

RULES OF INSTRUMENTS TRADING BY KOMERČNÍ BANKA, A.S. Definitions

1.1 Terms that begin with a capital letter shall have the meanings defined below in this Rules or in a relevant frame agreement:

“**Bank**” is Komerční banka, a.s., registered office at Praha 1, Na Příkopě 33/969, Postal Code: 114 07, IČO (Company ID): 45317054, entered into the Commercial register kept by the Municipal Court in Prague, section B, insert 1360.

“**Costs**” are for the purposes of these Rules all payments related to the Trade, paid by the customer beyond the price of the Instrument, based on the requirement of the Bank or on the requirements of third parties which participate on Service providing.

“**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 mention in this point in a third country.

“**Financial product**” shall be a term deposit with an individual interest rate, short-term credit on financial market, FX spot or other similar product which is not an Instrument, securities excluded.

“**Instrument**” shall mean an investment instrument according to the Act on Capital Market Business (namely derivative instrument or money market instrument), securities excluded.

“**Order**” shall mean a requirement stated by the customer, based on which the Bank takes relevant steps in accordance to these Rules leading to the conclusion of a contract on purchase or sale of an Instrument or a Financial Product on the account of the customer, including conclusion of a contract on purchase of an investment instrument by the Bank on the account of the customer in the moment of its issuance, and therefore making a Trade.

“**Quotation**” shall mean a way of conclusion of a transaction as described in article 4 of these Rules.

“**Rules**” shall mean these Rules of instruments trading issued by the Komerční banka, a.s.

“**Service**” shall mean a main investment service according to the Act on Capital Market Business.

“**Trade**” shall be a contract between the customer and the Bank executed under and within the framework of a relevant frame agreement, whose subject matter is negotiating of the terms and conditions of Instruments or Financial Products. Trade might be also concluded as a one-off contract without relevant frame agreement. Trade is also a trade executed under other agreements between the customer and the Bank, the purpose of which is to negotiate the terms of the Financial Products.

2. General provisions

2.1 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 customer. The Bank will inform the customer about these inducements according to the regulatory rules. The Bank does not accept inducements related to the forwarding or executing the customer’s Order that may lead to breach of the Rules.

2.2 In order for the Bank to perform its obligations under the contract, the customer, 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 customer has no LEI assigned or its LEI is not valid and updated, the Bank may refuse to accept or execute an Order, or to offer a Quotation to the customer.

3. Force of the Rules

3.1 The Rules shall apply to the Trades.

3.2 The Rules shall apply in the same extent to all customers regardless their classification as professional customers or customers that are not professional, unless the Rules or relevant regulation states otherwise.

3.3 The Rules shall apply to the Services

- a) reception and transmission of orders related to investment instruments,
- b) execution of orders related to investment instruments on the customers’ account and
- c) trading in investment instruments on own account,

and to similar services provided in relation to Financial Products.



- 3.4 The Rules specified in this document and associated with reception of a Binding Order on an Execution venue and reception of a Binding order related to an Instrument, shall be both considered as fulfilment of the Bank's obligations under relevant regulatory rules stipulating the Bank's obligation to inform the customer about orders' execution rules.
- 3.5 The customer acknowledges that the Bank is authorized while executing Order according to the rules of the respective Execution venue, to make a purchase/ sale of an Instrument on its own account and subsequently transfer the Instrument to the customer's account by crediting it to the customer's bank account or to another account, as instructed by the customer.
- 3.6 The main investment service, investment advisory, is not usually part of the Services described in paragraph 3.3. The Bank is nevertheless ready to provide this service to customers on demand. This service is usually subject to fee according to respective contract.

4. Types of trading

For the purpose of these Rules, basic types of trading shall be defined as follows:

- 4.1 **One-sided or two-sided quotation.** Based on customer's request by which the customer defines basic parameters of demanded Instrument or Financial product, the Bank offers a price (respectively other parameters) at which it is ready to conclude a Trade with the customer. The offered price is the final price and if the Bank does not inform the customer about any other related Costs ahead of the Trade, it is assumed that the Costs are zero. By the manner described in this paragraph the Bank provides the Service of trading in investment instruments on own account.

