

## ALLOCATION AND PRICING POLICY

### 1. Introduction

#### 1.1 Purpose

This Allocation and Pricing Policy (the “Policy”) sets out the procedures and rules applied in the pricing and allocation of financial instruments when providing the main investment services of underwriting or placing of financial instruments on a firm commitment basis and placing of financial instruments without a firm commitment basis within the meaning of the Capital Market Act (“CMA”) and the current amended versions of Directive 2014/65/EU of the European Parliament and of the Council and Commission Delegated Regulation 2017/565.

### 2. General principles

1. The Bank carries out the process of placing financial instruments in compliance with the applicable laws and regulations governing the underwriting and placement of financial instruments, in the interest of ensuring transparency in its relations with both Issuers and Clients (also referred to as “Investors”) and with the aim of avoiding conflicts of interest. The issue of conflicts of interest in this area of investment services is regulated by the internal policies “Management of Conflicts of Interest in the Provision of Investment Services” and “Conflicts of Interest Policy”, and other policies of the Bank. Conflicts of interest are appropriately managed, both at the Bank level and at the level of the group to which the Bank belongs, to ensure that Issuers and individual Investors are treated with due professional care.
2. In carrying out its placement and underwriting activities, the Bank takes into account the different interests of the Bank, Issuers and individual Investors. The Bank has an internal organisational structure that creates a separate framework of responsibilities for the competent Bank unit dealing with Issuers and another separate framework for the competent Bank unit dealing with Investors, with no overlap in the responsibilities of these units that could give rise to conflicts of interest, i.e.:
  - (i) The DCM Manager is responsible for all dealings with Issuers, in particular developing allocation and pricing proposals;
  - (ii) The Investment Banking Division is responsible for all dealings with Investors, in particular communication, and handles these through its (i) Private Banking Department, (ii) Investment and Transaction Services Department, (iii) Sales Department for Institutional Clients, and (iv) Sales Department for Corporate and Municipal Clients.
3. The Bank strives to ensure that allocations are as consistent as possible with the interests, objectives and preferences of the Issuer, and acts in the best interests of the Issuer during this process. The interests, objectives and preferences communicated by the Issuer are recorded by the Bank. The Bank believes that the interests, preferences and objectives of the Client are best served by a transaction process/structure, or a specific method of allocation, where the objective of the Bank is to find the best possible timing for the process/transaction with consideration to the current supply of the financial instruments on the target markets, the principle of efficient allocation, the stability of the financial instruments, and the existence of a sufficiently liquid secondary market. From this perspective, the Bank considers the interests, objectives and preferences of the Client to be among the key factors involved in shaping the transaction process/structure, or in carrying out the allocation process itself, although these cannot be the sole determining factors, as the specific form a transaction takes generally depends on a combination of factors.

4. All internal and external communications relating to the placement of financial instruments, including communications within a Syndicate (as defined below), must be truthful and free from misrepresentation. The Bank generally sets regular, periodic dates for the disclosure of information (if there is any to be disclosed). If a prospective Investor contacts the Bank and the information the Investor requests could give them an unreasonable advantage, the Bank will not disclose that information without simultaneously disclosing it to all prospective Investors.
5. During all transactions, including, but not limited to those which the Bank underwrites on a firm commitment basis, the Bank proceeds in compliance with the requirements of applicable legislation, industry standards and the regulatory guidelines relating to its activities, especially those relating to its risk management. Among other things, this means that the Bank reserves the right to carry out the placement process in a manner ensuring that all such requirements are respected, regardless of whether these are formulated in a normative text issued by the legislature (or as a regulatory instrument) and/or are set out in the Bank's internal policies, or are stated in the documents drawn up in connection with a specific transaction (typically a prospectus for the purpose of a public offering or admission to trading on a regulated market in accordance with the CMA).
6. The Bank may also participate in the placement of financial instruments or the shaping of a transaction's process/structure together with other entities (collectively referred to as a "Syndicate"). According to its status within such a Syndicate, where the Bank may act as the lead manager responsible for allocation, as a co-manager, or as an assistant manager, the Bank will coordinate with the other Syndicate members to carry out the tasks required in order to place the financial instruments; in particular, the individual members will inform each other of any interests, preferences and objectives expressed by the Issuer and of any relevant material sent by the Issuer to a Syndicate member. The Bank will ensure that all Syndicate members are bound by rules at least as favourable to the Issuer and the Investor as those set out in this Policy. In all cases, it will, however, ensure that the objectives, preferences and interests of the Issuer are the determining factors in the process of placing the financial instruments. The Bank will make a record of any exchange of information between the Bank and other Syndicate members necessary to protect the Issuer's interests in connection with the Issue of financial instruments.

