

MiFID

Pre-Contractual Information

Disclaimer

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The aim of this document is to provide certain basic information to persons wishing to receive Investment and Ancillary services. No information or statement contained is intended to be or should be construed as an offer for the provision of Investment services or Ancillary services or a recommendation or advice in relation to the purchase or sale of Financial Instruments or otherwise. Cdbbank may refuse to provide Investment or Ancillary services to any person receiving this document without any liability whatsoever arising on the part of Cdbbank.

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Legislation Framework and Objectives

The Directive 2004/39/EC on Markets in Financial Instruments was incorporated in Cyprus Law by the Investment Services and Activities and Regulated Markets Law of 2007. This Law is setting out the conduct of business rules of financial institutions providing Investment services (and Ancillary services) or carrying out investment activities. Furthermore, it establishes the organizational requirements of the firms providing investment advice and the framework for a regulatory regime regarding the Clients' orders execution in respect with the high quality execution in the regulated markets, aiming mainly at the investor's protection.

Definition of Terms

In this document, unless the context requires otherwise, the following terms shall have the following meanings:

'Cddb bank' and/or 'CDB':	The Cyprus Development Bank Public Company Ltd, its affiliated and subsidiary companies.
The Client:	Current and prospective Clients of Cddb bank.
The Law:	Investment Services and Activities and Regulated Markets Law of 2007 (L144(I)/2007).
'MiFID' and/or 'The Directive':	Means the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments and any implementing European community directives and regulations.
Investment and Ancillary Services:	Means Investment and Ancillary Services as these terms are defined in Directive 2004/39/EC.
Financial Instruments:	Means financial instruments as this term is defined in Directive 2004/39/EC.
Professional Client:	Means a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs and meets the criteria laid down in Annex II of Directive 2004/39/EC.
Retail Client:	Means a client who is not professional.
Execution of Orders on Behalf of Clients :	Means acting to conclude agreements to buy or sell one or more financial instruments, as those are defined in the applicable law, on behalf of clients.
Multilateral Trading Facility (MTF):	Means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party using and selling interests in financial instruments - in the system and in accordance with non-discretionary rules - in a way that results in a contract in accordance with the provisions of Title II of Directive 2004/39/EC.
Regulated Market:	Means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its

rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of Title III of Directive 2004/39/EC.

Execution Venue: Means a regulated market, an MTF, a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

Investment Scheme: Means any form of collective investment including UCITS, ETFs, Hedge Funds, Real Estate Fund.

Contents

1. CDBBANK	7
1.1. Shareholders & Board of Directors.....	8
1.2. Global Capital Securities & Financial Services Ltd ('Global Capital')	9
1.3. PCM advisers Ltd ('PCM').....	9
1.4. Private Banking	9
1.4.1. Investment Services	10
1.4.2. Ancillary Services.....	10
2. COMMUNICATION WITH THE CLIENT.....	10
2.1. Language.....	10
2.2. Placing Client Orders	10
2.3. Reporting to the Client	11
2.4. Complaints Handling.....	12
2.5. Data Protection and Confidentiality of Information.....	12
2.6. Costs and Charges.....	12
2.7. Inducements	13
3. CLIENT CATEGORISATION	13
3.1. Eligible Counterparties	14
3.2. Professional Clients	15
3.3. Retail Clients	15
3.4. Change in Client Category	16
3.5. Differences In Protection Associated With Client Classification	16
4. ASSESSMENT OF SUITABILITY & APPROPRIATENESS.....	18
4.1. Assessment of Suitability.....	18
4.2. Assessment of Appropriateness	18
4.2.1. Exemption to the Appropriateness Test	19
4.2.2. Complex And Non-Complex Financial Instruments	19

- 5. CUSTODY & SAFEKEEPING20
- 6. INVESTOR INSURANCE COVERAGE22
 - 6.1. Investor Compensation Fund 22
 - 6.1.1. Clients Eligible for Compensation 22
 - 6.1.2. Services In Relation To Which Clients May Be Eligible For Compensation 24
 - 6.1.2.1. Investment Services: 24
 - 6.1.2.2. Ancillary Services: 24
 - 6.1.3. Amount of Compensation Payable 25
 - 6.1.4. Prerequisites for Initiation of The Compensation Procedure 25
 - 6.1.5. Deposit Protection Scheme..... 26
 - 6.2. What should Cdbbank’s depositors know? 27
- 7. DISCRETIONARY PORTFOLIO MANAGEMENT28
 - 7.1. Portfolio Valuation..... 29
 - 7.2. Reporting to Clients 29
- 8. INVESTMENT RISKS 29
- 9. CONFLICT OF INTEREST POLICY 33
- 10. BEST EXECUTION.....35

1. CDBBANK

Founded in 1963, Cdbbank is today one of the island's primary financial institutions dedicated to satisfying the needs of business Clients.

Following the successful conclusion of Cdbbank's 45-year life cycle as a government-owned developmental institution, Cdbbank was privatized on 7th February 2008. Cdbbank's new shareholders comprise of prominent Cypriot business groups with established presence in diversified fields of activity, both locally and internationally.

Cdbbank's new vision is the evolution of CDB into a focused, niche financial services institution with commercial orientation, offering excellent quality service in a direct, personal and friendly manner. The basic pillar of Cdbbank's future development is the Cyprus business community, including the large, medium and small sized enterprises, as well as professionals and international businesses. Since privatisation, CDB has concentrated on introducing new products and services, especially targeting our valued private and institutional depositors. Part of this strategy is the idea of Client service centres, and already two such centres have been opened in Nicosia and Limassol. CDB has also recently launched a user friendly e-banking service designed according to advance technical and security standards. CDB has also recently launched a user friendly e-banking service designed according to advanced technical and security standards.

CDB is also focusing on the provision of investment banking and asset management services through its subsidiary Global Capital, which is currently expanding its product range and has already, moved in Cdbbank's main Head Office Alpha House building in Nicosia. In parallel, CDB is strengthening its subsidiary bank in Russia, significantly expanding its local operations with a focus on small and medium size enterprises. Already, the Russian banking subsidiary is relocating to new, bigger ground floor premises, in the heart of the city of Krasnodar.

The aim is to build on the strengths that CDB has developed in the course of its history and to bring Cdbbank even closer to Cypriot and international businessmen by providing a whole range of new and innovative financial services and products.

Cdbbank is dedicated to its corporate Clientele and is geared to its needs. It offers a full range of comprehensive banking services including:

- corporate loans
- overdrafts
- deposits
- structured finance
- trade finance facilities
- local and international payments
- risk management services

Cddb bank is also offering a full range of Investment and Ancillary Services through its Private Banking and its subsidiaries, Global Capital Securities & Financial Services Ltd and PCM Advisers Ltd.

1.1. Shareholders & Board of Directors

Main Shareholders

Path Holdings Ltd	20%
Leon Investment S. A., SPF	20%
Constantinos Shiacolas	16%
Delphis Investments Ltd	14%
Leonidas Ioannou	14%
Intergaz Ltd	10%
CLR Investment Fund Public Ltd	5%

Board of Directors

Rena Rouvitha Panou	Chairman, Non Executive
Kyriacos Christofi	Non Executive
Anastasios Leventis	Non Executive
Andreas Loizou	Non Executive
Neoclis Nicolaou	Non Executive
Themis Papadopoulos	Non Executive
John Pittalis	Non Executive
Menelaos Shiacolas	Non Executive
Chrysostomos Theocli	Non Executive
Kyriacos Iacovides	Chief Executive Officer
Andri Georghiou	General Manager, Executive

Secretary
Evi Protopapa

Legal Advisers
Chryssafinis & Polyviou

Auditors
KPMG Ltd

1.2. Global Capital Securities & Financial Services Ltd ('Global Capital')

With the emphasis placed on the provision of personalised, reliable, accessible and highly responsive brokerage services (reception, transmission and execution of Client orders), Global Capital's mission is to be the investor's 1st choice when it comes to enjoying best execution at competitive market rates and best support concerning the submission of application forms to open trading accounts, transfer funds and trade securities listed on the CSE (Cyprus Stock Exchange) and ASE (Athens Stock Exchange) and other major international stock exchanges.

Global Capital is a Member of the CSE and a Remote Member of the ASE, enabling it to execute directly any type of transactions on behalf of its customers on securities listed in both CSE and ASE.

As of May 2009 Global Capital is able to place and execute orders real time on all major bourses world wide – such as New York Stock Exchange, London, Paris, Frankfurt, Tokyo etc. - by virtue of its capacity to act as Non-Disclosed Broker of Interactive Brokers, which also provides for Global Capital's Clients Clearing and Custodian Services.

1.3. PCM advisers Ltd ('PCM')

PCM, a fully owned subsidiary of Cdbbank, is a leading Investment Advisory firm. Head-quartered in Nicosia, it provides services to institutional Clients including investment companies, insurance companies, pension and provident funds.