The customer chooses one of the following options:

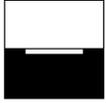
- (i) Accepts the offered price "bid" and the Bank buys the Instrument or the Financial product from the customer,
- (ii) Accepts the offered price "offer" and the Bank sells the Instrument or the Financial product to the customer, or
- (iii) The customer does not accept any of the quoted prices and the Trade is not concluded.
- (iv) Offers own price at which he/ she is ready to buy or sell the Instrument or the Financial product. The Bank has the right to accept or deny such offer, or to offer a different price.

The difference between the bid and offer price (so-called "spread") is derived from customs of trade in the inter-bank market with respect to given Instrument and current volatility of prices of such Instrument. The Bank does not guarantee the value of the spread to its customers.

Shall the customer demand an Instrument the Bank by the manner described in this paragraph, provides the Service trading in investment instruments on own account.

The Trade is concluded when the customer accepts the Quotation or offers other price of the Instrument that is consequently accepted by the Bank. The Bank or the customer are authorized to revoke their offer only within the ongoing phone call immediately after its acceptance by the other party, and solely under condition that the Quotation was obviously out dated or does not correspond to market conditions in the moment of acceptance.

- 4.2 **The Bank's commitment related to Quotations.** The Bank shall offer to customer such a price that corresponds to current market prices adjusted for the Bank's margin which mainly reflects the risks incurred. The Bank controls the market prices and the adequacy of each margin. When defining a market price of an Instrument traded on Execution venue the Bank proceeds according to point 5. of the Rules.
- 4.3 **Binding Order in the trading system.** If the customer places a binding Order to Trade in an Instrument traded in a trading system, the Bank shall apply professional care to ensure that such order is executed in accordance with rules described in point 5. of the Rules. The Bank informs the customer on assumed margin, i.e. on the difference between the price of the Instrument achieved in the trading system and the final price of the Instrument, resp. Costs paid by the customer above the final price, ahead of accepting the Order. By putting the Order the customer accepts the margin and the Costs. The customer acknowledges that the Bank may execute such Order outside the trading system shall such doing better meets the rules described in point 5 of this Rules.
- 4.4 **Binding Order.** Based on rules described in respective frame agreements concluded with customers, resp. based on a different agreement, the Bank accepts a binding Order to execute a Trade. The Bank may accept a binding Order related to an Instrument that is not traded on Execution venue, or to a Financial product. The Bank informs the customer about all Costs related to the Order ahead of its reception and the customer accepts the Costs by placing the Order. The Bank commits itself to apply professional care to ensure that such Order is executed and to execute the Order immediately after following conditions are met:
- a) The Bank is ready to conclude a Trade with the customer, i.e. the market parameters influencing calculation of the final price reached such values that the calculated price is acceptable for the Bank;



- b) The Order is still valid, i.e. the Bank executed the Trade within the time limit of the Order set by the customer and the Order has not been revoked by the customer; and
- c) The Bank has sufficient volume of free credit limit related to the customer, shall such limit be required according to internal rules of the Bank.

4.5 The Bank shall further notify the customer of the execution of his/her/its Order (placed according to the paragraph Binding Order in the trading system or Binding Order) without any unnecessary delay and in the manner agreed upon in a relevant frame agreement or in another usual manner, and shall send to the customer a confirmation of the Trade in a usual manner. In case of Binding Order in the trading system, the Bank informs the customer about price received on an Execution venue and about the final price of the Instrument including the advised margin. The Bank informs the customer about related Costs (if any) at any case of Order. Once the valid o has been executed, the Trade between the customer and Bank shall have been properly concluded and the customer shall not be entitled to cancel (withdraw from) it unilaterally.

4.6 **Indicative Order.** The Bank shall accept indicative orders to Trade in accordance with rules set forth in relevant frame agreements concluded with the customers or based on other agreements.