### **3. Allocation**

#### **3.1 Basic principles of the placement of financial instruments**

As the entity responsible for the placement of financial instruments, the Bank may use a variety of tools to gauge the interest of Investors in the Issuer's financial instruments, and by this means determine the optimal proposed parameters for their placement. The Bank coordinates with the Issuer on the use of these tools, and informs the Issuer about the results before starting the process of allocating the financial instruments to Investors. The tool used by the Bank to engage with Investors is the organisation of roadshows.

##### **3.1.1 Roadshows**

Roadshows, i.e. events to address prospective Investors for a particular Issue, are organised by the Bank in the form of a presentation of the Issue of financial instruments according to the following rules:

###### **(i) Public roadshows**

When an Issue of financial instruments takes the form of a public offering, a public roadshow is organised that is open to all prospective Investors. If the capacity of a public roadshow is filled, the Bank will assign places according to the following criteria:

- the interests, preferences and objectives of a prospective Investor intending to acquire the Issuer's Issue of financial instruments;
- the level of expertise of the Investors / subscribers (eligible counterparty, professional client, retail client);
- the investment portfolio of a prospective Investor and its exposure to / involvement in the pending financial instrument transaction, or its involvement in any previous issuance transaction of the Issuer or any issuance transaction for similar financial instruments on the market where the Issuer is to place the financial instruments;
- the potential interest expressed by an Investor in subscribing for the financial instruments;
- the Issuer's prior experience with the Investor;
- the interest the Investor expresses, or formerly expressed, in providing feedback on the roadshow.

The order in which the above criteria are listed does not indicate their relevance to the decision on assigning a place.

(ii) Private roadshows

When an Issue of financial instruments is made by private placement, only the prospective Investors who are invited may participate in the private roadshow for the Issue. The Bank will invite prospective Investors selected by the Issuer to a private roadshow according to the criteria set out in point (i) above.

## **3.2 Syndicate**

The Bank may participate in the placement of financial instruments together with other entities (as a "Syndicate"). A Syndicate to underwrite an Issue may include securities dealers who purchase financial instruments for resale to their clients. The members of the Syndicate conclude an agreement together, stipulating that for a certain period of time after issuance (several hours or several days) the financial instruments may not be offered on the market below a preset minimum price. The purpose of this is to stabilise the price of the financial instruments issued, to allow the initial market value to settle, and to protect the end Investors.

## **3.3 Placement of financial instruments**

### **3.3.1 Period immediately prior to allocation**

1. The Bank's activities prior to allocation produce the following results:
  - (i) a record of the interest expressed in the Issue of financial instruments, both by the Issuer and by individual Investors;
  - (ii) the preliminary schedule and terms of the allocation, taking particular account of the Issuer's expressed interest(s) and the Investors' interest in the issued financial instruments at the particular price levels defined by the corresponding price bands, as well as other relevant factors. The preliminary schedule generally includes a reference to the Issuer's specific interests, preferences and objectives for the Issue.
2. Prior to allocation, the Bank, as the entity placing the Issue of financial instruments, requests the Issuer's written approval for the preliminary schedule and terms of the allocation, and proceeds only when approval has been granted by the Issuer.

