

CLIENT ASSETS HANDLING POLICY

PPF banka a.s.

having its registered office at Prague 6, Evropská 2690/17, post code: 160 41

Company identification No.: 47116129

registered in the Companies Register kept by

by the Municipal Court in Prague, Section B, Insert 1834

This document specifies legal obligations of a Dealer when handling Client's assets.

1. Client Funds Deposit

- 1.1 If a Client does not use the Bank Trading Account for the Provision of a Transaction, the Dealer shall record the Client Funds, which were provided by the Client for the purpose of provision of a respective investment service, in compliance with relevant provisions of the Act on Undertaking on Capital Market, on the SCA, which the Dealer undertakes to establish for these purposes under a respective Client Agreement.
- 1.2 The Dealer pays interest on the Clients Funds in CZK, EUR and USD kept on SCA accounts. Client Funds kept on SCA in other currencies do not yield any interest. The Dealer accredits interests from the Clients Funds kept on SCA to the Clients on a quarterly basis, always at latest by the 10th day of the month following after termination of the calendar quarter. In accordance with the Income Taxes Act No. 586/1992 Coll., , a withholding tax in the amount of 15 % is deducted from the interest if it represents income of a natural person - resident or non-resident, who did not submit a confirmation of the tax domicile. If a non-resident Client submits a confirmation of the tax domicile, the withholding tax shall be regulated by the double taxation prevention treaty between the Czech Republic and the country in which the Client has its tax domicile.
- 1.3 The Dealer keeps records of funds received from the Client and adopts measures with the aim of securing efficient and sufficient separation of the Client Funds from other clients' funds and the Dealer's funds.
- 1.4 The Dealer is entitled to offset its claim for a Consideration, which includes the Remuneration, Fees and Costs incurred in connection with the provision of the investment service, against the Client Funds kept on the Bank Trading Account or the SCA after the Dealer has informed the Client on the amount of the Consideration.
- 1.5 The Dealer is entitled to offset the proceeds (interest) from the Client Funds, which are deposited on the Bank Trading Account or SCA in connection with the fulfilment of the Dealer's obligations, against the receivable represented by the Remuneration for the provision of the investment service.

2. Client Investment Instruments Deposit

- 2.1 In accordance with the requirements of the Act on Undertaking on Capital Market the Dealer keeps records of the Client Investment Instruments, which were entrusted to the Dealer. However, for instance cases when the Client Securities are kept on the Client Asset Account directly at CDS are not regarded as custody.
- 2.2 The Dealer is entitled to deposit the Client Investment Instruments into a third party's account, namely in case of certificated Investment Instruments and further Foreign Investment Instruments. When the services of a third person are used, the Dealer ensures well-considered selection of such third person in compliance with relevant provisions of the Act on Undertaking on Capital Market.
- 2.3 If the Client Investment Instruments are kept on a nominee account together with the Investment Instruments of other clients, the Dealer adopts measures for the prevention of transfer of risks of one Client's transactions or the Dealer's transactions to other clients. In spite of that, such risk transfer may occur in exceptional cases and the Client Investment Instruments kept on the nominee account may be used by the Dealer or the third person as a security for other clients' or Dealer's obligations, including the possibility of their sale or other alienation.¹

3. Client Assets Deposit Abroad

- 3.1 If it is necessary for the provision of a service required by the Client, the Dealer may keep the Client Investment Instruments and Funds with a third person abroad, including countries outside the European Union.
- 3.2 If the Client Investment Instruments and Funds are kept with a foreign person, the Dealer adopts measures to ensure their differentiation from such person's assets. In spite of that, it may occur in exceptional cases that such differentiation may not be possible or sufficient. In such case the Client Investment Instruments and Funds kept with such person may be used as a security for such person's obligations, including the possibility of their sale or other alienation.