4.7 Based on an indicative order, the Bank shall notify the customer about its readiness to conclude a Trade with the customer, either with the same Trade parameters as those required by the customer in the indicative order or at a price of the Instrument more favourable for the customer. The Bank hereby commit itself to take reasonable effort to contact the customer as soon as possible after such circumstances regarding market conditions with respect to the Instrument in question occur, and to do so in the manner agreed upon in a relevant frame agreement or in another manner usual in the market. By placing the indicative order, the customer is committed to conclude the Trade. By accepting the indicative order the Bank does not commit itself to notify the customer about its readiness to conclude the Trade at all costs, not even in case the Bank has already notified the customer about its genuine readiness to conclude the Trade.

5. Information on the rules of Orders execution

5.1 Regarding the Instruments traded on Execution venues, the Bank executes Orders of its customers in full or partly on Execution venues at best conditions possible taking into account in particular:

- the price of Instruments 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;
- volume of the intended Trade that might influence the price and the likelihood of the Order execution;
- terms and manner of the Trade settlement`
- type of the Order that might influence the Bank's ability to meet the rules of orders execution to their full extent;
- other factors important for the Order execution under best conditions.

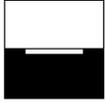
5.2 To determine the relative importance of the factors described in point 5.1 the Bank takes into account the following criteria:

- 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.

5.3 The Bank executes the customer's Order in relation to orders of other customers in the time order the Bank receives them.

5.4 **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 to the customer.

5.5 **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.



- 5.6 **Selection of the Execution venue.** When executing its customers' Orders the Bank chooses such Execution venues that enable the Bank meeting the rules described in the points above in the long run, with respect to the priorities for each group of customers.
- 5.7 **The list of Execution venues** is available on the internet website www.kb.cz/mifid2. The Bank notifies the customer that the list of Execution venues does not have to be complete at all times, nevertheless it includes those Execution venues on which the Bank relies mostly when executing customers' Orders. The Bank reserves its right to execute an Order on a different Execution venue that might be considered as most suitable according to these Rules. The Bank may expand or narrow the list of Execution venues. The Bank will not inform the customer about each such a change of the Execution venues list.
- 5.8 **Customer's Orders.** When executing the Order the Bank follows the instructions of the customer. The Bank notifies the customer that customer'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 Rules. The customer who gives the Bank an explicit instruction related to Order execution is aware of this risk and the Bank will not point this fact every time the customer communicates the explicit instruction to the Bank. The Bank executes the customer's Order in compliance with these Rules with respect to the criteria not specified by the customer.
- 5.9 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.
- 5.10 The 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 financial markets or a change of any other factor that may influence the best possible result for the customer. The Bank annually publishes:
- 5 Execution venues where the most of customers' 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.

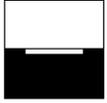
This information will be published on its website www.kb.cz/mifid2.

6. Further rules related to Trades concluding

- 6.1 Trades concluded pursuant to these Rules (except for Binding Orders on an Execution venue) are not subject to any other Costs paid by the customer. If otherwise, the Bank shall always notify the customer by relevant frame agreement or in another manner prior to concluding the Trade in question.
- 6.2 The Bank is by no means committing itself to offer to the customer a price according to article 4.1 of these Rules, or to accept an Order from the customer according to articles 4.3 and 4.4 of these Rules. The most usual reason for refusing to offer a price or to accept an Order (the Bank is not obliged to provide reasons of the price or Order refusal) might be an insufficient amount of the credit limit (facility) set aside by the Bank for the customer or a fact that the Bank is unable to execute a specified type of Order.
- 6.3 While trading in the Financial Products, the Bank shall not be obliged to comply with the Capital Market Trading Act; the Bank shall treat the Financial Products with the same professional care as it does while trading the Instruments.