### **3.3.2 Procedure**

1. After satisfying all the legal requirements and receiving the Issuer's approval for the schedule and terms of the allocation, the Bank offers the issued financial instruments to prospective Investors in cooperation with the Issuer. The standard process used for the placement of financial instruments is by bookbuilding, which is a process of crucial importance both for the actual placement of financial instruments and in determining their price (although this does not preclude the use of a different process in justified cases, in which case ad hoc rules may be set); the Bank's bookbuilding process is described in Article 4.2 below, and if it is used for the placement of financial instruments the Bank will proceed according to those provisions to the greatest extent possible.
2. Publication of the offering of issued financial instruments and its registration are handled by the DCM Manager. In the bookbuilding process, publication of the offering is known as "opening the books". Unless a specific period of time is agreed with the Issuer, the Bank will ensure that the offering lasts for a sufficient length of time. An offering of issued financial instruments generally includes:
  - (i) basic information about the Issue;
  - (ii) a prospectus, including the terms of the Issue;
  - (iii) the time limit for receipt of bids;
  - (iv) the expected issue date based on the preliminary schedule for allocation;
  - (v) an indication of potential conflicts of interest, etc.
3. Negotiations with Investors regarding their prospective investments in the offered financial instruments are handled by authorised employees of the competent business units of the Bank ("Authorised Employees").

4. While the books are open, the Bank's Authorised Employees gauge the actual interest of prospective Investors in the terms of the allocation by treating requests for allocation of the financial instruments (which are non-binding until the books are closed) ("Allocation Requests") as orders. The Bank records the content, date and time of receipt of each Allocation Request, together with an indication of the type of prospective Investor<sup>1</sup>. Allocation Requests must state, among other things, the quantity of the financial instruments that the Investor is willing to purchase at a given price level. Until the books are closed, Investors can change or withdraw their Allocation Requests. When an entity from the same group as the Bank expresses interest through an Allocation Request or the Bank places financial instruments with asset managers that are related parties of the Bank, those entities may not receive more favourable treatment in the allocation process than other Investors with similar profiles.
5. After the expiry of the time limit for subscription according to paragraph 2 above, the Bank closes the books. As soon as the books are closed, each Investor's last submitted Allocation Request becomes binding on the Investor. After closing the books, the Bank determines the binding parameters of the Issue of financial instruments based on the Allocation Requests received, subject to the Issuer's approval, and a record of this is made by the Bank. If such a course of action appears warranted, and if the Issuer agrees, it is possible to deviate from the terms, including the pricing terms, that were set out in the preliminary schedule and the terms of the allocation. Based on the binding terms, and in line with the rules set out in this Policy or other internal regulations, the Bank will then assess the individual Allocation Requests and offer the respective quantities of financial instruments to the Investors at the corresponding prices in accordance with the rules set for allocation.

### 3.3.3 Allocation criteria

Allocation itself is carried out principally as specified in the documentation for the financial instruments issued (the prospectus, the terms of the Issue, etc.); or, alternatively, according to the following criteria (whose order does not indicate their importance, and whose importance may vary for different Issues made by the same Issuer or different Issues made by different Issuers):

- (i) the interests, preferences and objectives of the Issuer;
- (ii) the market conditions, the target Investors (based on discussions with the Issuer), or the target types of Investors (based on discussions with the Issuer);
- (iii) Investors' level of interest in the transaction, manifested in particular by the degree of Investors' active participation in roadshows, or their interest in the transaction manifested in other ways, e.g. at one-on-one meetings or group meetings regarding the Issue of financial instruments. In cases where these activities qualify as market soundings, the DCM Manager must proceed in compliance with the internal regulation "Measures to Prevent Market Abuse";
- (iv) the prior interest shown by an Investor in the Issuer's Issue of financial instruments or issues of similar financial instruments on the market;
- (v) the timing of an Investor's expression of interest in the transaction with the financial instruments, the promptness of its Allocation Request, new Allocation Request, or response to the Bank's alternative offering;
- (vi) the market sector in which the Investor operates;
- (vii) the Investor's ties to a particular geographical location;
- (viii) regulatory constraints on sales to the jurisdiction under which the Investor falls;
- (ix) the Investor's interests (in particular their investment time horizon for the financial instruments), where there is a preference towards creating a balanced Investor portfolio, i.e. composed on the one hand of Investors who are interested in holding the financial instruments for the long term, such as central banks, insurance companies, pension funds and portfolio managers at the professional client level (typically hedge funds, banks, etc.), and on the other hand of Investors ensuring a sufficiently liquid secondary market;
- (x) the desire to avoid uneconomic allocation;
- (xi) other factors based on compliance with applicable legislation, regulatory guidelines and regulated

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<sup>1</sup> The Issuer specifies the type of Investor for a given Issue of financial instruments based on its interests, preferences and objectives with regard to their allocation. If the Issuer does not specify a type of Investor, the types of Investor involved are recorded as (i) eligible counterparties, (ii) professional clients, or (iii) retail clients.

procedures.