PCM is licensed and regulated by the Cyprus Securities and Exchange Commission and is active both in Cyprus and abroad. Since its inception in March 2003, it has been providing tailored investment solutions and a global reach to a world of investment opportunities.

PCM does not manage Client assets, but rather adds value by using its breadth of experience and expertise to identify amongst the largest global asset managers, those investment products and opportunities that stand out amongst the rest. It adds value to its Clients by screening amongst hundreds of investment products to identify the best performing investment opportunities, ideally suited to its Clients' needs, requirements and risk profiles.

1.4. Private Banking

CDB Private Banking provides tailor-made wealth management solutions to high net worth individuals, with emphasis placed on wealth enhancement, confidentiality and integrity. The highly competent Private Bankers of CDB Private Banking strive to offer state of the art investment solutions to suit the most demanding of investment appetites, utilizing the most recent of market research and trading strategies.

Cdbbank's long term experience and established presence on the island is inherited by the newly formed Private Banking module. The highly competent and experienced business professionals it employs fully utilize the inducement of the 'CDB-Culture' in providing excellence for the Client.

1.4.1. Investment Services

- Reception and transmission of orders on behalf of Clients in relation to transactions on one or more Financial Instruments.
- Execution of orders on behalf of Clients which includes buy or sell agreements of one or more Financial Instruments.
- Dealing on own account which includes trading against proprietary capital resulting in the conclusion of transactions in one or more Financial Instruments.
- Portfolio management which includes managing portfolios in accordance with mandates given by Clients on a discretionary Client-by-Client basis.
- Provision of investment advice upon the Client's request or upon Cdbbank's initiative.

1.4.2. Ancillary Services

- Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management.
- Foreign exchange services where these are connected to the provision of investment services.
- Investment research and financial analysis or other forms of general recommendation relating to transactions in Financial Instruments.

2. COMMUNICATION WITH THE CLIENT

The main means of communication of Cdbbank with the Client are via telephone, fax, mail, email as well as in-person.

All communication between Cdbbank members and the Client shall be done on the basis of the contact information provided by the Client. The Client shall be responsible for the accuracy and relevance of this information.

2.1. Language

The main language in which the Client may communicate with Cdbbank is Greek and/or English. All agreements between Cdbbank and the Client shall be written in the English language. Cdbbank may but shall not be under any obligation to, offer version of such documentation translated in Greek. In cases of discrepancies between the translated documents the English version shall prevail.

2.2. Placing Client Orders

Clients can place orders in accordance with Cdbbank's procedures, terms and conditions. The Client can request provision of Investment and/or Ancillary services in person or through Authorised Representatives appointed by the Client in the following ways:

- by contacting a member of Cdbbank's Private Banking team via the telephone over a recorded line which will be dully communicated to the Client.
- in person by vising Cdbbank offices and filling the appropriate 'Transaction Form', to be provided by Cdbbank.
- by contacting Cdbbank via fax, the number of which will be duly communicated to the Client, where a signed 'Transaction Form' must be provided therein.
- by e-mail to the dully disclosed email address, in a format provided by Cdbbank.

Cdbbank reserves the right to request re-submission of a Client order in writing.

2.3. Reporting to the Client

The Client shall receive information from Cdbbank in accordance with the Directive imposed by the Law. Within the context of provision of Investment and Ancillary services the Client is entitled to receive periodical reports regarding the Financial Instruments held on his/her behalf and confirmations of execution of orders placed with Cdbbank.

In particular, where Cdbbank executes orders on behalf of a Retail Client, it shall promptly provide the Client with all essential information regarding the trade. Namely, a trade confirmation shall be provided no longer than one business day after execution of the trade. In cases where Cdbbank utilizes a third party to execute a trade, a trade confirmation shall be provided, no longer than one business day after the receipt of such confirmation from the third party.

Pursuant to the provision of Investment and Ancillary services, and unless otherwise specifically agreed with the Client, Cdbbank shall send to such Clients, a statement regarding the Financial Instruments held by the Client at least once a year, or upon properly communicated request by the Client.

Such statement shall include:

- a. Details of all the Financial Instruments or funds held by Cdbbank on behalf of the Client for the period covered by the statement
- b. The extent to which any of the Client's Financial Instruments have been subject to securities financing transactions; and
- c. The extent of any accrued benefit to the Client as a result of the Client's participation in any securities financing transactions and the basis on which that benefit has accrued.

Where the Client's portfolio includes the proceeds of one or more unsettled transactions, the above information may be based on the trade date or settlement date where the basis used is clearly stated and consistently used on all statements.

In cases of accounts of a Retail Client which include an uncovered open position in a contingent liability transaction, Cdbbank shall report to the Client losses over a predetermined threshold agreed between Cdbbank and the Client no later than the end of the Business Day on which the threshold is

exceeded or, in the case where the threshold is exceeded on a non-Business Day, at the close of the next Business Day.

2.4. Complaints Handling

Cdbbank aims to achieve the highest levels of compliance in providing the Client a transparent, professional, discrete and personalized service. Within this context Cdbbank takes Client complaints very seriously. Such complaints shall be handled professionally and with full discretion.

Client complaints can be communicated to Cdbbank's Compliance Officer by,

Telephone: +357 22846573

Fax: +357 22846600

e-mail: KMarathovouniotis@cdb.com.cy

mail: Alpha House
50 Arch. Makarios III Avenue
CY-1065 Nicosia

Cdbbank reserves the right not to take action relating to:

- a. Anonymous complaints;
- b. Complaints made more than 90 days after an alleged incident; or
- c. Complaints where the complainant is not willing to provide sufficient information to reach resolution, or if no response is received within 90 days.

2.5. Data Protection and Confidentiality of Information

Cdbbank ensures confidentiality regarding information received from its Clients and protection from intentional or unintentional disclosure of such information to unauthorized persons. To accomplish and constantly comply with the aforementioned, Cdbbank has established policies and procedures whose effectiveness and proper implementation are checked at regular time intervals.

2.6. Costs and Charges

Costs, commissions, fees and other charges, regarding the Financial Instruments and Investment Services Cdbbank offers, are applicable according to Cdbbank's current pricing policy found in 'Appendix C' and are available to the Client upon request. All costs, fees and charges are agreed with Clients on a case by case basis.

2.7. Inducements

Any fee, commission or non-monetary benefit paid or provided by Cdbbank to a third party or a person acting on behalf of a third party, or paid or provided by a third party or a person acting on behalf of a third party to Cdbbank, shall be paid or provided if:

- (a) it is designed to enhance the quality of the relevant service to the Client and not impair compliance with Cdbbank's duty to act in the best interests of the Client; or
- (b) it constitutes proper fees which enable or are necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees and which, by their nature, cannot give rise to conflicts with Cdbbank's duties to act honestly, fairly and professionally in accordance with the best interests of its Clients.

The aforementioned fees, commissions or non-monetary benefits are considered inducements and are other than normal fees and commissions paid by the Client.

Where Client funds are invested in certain schemes, the managers of such schemes may pay to Cdbbank a fee in relation to Client-requested valuations or other requests for information on such schemes. Such fee may be fixed or be calculated as a percentage of the average net asset value of the Clients' assets in the relevant Scheme.

Cdbbank may receive up to 100% of the initial fee charged by an Investment Scheme to the Client when providing the service of reception and transmission of Client orders to such Schemes.

Where Client funds are invested in such Schemes, the managers of such Schemes may pay to Cdbbank a fee out of their total management fees. Such fee may be fixed or be calculated as a percentage of the average net asset value of the Clients' assets in the relevant Scheme.

Cdbbank may receive up to 100% of the net execution commission charged by a third party to the investor in cases where Cdbbank transmits orders of the Client for listed securities to such third party for execution.

Cdbbank undertakes to disclose further details in relation to any such fees and charges at the request of the Client.

3. CLIENT CATEGORISATION

According to the Law, Cdbbank is under an obligation to categorise Clients into the following classes: Retail Clients, Professional Clients or Eligible Counterparties and to notify such Clients of their classification. Retail Clients receive the highest level of protection under the Law whereas Eligible Counterparties receive the lowest level of protection under the Law. These differences in protection and information are set out in detail in paragraph 3.3 below. Clients have the right to request, at any time, a different categorisation to the one notified to them by Cdbbank at the outset of the relationship. Cdbbank reserves the right, at its absolute discretion, to refuse to provide services upon such requests for change of classification.

Cdbbank shall notify new Clients, and existing Clients that it has proceeded with their new categorisation as required by the Law, as Retail Clients, professional Clients or eligible counterparties in accordance with the Law. The main Client categories are:

3.1. Eligible Counterparties

The Eligible Counterparty category only applies in relation to the execution of orders, reception and transmission of orders and dealing on own account services (and any related ancillary services). For other services, the Client will be considered a Professional Client.

