid up to ten (10) Business Days in accordance with the PSE business calendar, unless agreed otherwise by the parties to the Transaction;

5.1.2 Of debt Securities can be valid for one Business day in accordance with the PSE business calendar;

5.2 The Order for a purchase/sale of Securities with the "at best conditions and price" Price Limit can be valid for one Business day according to the PSE business schedule.

5.3 The Order for participating in a primary auction:

5.3.1 Cannot be revoked after the outcomes of the auction are published;

5.3.2 Remains in force until the auction is settled.

5.4 The Order for a transfer of securities:

5.4.1 Remains in force for 30 calendar days;

5.4.2 The Bank may extend the validity of the Order upon the administrator's request.

6. Modifying and Cancelling an Order

6.1 During the validity period of an Order, the Client shall be entitled to:

6.1.1 Modify the limit price stated in an as yet unfulfilled part of the Order; from the point of view of processing the modified Order (chronological order), the modified Order shall be considered as a new one;

6.1.2 Cancel an as yet unfulfilled part of the Order,

All of this on the condition that such modifying and/or cancelling are possible on relevant Execution venue.

6.2 The Bank shall process modifying and cancelling the Order in accordance with the chronological order of all orders given by the Bank's clients.

7. Investment Securities Registered at Czech Markets

Komerční banka, a. s., registered office at Praha 1, Na Příkopě 33/969,

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The PSE uses the XETRA platform for executing transactions between PSE members. The market participants act anonymously, some of them as market makers, which means that they place their orders for a purchase and sale of a given security at the same time under specified terms and conditions. A market maker must be active throughout 90% of the duration of an open stage.

7.1 Market segments with respect to the kind of a security

7.1.1 Transactions with securities registered at the PSE (XETRA platform)

The below transactions are executed daily, depending on the categorization of a specific security:

- Continuous trading
 - Starts with an opening auction,
 - Goes over to a continuous stage,
 - Ends with a closing auction,
 - An extra auction can be put in if the trading is interrupted;
- Trading in a separate auction intended for bond trading, which takes place on each Business Day;
- Trading in a continuous auction (a sequence of auctions throughout a day) intended for structured products (certificates, warrants).

7.1.2 Transactions with Bonds

In order to satisfy an Order, the Bank shall also be entitled to make use of other platforms in addition to the PSE, namely, Reuters Messaging, Bloomberg Professional Services and/or MTS.

7.2 XETRA platform rules

The Bank forwards an Order to the PSE in the form of an order (request) without any unnecessary delay as soon as it has received it; the Bank guarantees that an Order received by the Bank on a Business Day no later than 10 minutes before the conclusion of the trading in the market shall be forwarded on the same Business Day. The PSE will enter each order (request) forwarded by the Bank in a book of orders and will assign an ID number and a time tag to it. Separate orders (requests) containing the same price are processed and executed depending on their time priority (this rule applies also to the auctions). In case of any alteration to the Order, a new time tag is assigned to the ensuing order (request). In order to ensure orderly trading, the PSE is entitled to delete all orders (requests) forwarded by the Bank. After such orders (requests) are repeatedly inputted by the Bank, new time tags are assigned to them.

7.3 Types, attributes, and time specifications of the Order

Order containing a Price Limit and those containing the “at best conditions and price” parameter are described above under Article 4.2. The Client can also submit Orders containing the parameters specified below in this Article 7.3. If any of the below Orders cannot be registered in the market due to current market conditions, the Bank shall notify the Client about this fact.

The Bank accepts the following types of Orders:

- Order containing a price limit,
- Iceberg Order,
- Market Order “Stop”,
- Limit order “Stop”,
- VWAP Order,
- Market on Close,
- Market on Open,
- Volume Order,
- Order containing a time limit (Good-for-Day, Good-till-Date, Good-till-Cancelled),
- Fill or Kill,
- Surplus order.