### **3.3.4 Issuance of financial instruments**

1. In the case of dematerialised financial instruments, the Bank handles the issuance of the financial instruments, their transfer to Investors, and financial settlement in the Bank's dealing system. Where primary subscription is carried out on a delivery versus payment (DVP) basis, the funds are credited to the Issuer's bank account. Where primary subscription is carried out solely by transferring the financial instruments to Investors' asset accounts, or on a delivery free of payment (DFP) basis, an employee of the Financial Market Settlement Department will handle the crediting of the funds to the Issuer's bank account.
2. In the case of certificated financial instruments, the Bank handles the issuance of the certificates and their delivery to Investors. The Bank handles the crediting of the funds to the Issuer's bank account.

### **3.3.5 Period immediately following the issuance of financial instruments**

The Bank has an obligation to record the final value of the allocation made to each Investor and to provide a copy of this record to the Investor in a durable medium. The record must always include sufficiently detailed justification for the allocation of the financial instruments to that particular Investor, unless this is apparent from the body of information already documented by the Bank, and in particular on the basis of (i) this Policy, (ii) a record of discussions held with the Issuer regarding its interest in allocating a portion of the financial instruments issued to a particular "type" of Investor, (iii) an Allocation Request resulting from any other discussions held with the Issuer, Investors and the members of the Syndicate; however, this is without prejudice to the Bank's obligation to provide the Investor with information about the allocation in a durable medium.

### **3.3.6 Inducements**

1. The Bank prohibits any form of arrangement and/or agreement with any Investor or prospective Investor in which the Bank promises a particular allocation or makes an allocation in an agreed manner. In particular, but without limitation, this prohibition applies to any arrangements and/or agreements in relation to allocation that involve:
  - (i) sharing profits from trading in newly issued financial instruments with an Investor;
  - (ii) a future business relationship between an Investor and the Bank or related parties of the Bank;
  - (iii) incentivisation of the Bank's activities, or those of its related parties, through the payment of unreasonably high fees for the provision of unrelated services or goods;
  - (iv) an allocation that is expressly conditional on the Bank receiving future orders from an Investor or an entity of which the Investor is a corporate officer, or on the Investor or that entity purchasing any other service from the Bank;
  - (v) making an allocation as compensation for complaints submitted by an Investor or as consideration in return for their withdrawal;
  - (vi) receiving orders for the issued financial instruments on the secondary market before the entire allocation process has been completed;
  - (vii) fixing the prices or the sizes of transactions that an Investor plans to undertake with the financial instruments on the secondary market in the period immediately after the completion of the allocation;
  - (viii) buying the issued financial instruments on the secondary market at higher prices.
2. The Bank may accept inducements only if they are compatible with the rules set out in the internal policies "Management of Conflicts of Interest in the Provision of Investment Services" and "Conflicts of Interest Policy", and the applicable regulatory guidelines.

## **4. Pricing**

### **4.1 General pricing principles**

1. If an Issue is not already priced by the Issuer, the Bank will proceed in determining the price of the Issue in such a way as to avoid conflicts of interest, in particular any conflicts of interest (i) in relation to under-pricing or over-pricing of the Issue, or (ii) resulting from the involvement of persons holding incompatible positions

in the process of pricing the Issue. When pricing an Issue, it is of crucial importance that the Bank proceeds in such a way that:

- (i) the pricing of the offering does not promote the interests of the Bank or the interests of its Clients;
- (ii) the process of pricing the Issue does not involve any person who is concurrently involved in the provision of other investment services to the target Investors.