In accordance with Section 41(2) of the Law, the following entities can be classified as eligible counterparties (“Eligible Counterparties”):

- a. Investment firms;
- b. Credit institutions;
- c. Insurance undertakings;
- d. UCITS and their management companies;
- e. Pension funds and their management companies;
- f. Other financial institutions authorised by a member state or regulated under community legislation or the national law of a member state;
- g. Persons whose main business consists of dealing on own account in commodities and/or commodity derivatives and are not part of a group the main business of which is the provision of other investment services within this Law or banking services;
- h. Firms which provide investment services and/or perform investment activities consisting exclusively in dealing on own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets or which deal for the accounts of other members of those markets or make prices for them and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such firms is assumed by clearing members of the same markets;
- i. National governments and their corresponding offices, including public bodies that deal with public debt;
- j. Central banks; and
- k. Supranational organisations.

A Client must expressly consent to the classification of Eligible Counterparty. In the absence of such consent or for any period for which such consent is pending, the Client will be considered to have been classified as a Professional Client.

3.2. Professional Clients

A Professional Client is the Client who possesses the experience, knowledge and expertise to make investment decisions on his own and properly assess the involved risks.

In relation to all investment services and activities and Financial Instruments offered by Cddb bank, the entities listed below, which are required to be authorised or regulated to operate in the financial markets, can be categorised as professional Clients (“Professional Clients”):

- a. Credit institutions;
- b. Investment Firms;
- c. Other authorised or regulated financial institutions;
- d. Insurance undertakings;
- e. Collective investment schemes and the management companies of such schemes;
- f. Pension funds and management companies of such funds; or
- g. Commodity and commodity derivatives dealers.

Also, Large undertakings meeting at least two of the following size requirements on a proportional basis:

Balance sheet total of at least:	EUR 20.000.000
Net turnover of at least:	EUR 40.000.000
Own funds of at least:	EUR 2.000.000

National and regional governments, public bodies that manage public debt, Central Banks, international and supranational institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organisations and other institutional investors being legal entities, whose main activity is to invest in Financial Instruments, including entities dedicated to the securitisation of assets or other financing transactions, can be categorised as Professional Clients.

3.3. Retail Clients

A Retail Client is a natural person or legal entity that has not been categorised as a Professional Client or as an Eligible Counterparty (“Retail Client”). Retail Clients receive the highest level of protection and information.

On request, a Retail Client may be re-categorised to a Professional Client provided that:

- a. A relevant application has been submitted by the Client;
- b. An adequate assessment of the expertise, experience and knowledge of the Client, gives reasonable assurance in light of the nature of the transactions or services envisaged, that

the Client is capable of making his own investment decisions and understanding the risks involved and, in this assessment, the Client must fulfil, as a minimum, two of the following criteria:

- i. the Client has carried out transactions, in significant size (EUR 10.000), on the relevant market at an average frequency of 10 per quarter over the previous four quarters;
- ii. the size of the Client's Financial Instrument portfolio, defined as including cash deposits and Financial Instruments exceeds EUR 500.000; and
- iii. the Client works, or has worked, in the financial sector for at least one year in a professional position which requires knowledge of the transactions or services envisaged.

3.4. Change in Client Category

The Client has the right to request a different Client categorisation to the one notified to the Client by virtue of the MiFID Categorisation Letter.

Any such request must be in writing by submitting a Re-Categorisation Application provided by Cdbbank to the Client for this purpose and must be approved by Cdbbank. Cdbbank will not allow a change in Client categorisation if, inter alia, the Client does not meet the criteria set out in the Law and the Directives.

The Client is WARNED that if the request for a change of categorisation is approved, the level of protection the Client receives will be the one corresponding to the new category which may be lower than the protection the Client had before.

Cdbbank reserves the right, at its absolute discretion, to refuse to provide Services upon a request for change of classification. The fact that Cdbbank may provide to the Client an application form through which the Client may request re-categorisation ("Re-Categorisation Application") shall not create any obligation on the part of Cdbbank to accept any such request. Cdbbank may reject requests for re-categorisation if, inter alia, it holds a bona fide belief that this is in the best interest of the Client.

The Client is responsible for keeping Cdbbank informed about any change which could affect its current classification. In case Cdbbank ascertains that the Client no longer fulfils the criteria for its current classification, Cdbbank shall reclassify the Client into an appropriate classification.

3.5. Differences In Protection Associated With Client Classification

Where a Client is treated as a Professional Client, such Client will be afforded a lower degree of protection and will be provided with less information than a Retail Client. In particular, a Retail Client:

- a. will be provided with more information with regard to Cdbbank, its services, products and any investments including, without limitation, information on costs, commissions, fees and

- charges, information on risks associated with certain products and information on safeguarding of Client Financial Instruments;
- b. will, under certain circumstances, be required to provide information which will enable Cdbbank to assess the appropriateness of an investment for such Client pursuant to Cdbbank's obligation under the Law (for more details on the appropriateness assessment please see Section 4 below;
 - c. will be provided with "best execution" in relation to the execution of its orders under certain circumstances and in accordance with Cdbbank's order execution policy as summarised in Section 12 below. In particular, where Cdbbank is under an obligation to provide best execution in relation to the order of a Retail Client, it shall consider the overall cost of the transaction as the most important factor in achieving best execution;
 - d. will promptly be informed of any material difficulties in the execution of its order upon Cdbbank becoming aware of such difficulty;
 - e. will be provided with more information regarding the execution of its orders; and
 - f. may be entitled to compensation under the Investor Compensation Fund, more details in relation to which are set out in Section 6 below.

Further, Cdbbank will not use Financial Instruments belonging to Clients for Cdbbank's own account or for the account of another Client unless the Client has provided its prior written express consent.

Also, as set out above, in cases of accounts of a Retail Client which includes an uncovered open position in a contingent liability transaction, Cdbbank shall report to the Client losses over a predetermined threshold agreed between Cdbbank and the Client no later than the end of the Business Day on which the threshold is exceeded or, in the case where the threshold is exceeded on a non- Business Day, at the close of the next Business Day.

Where a Client is treated as an Eligible Counterparty, such Client will be afforded with a lower degree of protection and will be provided with less information than a Professional Client. In particular, whilst a Professional Client will not have the above benefits of the Retail Client, it will be entitled to the application of "best execution" (described further in the summary of Cdbbank's order execution policy set out in Section 12 below) in the execution of its orders.

Cdbbank shall be entitled to assume that a Professional Client has the necessary experience and knowledge to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the Client is classified as a Professional Client.

Eligible Counterparties will not be:

- a. provided with best execution of its Client orders;

- b. entitled to receive information on Cdbbank and its services, Financial Instruments and execution venues used by Cdbbank, fees or commissions paid or received by Cdbbank, or the manner in which Cdbbank is remunerated;
- c. entitled to risk disclosures in relation to products or instruments offered by Cdbbank; or
- d. entitled to receive reports on the execution of their orders in relation to reception and transmission and execution of their orders and/or ancillary services that directly relate to such transactions. In relation to services other than the aforementioned, Eligible Counterparties will be entitled to the same treatment as Professional Clients.

4. ASSESSMENT OF SUITABILITY & APPROPRIATENESS

In order to protect its Clients, Cdbbank performs tests to assess whether the offered Investment and Ancillary Services or Financial Instruments are suitable and appropriate for its Clients and meet their needs and investment objectives. At the same time it checks whether the Client, to whom a specific Financial Instrument/service is offered, possesses the necessary knowledge and experience to comprehend the risks potentially associated with the transactions on that Financial Instrument.

4.1. Assessment of Suitability

In the provision of investment advice and portfolio management services, Cdbbank recommends or performs a transaction, only if it judges that this transaction is in accordance with the Client's investment objectives. In parallel, the Client should be able to bear financially the relevant investment risks as well as to have the knowledge and experience in order to comprehend the risks associated with the proposed transaction or with the management of his portfolio. For this purpose, Cdbbank requests information from the Client which will enable Cdbbank to properly assess the proposed transactions.

In case the Client does not furnish the necessary information, Cdbbank will not be able to provide the abovementioned services.

4.2. Assessment of Appropriateness

In the provision of investment services (other than Investment Advice and Portfolio Management) and Financial Instruments, Cdbbank is obliged to assess the appropriateness of these instruments and services for the specific Retail Client (Appropriateness Test). Cdbbank should assess if the Client possesses the necessary knowledge and experience in relation to the specific Financial Instrument/service. For this purpose, Cdbbank requests information regarding the knowledge and experience of the Client which will confirm that he is able to comprehend the risks associated with the specific Financial Instrument (e.g. derivative) / investment service. In case the Client does not provide the necessary information or Cdbbank judges, based on the information available, that a specific Financial Instrument/investment service is not appropriate for the Client's knowledge and experience, it will warn him accordingly.

4.2.1. Exemption to the Appropriateness Test

Exemption from the assessment of appropriateness in the provision of “Execution Only” services.

When Cdbbank offers investment services which include only the execution of Clients’ orders or the reception and transmission of orders with or without ancillary services, on non-complex Financial Instruments as per the Investment Services and Activities and Regulated Markets Law of 2007 (“execution only” services).