7. Rules related to reception and transmission of Orders

- 7.1 The Bank may fulfil an Order according to 4.3 or 4.4 by placing an own related order to the Execution venue or to other entity, or by concluding a deal with another entity, even outside its business hours. If the related order is executed outside the Bank's business hours, the Bank shall notify the customer about the execution of the Order during its normal business hours as soon as it learns of the execution. The customer shall not be entitled to cancel the Order in case the related order has already been executed and the Bank has not yet notified the customer or has not been able to notify the customer despite reasonable efforts. Shall the customer not agree with such proceedings the customer shall notify the Bank before placing the Order.
- 7.2 When assessing whether the Bank is prepared to execute a Binding Order pursuant to article 4.4 (a) of these Rules, the Bank shall especially take into account current market prices and is influenced also by other factors such as costs of capital of the Bank, customer's credit risk, Bank's margin etc.
- 7.3 **Execution venues** at which the Bank is able to trade, shall be defined for the purpose of these Rules as groups of eligible counterparties with which the Bank shall have agreed to, or which may be expected to be able to, conclude Trades with the Bank, related to specific types of Instruments. The numbers of the eligible counterparties in the separate groups shall continually change and the Bank shall always aim to ensure that these groups include a sufficient number of entities whose position within the relevant Instruments' market is strong. For the purposes of achieving the best possible results for its customers in the long run, the Bank regularly assesses the selection of



these counterparties. The list of these counterparties, including types of Instruments traded with these counterparties, is available at www.kb.cz/mifid2.

7.4 The Bank divides the Orders defined in articles 4.3 and 4.4 into the below groups according to the manner in which the Orders are executed depending on the variation in prices of the Instruments or Financial products:

7.4.1 Limit Buy Orders:

- a) **“stop loss”** its aim is usually to buy the Instrument for the limit price which ensures the customer maximum acceptable loss when price increases. In such a case the Bank accepts/executes the Order with price higher than the current market price (ask) at the time of submitting of the Order.
- b) **“take profit”** its aim is usually to buy the Instrument for the limit price which ensures the customer minimum required profit when the price decreases. In such a case the Bank accepts/executes the Order with price lower than the current market price (ask) at the time of submitting of the Order;

7.4.2. Limit Sell Orders:

- a) **“stop loss”** its aim is usually to sell the Instrument for the limit price which ensures the customer the maximum acceptable loss when price decreases. In such a case the Bank accepts/executes the Order with price lower than the current market price (bid) at the time of submitting of the Order.
- b) **“take profit”** its aim is usually to sell the Instrument for the limit price which ensures the customer minimum required profit when price increases. In such a case the Bank accepts/executes the Order with price higher than its current market price (bid) at the time of submitting of the Order;

7.4.3 **Order at best**– this type of Order is executed solely on Execution venues according to article 4.2. The Bank shall execute the Order at the best current price it can offer to the customer while respecting the procedure according to the article 4 of these Rules.

7.5 **Right not to accept an Order.** In case the customer places one of the Orders which states a limit price, the Bank reserves the right not to accept such an Order, shall the Order price be very close to the current market price, and with respect to the time necessary for technical processing of the Order the Bank shall not be able to executed the Order with proper due care and in accordance to these Rules.

The Bank is entitled to refuse the customer's Limit Order solely in situations:

- When the current market price is so close to the limit price that it is technically impossible to ensure the cancellation of the Order on an Execution venue or of the related order according to 7.1 without exposing the Bank to the risk that it will accept the cancellation but the Order will be executed meanwhile.
- The Execution venue or other entity according to 7.1 refuses cancellation of the Limit Order according to standards of the relevant Execution venue.

7.6 **Other realization price.** When executing Orders of the “stop loss” type, the Bank reserves the right to execute the order even for price higher, or lower, than the price stated in the Order, that the Bank was able to obtain/get in market. The Bank proceeds in this way only in case that the way of market movement did not enable the Bank to execute the order for the requested price. When submitting/placing this type of Order the customer must take into consideration that the requested maximum loss might be even higher than the customer requested.

7.7 The Bank and the customer might agree on a different type of Order than described above. The agreement must have such a form that none of the parties might have doubts of the character and the way of execution of such an Order.