4. Information on Order Execution State

- 4.1 The Dealer informs the Client on the Order execution or on a failure to execute an Order without undue delay in a manner specified in the Investment Services Terms and Conditions.
- 4.2 Upon the Client's request, the Dealer provides information on the status of a not yet executed Order in a manner specified in the Investment Services Terms and Conditions without undue delay after receipt of the Client's request.

¹ This is to note the risk of nominee accounts pursuant to Section 20 par. 3 letter c of Regulation No. 303/2010 Coll.

5. Information on Client Assets State

- 5.1 The Dealer is obliged to inform the Client on the state of the Client Funds and Investment Instruments once a year, unless the Client requests more frequent information.

6. Information about the Securities Dealers Guarantee Fund and Deposit Insurance Fund

- 6.1 Pursuant to the provisions of the Act on Undertaking on Capital Market, the Securities Dealers Guarantee Fund ("Guarantee Fund") ensures a compensation system, from which compensations to clients of a securities dealer, who is unable to perform its obligations towards its clients, are paid.

- 6.2 Under the terms and conditions stipulated by the Act on Undertaking on Capital Market namely the following persons may not claim compensation from the Guarantee Fund:

- (a) The Czech Consolidation Agency;
- (b) territorial self-governing units;
- (c) a person who, during the 3 years preceding a notice on the Dealer's inability to perform its obligations towards its clients submitted by the Czech National Bank to the Guarantee Fund,
 - (i) performed audit or participated in the performance of an audit of a securities dealer, whose clients is paid the compensation from the Guarantee Fund;
 - (ii) was a manager of the securities dealer, whose clients is paid the compensation from the Guarantee Fund;
 - (iii) was a person with qualified participation in the securities dealer, whose clients is paid the compensation from the Guarantee Fund;
 - (iv) was a next of kin pursuant to the Civil Code to the person specified under items (i) to (iii);
 - (v) was a person belonging to the same business group as the securities dealer, whose clients is paid the compensation from the Guarantee Fund;
 - (vi) performed audit or participated in the performance of an audit of a person belonging to the same business group as the securities dealer, whose clients is paid the compensation from the Guarantee Fund;
 - (vii) was a manager of a person belonging to the same business group as the securities dealer, whose clients is paid the compensation from the Guarantee Fund;

- (d) a person, in which the securities dealer, whose clients is paid the compensation from the Guarantee Fund, or a person with qualified participation in the securities dealer have more than 50 % share in the registered capital or voting rights;
 - (e) a person who in connection with legalization of proceeds from crime entrusted to the securities dealer, whose clients is paid the compensation from the Guarantee Fund, funds obtained from crimes;
 - (f) a person whose criminal act caused that the securities dealer, whose clients is paid the compensation from the Guarantee Fund, is unable to fulfil its obligations towards clients.
- 6.3 Under the terms and conditions of the Act on Undertaking on Capital Market the compensation from the Guarantee Fund is provided to the Client in the amount of 90 % of the volume of the Funds and the real value of Investment Instruments, which could not have been released to the Client, however the amount paid in CZK may not exceed an equivalent of EUR 20,000 per one Client with one securities dealer.
- 6.4 Pursuant to the provisions of the Act on Banks, the Deposit Insurance Fund ensures compensation for claims from deposits to Authorized Persons.
- 6.5 Under the terms and conditions specified in the Act on Banks namely the following persons may not claim compensation from the Deposit Insurance Fund:
- (a) banks and international banks;
 - (b) financial institutions;
 - (c) health insurance companies and
 - (d) state funds.
- 6.6 Under the terms and conditions stipulated in the Act on Banks, compensation from the Deposit Insurance Fund is provided to the Authorized Person in the amount of the 90 % of the sum determined from all insured claims from deposits of the Authorized Person with the Bank, including its shares on accounts kept for two and more co-owners, however, the amount paid may not exceed EUR 50,000 per one Authorized Person with one bank, whereas with effect to 31 December 2010 this amount shall change to EUR 100,000.