Cdbbank notes that it may offer such investment services to its Clients without performing the Appropriateness Test provided all of the following conditions are met:

- a. The above services relate to shares admitted to trading in a regulated market, money market instruments, bonds, UCITS and other non-complex Financial Instruments.
- b. The service is provided at the initiative of the Client or potential Client.
- c. The Client has been clearly informed that in the provision of the specific service Cdbbank is not required to assess the appropriateness of the Financial Instrument offered or service provided and that therefore he/ she does not benefit from the rules relating to enhanced information on the instrument/ service.
- d. Cdbbank takes all measures to identify and address conflict of interest incidents.

4.2.2. Complex And Non-Complex Financial Instruments

In accordance with the Directive for the Professional Conduct of Banks when Offering Investment or Ancillary Services and when Performing Investment Activities issued by the Central Bank of Cyprus, a Financial Instrument is considered as non-complex if:

- i. it does not fall within the definition ‘transferable securities’ of Section 2(1) of the Law, or within paragraphs 4 -10 of Part III of the Third Annex of the Law;
- ii. there are frequent opportunities to dispose of, redeem, or otherwise realise that instrument at prices that are publicly available to market participants and that are either market prices or prices made available or validated by valuation systems independent of the issuer;
- iii. it does not involve any actual or potential liability for the Client that exceeds the cost of acquiring the instrument; or
- iv. adequately comprehensive information on its characteristics is publicly available and is likely to be readily understood so as to enable the average Retail Client to make an informed judgment as to whether to enter into a transaction in that instrument.

Instruments which are considered as non-complex include indicatively money market instruments, equities, bonds (excluding those that embed a derivative, e.g. callable and convertible bonds and perpetual) and funds that qualify as UCITS.

Complex Financial Instruments include indicatively rights issued and participations in IPOs, bonds with embedded derivatives (e.g. callable and/or convertible bonds and perpetual), securitised debt (e.g. mortgage backed securities, collateralised debt obligations and asset backed securities),

structured products, funds that do not qualify as UCITS and derivatives (e.g. futures, forwards, swaps, options, warrants and CFD). Financial Instruments and risks associated with these are explained more fully in Section 7 below.

5. CUSTODY & SAFEKEEPING

Cdbbank provides the service of custody, safekeeping and administration of Financial Instruments for the account of Clients including custodianship and related services.

Cdbbank may provide these under these terms with or through any intermediary broker, agent, clearance system, depository, overseas data processing agent or sub-custodian or other third party, which may or may not be an associate of Cdbbank and may be regulated within or outside the European Union.

Cdbbank uses skill and care when selecting such agents or third parties and uses only reputedly competent third parties and conducts periodic reviews of such parties.

The risk associated with the safekeeping of Financial Instruments deposited with third parties and any relevant acts or omissions of such third parties shall be borne by the Client, notwithstanding that Cdbbank shall comply with its obligation to use due skill and care in the selection of such third party as provided above.

In case of insolvency of the third party and depending on the laws of the jurisdiction of such third party, the Client acknowledges and accepts to bear the risk that the relevant assets may be lost.

Neither Cdbbank nor any director, officer, employee or agent of Cdbbank shall be liable to the Client for any loss caused directly or indirectly by any act or omission or for the insolvency of any such third party subject to its obligation to use due skill and care in the selection of such third party.

Securities deposited with a sub-custodian, depository or clearing agency/entity shall be held subject to the rules and operating procedures of such party and any applicable laws and regulations whether of a governmental authority or otherwise.

The Client understands that Cdbbank may not be able to exercise discretion in the selection or monitoring of a depository/clearing system or in the negotiation of contractual provisions with the same.

Financial Instruments belonging to a Client may be subject to the law of a jurisdiction other than that of a European Economic Area (EEA) country. The laws and practices in different jurisdictions relating to custody, securities or settlement will vary and neither Cdbbank nor any sub-custodian will assume any risk arising out of such laws and practices. The rights of such Clients in relation to these Financial Instruments may differ accordingly.

If foreign legislation prevents or hinders Cdbbank or any sub-custodian from returning assets held for safekeeping abroad, Cdbbank shall only be required to provide the Client with a proportional claim to return the assets at the foreign location, provided that such claim exists and is transferable.

Cdbbank will not borrow any of the Client's Financial Instruments or against them for any purpose. Should Cdbbank (or any sub-custodian of Cdbbank) at any point engage in securities financing transactions or any form of stock lending practices, Cdbbank shall, in good time before the use of the Financial Instruments in question, provide Retail Clients, in a durable medium with clear full and accurate information on the obligations and responsibilities of Cdbbank with respect to the use of those Financial Instruments, including the terms for their restitution and the risks involved.

Cdbbank maintains with sub-custodians an account for Cdbbank's own funds and Financial Instruments deposited in a depository (a proprietary account) and an account for Cdbbank's customers' funds and Financial Instruments deposited in a depository.

To the extent feasible and/or in line with market practice/regulation, third parties through whom Cdbbank provides the service of safekeeping and administration of Financial Instruments may maintain the Clients' Financial Instruments deposited in a depository in an account for all such third parties' customers (including Cdbbank) and shall not mingle their own assets with the Financial Instruments held on behalf of such customers.

Cdbbank reserves the right to, and may, use an 'Omnibus Account' with third parties to custody and safe keep Clients' assets. An "omnibus account" is an account opened in the name of a custodian, in this case Cdbbank, in which the Financial Instruments and assets of CDB's Clients, are combined and remain undisclosed to the third party.

The Client is WARNED that there are various risks entailed in Financial Instruments being held in Omnibus Accounts, some of which are as follows:

- a. In the case of any permanent shortfall in the securities held in an omnibus account, the Client could suffer the loss proportionally in accordance with the number of Financial Instruments relative to the remaining Financial Instruments held in the omnibus account, or could suffer a loss on a first-in first-out or last-in first-out basis or in certain instances may lose any claim it has to the Financial Instruments held in the omnibus account;
- b. There could be temporary shortfalls caused by operational errors (or otherwise) resulting in the Financial Instruments of the Client being used to satisfy other investors' instructions during the time of the shortfall;
- c. Where Financial Instruments are held by a single sub-custodian for many investors, some may wish to vote in favour of a particular matter and others may wish to vote against (in such cases there may be a risk that the relevant legal system does not permit a single investor to vote contrarily: part of his vote for and part against); and
- d. If the relevant legal system does not recognise the omnibus account as a valid form of co-ownership, there is a risk that the Client will have no property rights at all in relation to his Financial Instruments held in an omnibus account.

The concept of nominee account holders in certain jurisdictions is not recognised either in relation to ownership rights or otherwise and the Client shall bear fully any risks arising out of such lack of recognition.

The Financial Instruments and/or funds of the Client, whether held by a third party or a depository, will be clearly identified in the books of Cdbbank and of the third party as being held for the Client by means of differently titled accounts on the books of Cdbbank and the third party or by other equivalent measures.

Cdbbank performs reconciliations on a regular basis between its internal accounts and records and those of the third-party custodian(s) and monitors and performs on a daily basis the marked-to-market settlement of its Clients' listed derivatives.

Cdbbank and sub-custodians (or any third party through whom the sub-custodian is providing the relevant service, including a depository) may have a security interest, lien or right of set-off in relation to Financial Instruments of the Client held by them.

Where, pursuant to the provision of Services, any Client Financial Instruments come under the possession or control of a third party having any claim against the Client, Cdbbank shall not be liable to the Client in any way for the exercise by such third party of any lawful right against the Client's Financial Instruments for the purpose of satisfying the third party's claims.

Financial Instruments purchased by Cdbbank on behalf of the Client may be registered, at Cdbbank's discretion, in the name of Cdbbank, of its nominees or sub-custodians (or any third party through whom the sub-custodian is providing the relevant service) to the order of Cdbbank for account of the Client and/or in the name of the Client without Cdbbank incurring special obligations or responsibilities therefore, but always for the account of and at the risk of the Client.

6. INVESTOR INSURANCE COVERAGE

Cdbbank safeguards the Client's investment by participating in both the 'Deposit Protection Scheme' and the 'Investor Compensation Fund'.

6.1. Investor Compensation Fund

Pursuant to Sections 53(3), 55(4), 56(3) and 72 of the Investment Firms Laws of 2002 to 2004, the Central Bank of Cyprus issued regulations in compliance with the provisions of Directive 97/9/EC on Investor Compensation Schemes providing for a fund ("Investment Compensation Fund") to cover claims of Clients on Investment related instruments.

