

PPF BANKA A.S. – INFORMATION ABOUT OMNIBUS ACCOUNTS FOR SECURITIES AND THE RISKS RELATED TO THE ADMINISTRATION AND SAFEKEEPING OF SECURITIES

1. Under Section 15d(1) of Act No 256/2004 on Capital Market Undertakings, PPF banka a.s., having its registered office at Praha 6, Evropská 2690/17, postcode 160 41, Company No. [IČ]: 47116129 (“the Bank”), is obliged to advise its clients of the fact that the foreign securities (“the securities”) that the Bank administers for the clients are, in accordance with the customary practice on international capital markets, deposited or recorded with foreign securities custodians or depositaries (“securities custodians”). The Bank uses the services of both global and local securities custodians. Global securities custodians administer securities regardless of whether or not a given country’s law regulates the securities in question. Local securities custodians administer only the securities that are governed by the law of the country in which the respective custodian is established. A list of the custodians whose services the Bank is using is at the end of this document.

2. Every country’s law defines the legal owner of a security issued under the respective law. As regards certificated securities, the ownership of a security is usually associated with the ownership of the relevant certificate, while the ownership of dematerialised or immobilised securities is usually associated with an entry in certain ‘constitutive’ (constituting a right) records. In line with the customary practice on international capital markets, certificated securities are usually held by securities custodians established in the country whose law governs the securities in question (for example, Italian certificated bonds are usually held by securities custodians established in Italy). By the same token, constitutive records of dematerialised securities are kept by custodians established in the country whose law governs the securities in question. Securities custodians that keep constitutive records of dematerialised securities or hold certificated securities are usually called central securities depositaries. More detailed information about the systems for recording securities and about the working of central securities depositaries in various countries can be obtained from the website of the International Securities Services Association (www.issanet.org).

Most of securities custodians (including those whose services the Bank is using) do not keep constitutive records of dematerialised securities, nor do they directly hold certificated securities, but use the services of central securities depositaries or those of other securities custodians as intermediaries. Thus, multi-tier systems for keeping records of securities, composed of several “tiers” of securities custodians, exist on international or foreign capital markets.

3. The Bank keeps accurate records of the securities that it administers for its clients in each client’s asset account; it is possible to identify from the records the specific client for whom the respective securities are administered. However, the securities custodian whose services the Bank is using records the administered securities only collectively, in omnibus accounts (nominee accounts, trust accounts etc.) that are kept in aggregate for the Bank as the customer of this securities custodian. Any other securities custodian that may potentially keep the omnibus accounts for the securities custodian whose services the Bank is using may also keep records of securities in the same way (for example, the Bank keeps its clients’ asset accounts and at the same time has an omnibus account open with custodian A, in which securities are recorded collectively for the Bank’s clients; further, custodian A has an omnibus account open with custodian B, in which securities are recorded collectively for clients of custodian A; and so forth, down the line to a custodian who is a central securities depositary that keeps the ultimate,

constitutive records of the respective securities or physically holds the respective certificated securities).

4. Multi-tier systems of omnibus accounts, maintained by securities custodians, have been spawned by the needs of capital market development in other countries, chiefly to reduce the costs and risks incurred in the actual possession of securities and because of the need to provide for the safe and effective settlement of securities transactions. Omnibus account systems significantly reduce the costs and risks that would otherwise be incurred in the actual possession of securities and in the settlement of securities transactions, also for the Bank's clients. In addition, without omnibus accounts it would frequently not be possible at all to make investments in securities on capital markets in other countries.

5. Due to the existence of the multi-tier systems of omnibus accounts and in line with the customary practice on international or foreign capital markets, the securities administered by the Bank are recorded in the client's name solely in the records kept by the Bank but not in the omnibus accounts kept by the other securities custodians. For clients, this fact increases the risk in the case of any of the securities custodians' failure (for example, it cannot be completely ruled out that the consequences of a breach of the due diligence obligation, committed by the custodian in relation to another client, are transferred to the client; in other countries, securities custodians sometimes establish security rights to securities recorded in omnibus accounts, on the basis of which a securities custodian can, for example, liquidate the securities in question in the case that its counterparty for which it keeps records of the securities in an omnibus account defaults on its obligation to this custodian, etc.). In addition, in the case of omnibus accounts a client's individual claims may not be identifiable through certificates or other documents or records, and in the case of non-compoundable shortfalls (losses) following a securities custodian's failure, clients can share the loss jointly in proportion to their respective share of the securities collectively recorded in the omnibus account.

6. Multi-tier records of securities in omnibus accounts increase the risk for clients primarily in the case of the securities custodian's insolvency. In such a case the national law that would govern the receivership or similar proceedings against the insolvent securities custodian would be the governing law for protecting and exercising the client's proprietary rights. In such cases, the various countries' legal systems do not always provide sufficient protection for the proprietary rights of securities custodians' clients who are the end investors. The Bank shall not be held accountable or liable for any securities custodian's insolvency and shall not be held accountable or liable for any securities custodian's performance of its obligations. The Bank is accountable for breaches of its legal obligations, *inter alia* for applying due diligence in selecting the securities custodians whose services it is using (i.e. the securities custodians listed under point 7 hereinafter).

7. List of the securities custodians whose services the Bank is using:

a) Global securities custodians:

Clearsteam Banking, Luxembourg

Deutsche Bank Aktiengesellschaft, the Prague office ['organisational component']

Raiffeisen Bank International AG, Vienna

The Bank reserves the right to change the list of the securities custodians shown hereinabove. The Bank shall notify its clients of changes in the list of securities custodians in a suitable manner.

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