7.4 Investment Securities Registered Abroad

7.4.1 Regulated Foreign Execution venues

Komerční banka, a. s., registered office at Praha 1, Na Příkopě 33/969,

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- 7.4.1.1 When submitting an Order for a purchase or sale of a Security traded in several Execution venues abroad, the Client shall be entitled to specify an Execution venue where it requests that the Transaction shall be executed.
- 7.4.1.2 If the Client, submitting an Order for a sale of a Security traded on several Execution venues abroad, specifies an Execution venue different from that in which the Security has been acquired, it must be aware that the Security must be transferred from one Record Administrators to another, which may prolong the Settlement of the transaction.
- 7.4.1.3 The Bank ensures that an Order submitted on a given Business day shall be, within 10 minutes after it is received by the Bank, forwarded to a network of partner securities traders (brokers) that have access to relevant Execution venues.
- 7.4.1.4 In order to satisfy an Order, the Bank makes use of other platforms such as Reuters Messaging, Bloomberg Professional Services and/or BondVision, eventually other provider.
- 7.4.1.5 The Bank is able to provide a purchase of Securities directly from relevant issue administrators, usually banks, e.g. Société Générale Paris, Société Générale London, Barclays, IMI Milano etc.

7.4.2 Non-Regulated Foreign Execution venues

- 7.4.2.1 If the Bank receives an Order that cannot be satisfied on an Execution venue, the Bank tries to satisfy it without unnecessary delay after its receipt.
- 7.4.2.2 When executing Client's Orders, the Bank respects orders' execution rules described in this document to the maximum extent possible. Since there is no Execution venue with high liquidity level, the main parameters for the Order settlement is price of the Instrument and the costs of Order execution.
- 7.4.2.3 The Client is aware of the fact that providing a purchase of Securities as per Article 7.4.2.2 hereof is time-consuming. For current information as to the execution of an Order please contact a Bank's salesman.

8. List of the Execution venues where Transactions are concluded

- 8.1 The Bank ensures Transactions with Securities tradable in the Czech Republic primarily at the PSE. As for Foreign Markets, the Bank has an access through third parties. The third parties are broker companies which were chosen by the Bank based on criteria such as orders' execution policy, world's markets coverage, reliability of settlement, fees policy etc. These third parties proved themselves in past by quality, reliability and speed of orders' execution. The Bank regularly assesses the selection of these third parties to achieve the best possible results for a Client in long run.
- 8.2 The list of broker companies and Execution venues, to which the Bank has an access to through these broker companies, is available on website www.kb.cz/mifid2. The Bank is able to receive all kinds of Securities traded on these Execution venues.

9. Final Provisions

- 9.1 Terms not defined in the Contract or in the General Terms and Conditions shall have the meanings assigned to them in relevant regulations of PSE. Apart from the terms defined in the Contract and the General Terms and Conditions and if not stated otherwise in this document, other terms with first capital letter used in this document have the following meaning:



9.2 :

“**PSE**” is the Prague Stock Exchange, registered office at Praha 1, Rybná 14/682, IČO (Company ID): 471 15 629, registered at Commercial register maintained by the Municipal court in Prague section B, insert 1773.

“**Execution venue**” is a regulated market, multilateral trading facility, organised trading facility, systematic internaliser or market maker or other provider of liquidity or other subject that has a similar function to those mentioned in this point in a third country.

“**Costs**” are all expenses reasonably incurred, including all fees of third parties which participate on Service provided by the Bank according to the Contract, incurred in relation to signing, execution, change, termination or breach of the Contract and any other contract signed based on or in relation with the Contract, as well as all costs incurred on protection or execution of any right of the Bank according to the Contract and all contracts signed based on or in relation with the Contract. The costs and fees described in the first sentence of this article which relate to the execution based on the Contract might be described in the Pricelist in detail.

“**Instrument**” is an investment instrument or any other instrument, including leveraged instruments, to which the services provided by the Bank relate.

“**Services**” are investment services, eventually other services, provided by the Bank to the Client according to the Contract.