6.1.1. Clients Eligible for Compensation

All Clients to which Cdbbank provides investment and ancillary services are entitled to compensation under the Investment Compensation Fund in relation to loss suffered in the context of the provision of the covered services, apart from the following:

The following categories of institutional and professional investors:

1. Investment firms;

2. Legal entities associated with the member of the Investor Compensation Fund and, in general, belonging to the same group of companies;
3. Banks;
4. Cooperative credit institutions;
5. Insurance Companies;
6. Collective investment organisations in transferable securities and their management companies;
7. Social insurance institutions and funds;
8. Investors characterised by the member as professionals upon their request in accordance with articles 14 and 15 of the Code of Professional Conduct of Investment Firms as this legislation has been amended or replaced;
9. States and international organisations;
10. Central, federal, confederate, regional and local administrative authorities;
11. Enterprises associated with Cdbbank;
12. Managerial and administrative staff of Cdbbank;
13. Shareholders of Cdbbank, whose participation directly or indirectly in the capital of Cdbbank amounts to at least 5% of its share capital, or its partners who are personally liable for the obligations of Cdbbank as well as persons responsible for the carrying out of the financial audit of Cdbbank as provided by the legislative framework, such as its qualified auditors;
14. Investors having enterprises connected with Cdbbank and, in general, of the group of companies to which Cdbbank belongs, positions or duties corresponding to the ones listed in paragraphs (5) and (6) above;
15. Second-degree relatives and spouses of the persons listed in paragraphs (5), (6) and (7) above, as well as third parties acting for the account of these persons;
16. Investors/Clients of Cdbbank responsible for facts pertaining to Cdbbank that have caused its financial difficulties or have contributed to the worsening of its financial situation or which have profited from these facts; and
17. Investors in the form of a company which, due to its size, is not allowed to draw a summary balance sheet in accordance with the Companies Law Cap 113 or a corresponding law of a Member State.

In the cases of paragraphs (5), (6), (7) and (8) above, the Investor Compensation Fund suspends the payment of compensation informing the interested parties accordingly until it reaches a final decision as to whether such cases apply. If criminal proceedings for legalisation of proceeds from offences under the provisions of the money laundering legislation in force in the Republic of Cyprus are pending against a Client/claimant, the Fund suspends the payment of compensation until the completion of the court case.

6.1.2. Services In Relation To Which Clients May Be Eligible For Compensation

Clients who are eligible for compensation may be compensated to the extent described above in relation to losses suffered pursuant to the provision of the following investment and ancillary services:

6.1.2.1. Investment Services:

1. Reception and transmission of orders in relation to one or more Financial Instruments;
2. Execution of orders on behalf of Clients;
3. Dealing on own account;
4. Portfolio management;
5. Investment advice;
6. Underwriting of Financial Instruments and/or placing of Financial Instruments on a firm commitment basis;
7. Placing of Financial Instruments without a firm commitment basis; and
8. Operation of a Multilateral Trading Facility

6.1.2.2. Ancillary Services:

1. Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management;
2. Granting credits or loans to an investor to allow him to carry out a transaction in one or more Financial Instruments where the firm granting the credit or loan is involved in the transaction;
3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
4. Foreign exchange services where these are connected to the provision of investment services;
5. Investment research and financial analysis or other forms of general recommendation relating to transactions in Financial Instruments;
6. Services related to underwriting; and
7. Investment services and activities as well as ancillary services of the type included under Parts I and II relating to the underlying of the derivatives included under paragraphs 5, 6, 7 and 10 of Part III where these are connected to the provision of investment or ancillary services.

6.1.3. Amount of Compensation Payable

The amount of compensation payable to each covered Client is calculated in accordance with the legal and contractual terms governing the relation of the covered Client with Cdbbank, subject to the set-off rules applied for the calculation of the claims between the covered Client and Cdbbank.

The valuation of the Financial Instruments pertaining to the compensation payable to a covered Client and the applicable exchange rate for any claim not denominated in Euro is conducted by reference to the date of the relevant decision of the Central Bank or the relevant court ruling depending on the case (as per the provisions of paragraph “Prerequisites For Initiation Of The Compensation Procedure” below).

The calculation of the payable compensation derives from the sum of total established claims of the covered Client against the member of the Investor Compensation Fund, arising from all covered services, in relation to which the Client may be eligible for compensation (as set out above), provided by Cdbbank and regardless of the number of accounts of which the Client is a beneficiary, the currency and place of provision of these services. Insofar as the amount of a relevant claim determined exceeds the amount of twenty thousand Euros (€20,000), the claimant receives as compensation the lump sum of twenty thousand Euros (€20,000).

In the case whereby beneficiaries of a joint Securities Account are, in their majority, covered Clients, the maximum amount payable to all co-beneficiaries of the account is the amount provided for above and the compensation is fixed on the whole for all co-beneficiaries of such account and is divided amongst them in the way determined in the agreement between the co-beneficiaries and Cdbbank or otherwise, in the absence of such agreement it is divided equally amongst them.

6.1.4. Prerequisites for Initiation of The Compensation Procedure

The Investor Compensation Fund initiates the compensation payment procedure if, inter alia:

- a. Cdbbank submits to the Investor Compensation Fund or to the Central Bank of Cyprus a written statement declaring its failure to fulfil its obligations toward its Clients;
- b. Cdbbank files an application for winding up in accordance with the provisions of Part V of the Companies Law Cap 113; or
- c. the Central Bank of Cyprus has revoked or suspended Cdbbank’s authorisation to provide banking services and ascertains that the member of the Fund is not expected to be in a position to fulfil its obligations towards its Clients in the near future, for reasons which do not relate to a temporary liquidity shortage which can be dealt with immediately.

On the commencement of the compensation payment process, the Investor Compensation Fund publishes, in at least three newspapers of national coverage, an invitation to the covered Clients to make their claims against the member of the Fund arising from covered services, designating the procedure for the submission of the relevant applications, the deadline for their submission and their content.

The publication should contain at least:

- a. the name and address of the headquarters of Cdbbank to whom the covered Client compensation process has been activated through the Investor Compensation Fund;
- b. the deadline for the submission of compensation applications, which cannot be less than five months and greater than nine months from the publication;
- c. the mode and address of submission of applications; and
- d. the address at which investors may be informed about the exact content of the applications to be submitted and get the relevant form provided by the Investor Compensation Fund.

The Central Bank of Cyprus enters the publication provided for above on its website during the entire time limit for the submission of applications.

The deadline for submission of applications may be amended under certain circumstances where a covered Client, without being its fault, was neither informed about the invitation to submit compensation applications nor was in a position to submit within the deadline this application.

The Client may request additional information from Cdbbank regarding the formalities and pre-conditions relating to the payment of compensation under the Investment Compensation Fund.

Further information on the Investment Compensation Scheme is available on the website of the Central Bank of Cyprus on: [Central Bank - ICS](#).

6.1.5. Deposit Protection Scheme

A “Deposit Protection Scheme” (“Scheme”) has been in operation in Cyprus since 2000, in accordance with the “Establishment and Operation of the Deposit Protection Scheme Regulations” issued under article 34(2) of Banking Law of 1997, as subsequently amended. Under these Regulations, a “Deposit Protection Fund” (“Fund”) has been established, operating under the auspices of the Central Bank of Cyprus. The Fund constitutes a separate legal entity administered by a Management Committee.

The purpose of the Scheme is to provide the protection and pay compensation to depositors in case a bank is unable to repay the deposits of its customers.

The Scheme covers deposits (Demand, Savings or Time) belonging to physical or legal persons, denominated in Euro or any other currency of a member state of the European Union. Participation in the Scheme is compulsory for all banks licensed by the Central Bank of Cyprus to operate in Cyprus and accept deposits from the general public (i.e. all Cyprus incorporated banks including their branches operating in other member states of the European Union as well as all Cyprus branches of banks incorporated in countries outside the European Union). The Cyprus branches of banks incorporated in member states of the European Union are covered by the respective Deposit Protection Schemes of their countries of origin. The Fund’s Management Committee may exempt a specific bank provided that it is covered by an equivalent Scheme. In accordance with the above, Cdbbank participates in the Scheme.

6.2. What should Cdbbank's depositors know?

1. The Scheme is activated if it is determined that a bank is unable to repay its deposits, such a determination being made by the Central Bank of Cyprus in the case of Cyprus incorporated banks or the competent supervisory authority of the country where Cdbbank is incorporated in the case of Cyprus branches of banks incorporated in countries outside the European Union. The Scheme may also be activated by a Court's decision for the winding up of a bank.
2. The level of compensation per depositor under the Scheme equals 90% of the amount of each deposit covered by the Scheme, subject to a maximum limit of Euro 20,000 or the equivalent of this amount, in the currency of the member state of the European Union in which the deposit is denominated. The limit applies to the aggregate of each depositor's deposits with Cdbbank.
3. For the purposes of calculating the compensation payable to each depositor, the amounts of each depositor's deposits will be set-off against any loans or other credit facilities granted by Cdbbank to the depositor as well as any other counterclaim of Cdbbank in respect of which a right to set-off exists.
4. The payment of compensation by the Fund will be effected within three months from the date the deposits were rendered unavailable, unless the Central Bank of Cyprus approves an extension, the total period of which may not exceed nine months.
5. The following categories of deposits are exempted from the payment of compensation:
 - a. Deposits denominated in currencies other than the Euro or other than a currency of a member state of the European Union;
 - b. Deposits in the name of other banks operating in Cyprus held for own account as well as deposits of co-operative institutions which carry out banking business;
 - c. Deposits in the name of banks operating outside Cyprus, which are licensed to carry on banking business under the relevant legislation of a country other than Cyprus;
 - d. Deposits by persons against whom criminal proceedings have been instigated or a confiscation order has been made under the Prevention and Suppression of Money Laundering Activities Law of 2007 (which has consolidated, revised and replaced the Prevention and Suppression of Money Laundering Activities Laws of 1996-2004) or under a corresponding law of another country;
 - e. Deposits by government departments, semi-government organisations and local authorities;
 - f. Deposits by provident and pension funds;
 - g. Deposits by insurance companies, either in their own name or in the name of trustees;
 - h. Deposits by collective investment schemes/mutual funds; and
 - i. Deposits belonging to persons who, in the opinion of the Fund's Management Committee, have any responsibility for a bank's bankruptcy or inability to repay its deposits, or who have profited from the circumstances giving rise to the above events.