## 4.2 Pricing rules

1. In the interest of achieving the set objectives, the Bank carries out the process of pricing an Issue of financial instruments in coordination with the Issuer. The pricing process for an Issue of financial instruments takes into account the preferences, interests and objectives of the Issuer, and also includes the results of roadshows, which are reflected in determining the price of the Issue.
2. The process of pricing an Issue consists primarily of:
  - (i) determining the issue price/yield;
  - (ii) determining the coupon type/yield of the financial instrument.

### (i) Determining the issue price/yield;

The issue price of an offered financial instrument is determined using one or a combination of the following methods:

- **determination of the issue price as a fixed amount:** the issue price is agreed on as a fixed amount (*firm commitment*);
- **determination of the issue price by auction:** prospective Investors submit binding bids (*limit orders*) to purchase specified quantities of the financial instruments at a specified price:
  - o on the basis of the accumulated bids received, an equilibrium price is determined at which the supply of financial instruments equals the demand for the financial instruments, and at this price the financial instruments are sold to the individual Investors on a pro rata basis according to the quantity they bid for (*American auction*);
  - o as soon as the sum total of all the quantities of financial instruments bid for equals the volume of financial instruments offered, a final price is set and the financial instruments are then sold at that price to all the bidders who bid for them either at that price or at a higher price (*Dutch auction*);
- **determination of the issue price by bookbuilding:** prospective Investors are invited to submit indicative bids within a certain price range specified by the Issue Manager. Bids for an Issue of financial instruments can be submitted as:
  - o *strike bids (reoffer bids)*, where the Investor specifies the quantity of financial instruments it is willing to buy, regardless of the price within a given range;
  - o *limit bids*, where the Investor specifies the quantity of financial instruments it is willing to buy for a specified price;
  - o *step bids*, where the Investor defines its bid using multiple limit bids, resulting in incremental levels of demand within a certain price range.

During the period of accumulating bids, Investors may change their bids or withdraw them.

The key factors involved in determining the price are the perceived interest of Investors in acquiring the financial instruments at a certain price level, and consultation with the Issuer.

The decisive criteria in the allocation of an Issue of financial instruments to Investors are the Investors' importance and their participation in roadshows, along with the Issuer's preferred ratio of institutional to retail Investors.

The Investors are then sent a binding offer by the Bank or a private banker, inviting them to definitively confirm their interest in the Issue of financial instruments. Unless an Investor changes or withdraws its bid to purchase the financial instruments, its original bid will stand. A Subscription Agreement is then signed with the Investors. The subscription price, the total volume of the Issue and, in the case of a public offering, the Investor structure are then reported by the Bank to the capital market regulator and, as applicable, subsequently included in the prospectus. During a

public offering, the Bank sends out a prospectus to all primary subscribers, and publishes the prospectus at the place specified in the announcement of the public offering. The Bank notifies the end Investors of their confirmed orders and the extent to which they have been filled, and the date specified for financial settlement.

**(ii) Determining the coupon type/yield of the financial instrument**

The interest rate on financial instruments is determined by the Bank based on agreement with the Issuer on its preferences, interests and objectives, and on the basis of the perceived interest among Investors in holding the given financial instruments. The coupon can be set as fixed or variable.

- Fixed coupon – a fixed percentage of the face value of the financial instrument;
- Variable coupon – when determining a variable coupon for an Issue of financial instruments, the following factors are taken into account:
  - o Reference benchmark rates (e.g. PRIBOR, LIBOR, EURIBOR);
  - o The credit spread, which takes into account a number of criteria, and in particular:
    - The term to maturity (tenor) of the financial instruments
    - The Issuer's credit rating
    - The denomination currency of the financial instruments
    - The current trading prices of financial instruments previously issued by issuers
  - o The premium, which takes into account the specific circumstances, and in particular:
    - The terms of recent issues of the same or similar financial instruments
    - The Issuer's line of business.

3. The pricing process generally results in a particular range, which the Bank then discusses with the Issuer in order to determine the binding price for the Issue of financial instruments. Depending on the course of the actual placement process for the financial instruments, i.e. the interest of Investors in subscribing for them, and what is agreed in the contractual documentation with the Issuer, this range may be adjusted upwards or downwards, provided this is allowed by the applicable legislation (e.g. accrued interest may be factored into the issue price).