6. If the Scheme is activated, an announcement will be made in the Official Gazette of the Republic and in the daily press, stating that a bank is unable to repay its deposits and determining the way which claims, together with supporting documentary evidence, should be submitted.

7. DISCRETIONARY PORTFOLIO MANAGEMENT

In the offering of Discretionary Portfolio Management Services, Cdbbank ensures that each Client's portfolio is in accordance with his investment objectives, financial situation, knowledge and experience under the Suitability Test.

Cdbbank manages the Client's portfolio at its discretion, without the need to communicate with the Client for each transaction, provided it meets the previously agreed limits and restrictions for each type of portfolio. In certain cases Cdbbank abides by specific directions given by the Client, as specified in the contract.

Cdbbank, based on its experience in the Cypriot, Greek and International money and capital markets, offers investors the ability to allocate the investment risk, enriching their portfolios with a number of Financial Instruments that are available in therein.

The Assessment of Suitability determines the type of portfolio that is suitable for each Client. Each type of portfolio invests in specific Financial Instruments with determined percentage limits per type of portfolio and in specific currency. Cdbbank classifies each portfolio type in categories depending on the level of risk the Client undertakes. The Financial Instruments by investment category that may be included in the portfolio are the following:

Cash Equivalents, Debt and Related Instruments: Repos, Reverse Repos, Time Deposits, Debt Instruments of the Cyprus Government, or of international organizations and of other, high quality (at least BBB-), issuers, Units of Mutual Funds and Derivatives.

Stocks & Related Instruments: Listed shares (or shares that will be listed in the near future), warrants or covered warrants, Units of Mutual Funds and Financial Derivatives.

Alternative Investments & Property: Hedge funds, Private Equity, Real Estate, Precious Metals and other Commodities.

The types of Financial Instruments that can be included in each type of portfolio, the allocation limits by investment category, as well as the types of the transactions, are specified in the Portfolio Management Contract that has been drawn between the Client and Cdbbank. Moreover, the contract may include other portfolio objectives, the level of risk and every special restriction imposed by the Client. In addition, a specific benchmark for each type of portfolio may be selected against which the performance of the Client's portfolio will be compared.

7.1. Portfolio Valuation

All the Financial Instruments included in the Client's portfolio, are valued on a daily basis according to the method and policies that Cdbbank follows.

Specifically, for the valuation of listed shares and derivatives, the closing prices, officially announced in each regulated market, are used. Debt Instruments are valued according to the Bloomberg Generic price (BGN) which is published by the Bloomberg electronic data bank. When the BGN price is not available, Cdbbank tries to provide, on a weekly basis, an indicative valuation price from a reliable source. If this is not possible, the valuation price remains constant throughout the Financial Instrument's lifetime and is equal to its issue price.

To value Mutual Funds units, the net price is used, calculated on a daily basis, or as this is made available and published by the Mutual Fund Management Company.

7.2. Reporting to Clients

Cdbbank provides its Clients essential information concerning the execution of their orders on a regular basis. Regular statements are dispatched to the Clients, in which the movement of their liquid funds is presented for the duration of the respective reporting period, as well as a report containing the portfolio valuation on the last business day of the month. Moreover, reports are dispatched to each Client on a quarterly basis, containing (among other information) the portfolio valuation, the performance of the portfolio compared to the benchmark (if a benchmark has been specified) for the period the particular report refers to, as well as the confirmations of the transactions performed in the context of portfolio management for the specific time interval.

More specifically, Retail Clients may opt to be informed, immediately and not periodically, for the transactions that are performed as part of the portfolio management and consequently receive the confirmations of these transactions for each executed transaction.

8. INVESTMENT RISKS

In the context of provision of Investment and Ancillary Services, Cdbbank facilitates the use of several Financial Instruments by the Client. A brief description of the basic Financial Instruments alongside the risks associated with each category is available to the Client in Appendix A - 'Risk Disclosures'. The majority of investment risks are also summarized herein below.

Different investments in Financial Instruments involve different levels of risk. This notice cannot disclose all the risks or other significant aspects of the products detailed below. You must neither rely on the guidance contained in this notice as investment advice based on your personal circumstances, nor as a recommendation to enter into any of the services or invest in any of the products listed below. It is highly recommended that before investors transact in these or any other products, they understand their nature and risks and the extent of their exposure to those risks. They should also be satisfied that the product is suitable for them by taking into account their personal circumstances, financial situation and investment strategy. Where they are uncertain as to

the meaning of any of the disclosures or warnings described below, we would strongly recommend that they seek independent legal and/or financial advice in advance of any investment decisions. Indeed, some of these products are unsuitable for many investors.

The types of risk that might be of concern will depend on a variety of factors, including how the instrument is created or structured. The specific risks of a particular product or transaction will depend upon the terms of the product or transaction and the particular circumstances of, and relationships between, the relevant parties involved in such product or transaction. In the case of a financial product consisting of two or more different Financial Instruments or services, risks may probably be higher than the risks linked with any of its components since risks may be interconnected, thus leading to an increase in the total investment risk.

Investments are expected to provide a return relative to the amount of risk they pose. The price or value of an investment will depend on fluctuations in the financial markets that no one can predetermine. The figures concerning simulations of past performance as well as past or previous performance do not indicate future performance. The nature and extent of investment risk varies between countries and types of investments. The risks set out below are not mutually exclusive and can impact upon each other.

When investing in Financial Instruments an investor is exposed, to one degree or another, to all or some of the following risks:

Market Risk: The possibility for an investor to experience losses from fluctuations in securities prices. A movement in the price of a security in the opposite direction may reduce the invested capital.

Interest Rate Risk: The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (e.g. through an interest rate swap).

Foreign Exchange Risk: The risk of an investment's value changing due to changes in currency exchange rates. It can also be defined as the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to an adverse movement in exchange rates, also known as "currency risk" or "exchange-rate risk".

Credit Risk: The risk of loss of principal or loss of a financial reward stemming from a debt obligor's failure to repay a loan or otherwise meet a contractual obligation. Investors are compensated for assuming credit risk by way of interest payments from the borrower or issuer of a debt obligation. Credit risk is closely tied to the potential return of an investment, the most notable being that the yields on bonds correlate strongly to their perceived credit risk.

Default Risk: The risk that the issuer of a debt security will be unable to make the required payments on their debt obligations.

Counterparty Risk: The risk undertaken by both parties of a transaction that their counterparty may default in its contractual obligations. This risk is significantly reduced for transactions concluded in regulated markets/stock exchanges.

Liquidity Risk: The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimise a loss.

Volatility Risk: Fluctuations in the prices of Financial Instruments are usually unpredictable. Volatility is a statistic quantity measuring the possibility of such fluctuations.

Correlation Risk: Correlation measures the extent of interrelation between the fluctuations of two or more investments. When an investment strategy is based on the correlation of two assets, any interruption in this interrelation will cause some instability.

Idiosyncratic Risk: This risk is caused by factors involved in one or more issuers of securities, such as factors which may affect the performance of a security included in a portfolio. The idiosyncratic risk can be reduced through diversification.

Systematic Risk: The risk inherent to the entire market or entire market segment. It does not relate to events affecting specific securities but it is only related to events that affect the overall market. Contrary to idiosyncratic risk, this systematic risk is non-diversifiable.

Early Redemption Risk: Some bond issues give the option to the issuer to recall and redeem them before their maturity date. The risk originates from the possibility that the securities will be recalled at an unfavorable price for the investor.

Inflation Risk: The course of the Consumer Price Index affects the actual value of invested capital and anticipated returns.

Portfolio Management Risk: The risk related to the investment strategy that is being followed or the ability of the portfolio manager to act according to the best portfolio management practices.

Basis Risk: The risk that offsetting investments in a hedging strategy will not experience price changes in entirely opposite directions from each other. This imperfect correlation between the two investments creates the potential for excess gains or losses in a hedging strategy, thus adding risk to the position.

Settlement Risk: The risk that one party will fail to deliver the terms of a contract with another party at the time of settlement. Settlement risk can be the risk associated with default at settlement and any timing differences in settlement between the two parties. This type of risk can lead to principal risk.

Operational Risk: A form of risk that summarises the risks a company or firm undertakes when it attempts to operate within a given field or industry. Operational risk is the risk that is not inherent in financial, systematic or market-wide risk. It is the risk remaining after determining financing and systematic risk and includes risks resulting from breakdowns in internal procedures, people and systems.

Political Risk: The risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns could stem from a change in

government, legislative bodies, other foreign policy makers, or military control. Political risk is also known as “geopolitical risk” and becomes more of a factor as the time horizon of an investment gets longer.

Tax Risk: This is the risk that the investor may possibly encounter when making an investment in a security that stems from the change in the tax policy for the particular investment in this specific country’s legislation. Tax risk is heavily correlated with (and sometimes considered part of) the political risk.

Trading Systems Risk: The Trading systems through which transactions are effected are subject to the risk of temporary malfunction or disruption of operation. In such case, trading transactions may be effected through other means and respective procedures, however, delays in putting them into effect might cause losses or gains depending on the said securities’ price fluctuation.

Legal Risk: The terms and characteristics of the Financial Instruments traded in capital markets, as well as the manner and conditions of transacting thereon, may be modified by decisions of the competent bodies. The terms and procedure of clearing and settlement of transactions may also be modified by decisions of the competent bodies. Transactions governed by foreign law may expose the invested capital to additional risks. Foreign legislation may offer weaker protection to the investor than that offered by domestic law.

Concentration Risk: This arises from the lack of diversification of a portfolio of investments. An investor who invests a large proportion of his capital in a few Financial Instruments is subject to the idiosyncratic risk related to these instruments. The diversification of his capital to a great number of non-correlated investments minimises this risk.

Custody Risk: The risk of loss of securities held in custody occasioned by the insolvency, negligence or fraudulent action of the custodian or sub-custodian. Even if an appropriate legal framework is in place, which eliminates the risk of loss of value of the securities held by the custodian in the event of its failure, the ability of participants to transfer the securities might be temporarily impaired.

Leverage Risk: Leverage refers to the use of borrowed capital, such as margin, to invest in Financial Instruments to increase the potential return of an investment. Instruments that involve a high degree of leverage will have the risk that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can, therefore, be volatile. Leverage does not increase only the potential profits of an investment, but the possible losses as well. Use of leverage can make it possible that the entire invested capital is lost.

Premature Risk: This relates to the possibility that a security is redeemed before its original redemption date and the investor may be unable to find the appropriate investment conditions in the market to invest the proceeds from the redemption of his investment.

Venue Risk: This risk is related to the specific characteristics of the market (regulated or not) where the Financial Instrument is traded or referred.

Dividend Risk: This refers to the risk that has to do with the incorrect valuation of a security due to the fact that there is a change in the original assumptions made relating to the dividend (or other payments) the security pays. Other than the possibility of ceasing the dividend payment (either

temporarily or permanently), changes may also occur in the time the dividend is paid and the payment frequency, etc., that effect the valuation of the security and, thus, the value of the position of the investor.

Nationalisation Risk: The risk associated with the probability that the government of a country will nationalise the company. In most cases the investors will not be fully or partially compensated.

Company Dissolution Risk: This term refers to the possibility of the dissolution of a company. This may be a result of the deterioration of the economic situation of a company and can happen as a result of a decision of the General Assembly of the company's shareholders or by a court decision. When a company is dissolved, the investors may or may not be fully compensated in terms of receiving back the initial capital invested.

9. CONFLICT OF INTEREST POLICY

In the course of providing Investment and Ancillary Services, Cdbbank encounters actual or potential conflicts of interest. Conflicts of interest may arise between Cdbbank (including its managers, employees and tied agents or any person directly or indirectly linked to Cdbbank by control) and its Clients. In addition, conflicts of interest may arise between one Client of Cdbbank and another.

The following is an indicative list of circumstances which constitute or may give rise to conflicts of interest entailing a material risk of damage to the interests of one or more Clients:

- Disclosing confidential information about a Client to third parties by a Bank employee creating a disadvantage for the Client.
- Linking employee remuneration to sales targets for specific Financial Instruments for which Cdbbank has agreements with third parties and receives commissions or other benefits.
- Recommending Financial Instruments to a Client for which Cdbbank receives commissions or other benefits without taking into account the Client's best interests.
- Employees receiving or demanding gifts or other benefits from a Client, resulting in beneficial treatment of this Client.
- Employees receiving or demanding gifts or other benefits from service providers resulting into the unfair treatment of its Clients.
- Cdbbank choosing to cooperate with third parties based on its own interest without putting the Client's interest first.
- Employees giving priority to the execution/transmission of specific Clients' orders against the execution of other Clients' orders.
- Structuring of commissions in a way which discriminates between execution venues.
- Transmitting Client orders to third parties based on the interests of Cdbbank and not those of its Clients.

- The non-disclosure of all potential risks or all costs related to an investment, giving priority to Cdbbank's own benefits against the interests of the Clients.
- Using confidential information relating to a Client to engage in transactions on securities issued by the Client for Cdbbank's own benefit.

Cdbbank has implemented many mechanisms to help it prevent cases of conflicts of interest. More specifically, the following policies and procedures pertinent to the identification and handling of conflicts of interest have been instituted:

- a. The Code of Conduct that should be observed by all employees.
 - i. Cdbbank's policy on remuneration, bonuses and fringe benefits which prohibits the connection of the employees remuneration with any profit or financial benefit arising from the successful performance of a financial transaction or investment activity.
 - ii. The Inducements Policy which defines the conditions that have to be met, duties and responsibilities for handling potential conflicts of interest relating to fees, commissions or non-monetary benefits given to or received from a Third Party or Client in relation to the provision of an investment or ancillary service.
 - iii. The Personal Dealing Policy which outlines the principles that must be followed by employees in relation to personal transactions and also specifies which types of transactions are allowed, which are not and under what circumstances.
 - iv. The Insider Dealing Policy prohibits employees from benefiting from information relating to particular securities or a particular issuer of securities which has not been made public, but which, if it were made public, would be likely to have a significant effect on the price/value of any securities.
 - v. The Order Execution Policy which ensures that Client orders are handled fairly and that the best possible result is obtained for the Clients on a consistent basis.
- b. Other mechanisms which help Cdbbank prevent and handle conflicts of interest are:
 - i. Compliance Department responsible for ensuring abidance with 'Personal Dealing Policy' and 'Insider Dealing Policy'.
 - ii. Internal Audit Mechanisms imposing code of conduct and Cdbbank's policies and procedures.
 - iii. A periodic review of the adequacy of Cdbbank's system of internal controls.

Where Cdbbank's organisational or administrative arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to Client interests will be prevented, Cdbbank will either decline to act or, where confidentiality considerations permit, will disclose the general nature and/or sources of conflicts of interest to the Client before undertaking business on its behalf. This way, it enables the Client to make an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises.

Additional information on the Conflicts of Interest Policy is available to Cdbbank's Clients upon request.

10. BEST EXECUTION

Cdbbank, in compliance with MiFID and the Law, has established, in accordance with existing conduct of business rules, an order execution policy 'Order Execution Policy' – (see Appendix B), which sets the basis on which Cdbbank will provide best execution. The Order Execution Policy applies to all Clients of Cdbbank.

Cdbbank applies its Order Execution Policy when providing the services of reception, transmission and execution of orders as well as the service of portfolio management in respect of the following product categories:

- Listed Shares/Exchange Traded Funds
- Bonds
- Mutual Funds
- Structured Products
- Derivatives (listed in regulated markets or over the counter)

The types of execution venues used by Cdbbank when executing Client orders are:

- Regulated Markets ("RM");
- Multilateral Trading Facility ("MTF");
- Systematic Internalisers ("SI");
- Over-The-Counter ("OTC") market networks; and
- Market Maker or approved liquidity provider

Risk Disclosures

The Directive requires firms providing Investment and Ancillary services to disclose to the Client all the possible risks arising either directly or indirectly from the provision of such services in general.

This document provides a brief outline of the various investment instruments and the risks impaired in their utilization.

This document is for information purposes only. No liability whatsoever shall arise on the part of Cdbbank for any actual or contingent or direct or indirect loss suffered by any recipient of this document as a result of any act or omission pursuant to reliance on the provisions hereof or other use or misuse of any information contained herein.

Securities and the risks involved

What are securities?

Securities are standardised certificates which are suitable for mass trading, as well as rights not represented by a certificate but with similar features (book-entry securities).

They include equities, bonds, units of mutual funds and derivatives. They are offered to the public in a standardised form and denomination, or are sold to more than 20 clients.

What are derivatives?

Derivatives are financial instruments for which the price is derived either from assets (underlyings) such as equities, bonds, precious metals and other commodities; or from benchmark rates such as currencies, interest rates and indices; or from credit or catastrophe events.

An equity option, for example, derives its value from the “underlying” equity. In the following chapters, we will go on to look at different types of derivatives, including forwards, futures and structured products as well as options.

What do you particularly need to bear in mind when carrying out securities transactions?

Securities, and especially derivatives, entail financial risks. Derivatives are financial instruments based on a separate underlying and are often composed of different elements, which sometimes make them difficult to understand. This is particularly true for “exotic” options. This brochure explains these financial instruments and their associated risks. However, it is no substitute for the product descriptions provided by issuers and securities dealers. If you have any further questions, consult your securities dealer.

Can the risks be unlimited?

There are basically two types of financial instruments: those with limited risk and those with unlimited risk. The purchase of equities or options involves limited risk. At worst, you will lose the entire amount

CAUTION of your invested capital and not make a profit.

On the other hand, there are certain types of derivatives that can require an additional outlay of capital over and above the original investment. The obligation to make such margin payments can amount to many times the purchase price of the investment.

Unlimited risk is particularly associated with:

- selling (writing) an uncovered call option,
- selling (writing) a put option or
- forwards and futures transactions.

Major Types of risks

Country risks

A country risk can arise if a country restricts securities trading, for instance by imposing economic sanctions or currency restrictions.

Settlement risks

A settlement risk occurs when you have to pay the purchase price of a security in advance but do not actually receive the security until later. In this event, the risk is that you will pay the purchase price and receive the securities late or even not at all. Conversely, when you are obliged to deliver securities that you have sold, you may not simultaneously receive the purchase price from the buyer. Settlement risks mainly occur in emerging markets.

Risks associated with custody of financial instruments

Financial instruments can be held either in your country or abroad. Generally, they are held where they are most often traded, and are governed by the regulations that apply there.

If a third-party custodian becomes insolvent, the law in many countries provides that the financial instruments deposited with that custodian by your securities dealer are also normally protected. In less advanced markets, however, financial instruments deposited with a third-party custodian in the country concerned may be included in the custodian's bankruptcy assets.

Liquidity risk

Liquidity risk is the risk that you will not always be able to obtain an appropriate price for your investment when you sell it. When certain securities and derivatives are impossible to sell, or can only be sold with difficulty and at a sharply reduced price, the market is said to be illiquid. Illiquidity risk occurs especially with shares in un-listed or poorly capitalised companies, investments with sales restrictions, and certain structured products.

Please read through this brochure carefully and consult your securities dealer if you have any questions.

Transactions involving special risks

What are your rights and duties in an option transaction?	<p>Options</p> <p>As the buyer of an option, you have the right to buy a specified amount of an underlying asset (often simply referred to as the “underlying”) from the seller (call option) or sell it to the seller (put option) at a predefined price (strike price) up until a set time (expiration date). The price you pay for this right is called the premium.</p> <p>As the seller (writer) of an option, you must sell the underlying to the buyer at the strike price (call option) or buy the underlying from him/her at the strike price (put option) up until the expiration date, irrespective of the market value of the underlying asset at the time, if he/she chooses to exercise the option.</p>
What is the leverage effect in the context of options?	<p>The price of an option is closely linked to that of the underlying asset. Any change in the market value of the underlying asset will result in a greater change in the price of the option. This is termed the leverage effect. It means you participate disproportionately in any rise or fall in the market value of the underlying asset.</p>
Which underlying assets can options be based on?	<p>The commonest underlying assets for options are:</p> <ul style="list-style-type: none"> ▪ assets such as equities, bonds, precious metals and other commodities, ▪ benchmark rates such as currencies, interest rates and indices, ▪ derivatives and ▪ any combination of the above.
What are “American style” options?	<p>“American-style” options can normally be exercised on any trading day up to the expiration date.</p>
What are “European style” options?	<p>“European-style” options can only be exercised on the expiration date, in other words the date set out in the contract. This does not, however, normally affect their tradability on the secondary market (e.g. on a stock exchange).</p>
When are options settled physically, and when are they settled in cash?	<p>Where a call option provides for physical settlement, you can require the seller of the option (writer) to deliver the underlying asset when you exercise the option. With a put option, the writer is obliged to buy the underlying asset from you.</p> <p>If an option provides for cash settlement, you are only entitled to a sum of money corresponding to the difference between the strike price and the current market value of the underlying asset.</p>
When is an option	<p>A call option is in the money if the current market value of the underlying asset is above the strike price. A put option is in the money if the current market value of the underlying asset is below the strike</p>
<ul style="list-style-type: none"> ▪ in the money, ▪ out of the money, 	

- **at the money?** price. An option that is in the money is said to have an intrinsic value.

A call option is out of the money if the current market value of the underlying asset is below the strike price. A put option is out of the money if the current market value of the underlying asset is above the strike price. In this case, the option has no intrinsic value.

If the current market value of the underlying asset is the same as the strike price, the option is at the money. In this case, it has no intrinsic value.

- What determines the price of an option?** The price of an option depends on its intrinsic value and on what is referred to as the time value. The latter depends on a variety of factors, including the remaining life of the option and the volatility of the underlying. The time value reflects the chance that the option will be in the money. It is higher for options with a long duration and a very volatile underlying and for options that are at the money.

- What types of options are there?** **Warrants** are options in securitised form that are traded on an exchange or over the counter (OTC).

Exchange Traded Options are non-securitised, but are traded on an exchange.

OTC (Over-the-Counter) options are neither securitised nor traded on-exchange. They are agreed directly off-exchange between the seller and the buyer. If you wish to cancel (close out) an option of this type before the expiration date, you must make a corresponding offsetting trade with your counterparty. OTC options with precious metals and currencies as their underlying are offered publicly as standardised products. Tailor-made OTC options, by contrast, are specially created for individual investors.

- What is “margin cover”?** If you sell an option, you have to deposit either an amount of the underlying asset or another form of collateral for the entire duration of the contract. The level of this collateral or margin is determined by the securities dealer. The exchange stipulates a minimum margin for traded options.

CAUTION If the margin cover proves insufficient, the securities dealer can require you to provide additional collateral (via a margin call).

- What risks do you face as the buyer of an option?** Generally speaking, if the market value of the underlying asset falls, so does the value of your call option. The value of your put option tends to fall if the underlying asset rises in value. Normally, the less your option is in the money, the larger the fall in the option’s value. In such cases, value reduction normally accelerates close to the expiration date.

The value of your call option can drop even when the value of the underlying remains un-changed or rises. This can happen as the time

value of your option falls or if supply and demand factors are unfavourable. Put options behave in precisely the opposite manner.

CAUTION You must therefore be prepared for a potential loss in the value of your option, or for it to expire entirely without value. In such a scenario, you risk losing the whole of the premium you paid.

What risks do you face as the seller (writer) of a covered call option? If, as writer of a call option, you already have a corresponding quantity of the underlying at your disposal, the call option is described as covered. If the current market value of the underlying exceeds the strike price, your opportunity to make a profit is lost since you must deliver the underlying to the buyer at the strike price, rather than selling the underlying at the (higher) market value. You must have the underlying assets freely available as long as it is possible to exercise the option, i.e. they may not, for example, be blocked by being pledged for other purposes. Otherwise, you are essentially subject to the same risks as when writing an uncovered call option (see below).

What risks do you face as the seller (writer) of an uncovered call option? If, as writer of a call option, you do not have a corresponding quantity of the underlying at your disposal, the call option is described as uncovered. In the case of options with physical settlement, your potential loss amounts to the price difference between the strike price paid by the buyer and the price you must pay to acquire the underlying assets concerned. Options with cash settlement can incur a loss amounting to the difference between the strike price and the market value of the underlying.

CAUTION Since the market value of the underlying can move well above the strike price, your potential loss cannot be determined and is theoretically unlimited.

As far as American-style options in particular are concerned, you must also be prepared for the fact that the option may be exercised at a highly unfavourable time when the markets are against you. If you are then obliged to make physical settlement, it may be very expensive or even impossible to acquire the corresponding underlying assets.

You must be aware that your potential losses can be far greater than the value of the underlying assets you lodged as collateral (margin cover) either when entering into the contract or thereafter.

What risks do you face as the seller (writer) of a put option? As the writer of a put option, you must be prepared for potentially substantial losses if the market value of the underlying falls below the strike price you have to pay the seller. Your potential loss corresponds to the difference between these two values.

As the writer of an American-style put option with physical settlement, you are obliged to accept the underlying assets at the strike price if the buyer exercises the option, even though it may be difficult or impossible to sell the assets and may well entail substantial losses.

CAUTION Your potential losses can be far greater than the value of any underlying assets you may have lodged as collateral (margin cover). You could in a worst case lose your entire capital invested.

What is a covered option? With a covered option, you purchase an underlying asset (equity, bond or currency) and simultaneously write a call option on that same asset. In return, you are paid a premium, which limits your loss in the event of a fall in the market value of the underlying asset. By the same token, however, your potential return from any increase in the asset's market value is limited to gains up to the option's strike price. Traditional covered options require that the underlying asset be lodged as collateral, which makes you the covered writer.

Synthetic covered options are based on the idea of replicating traditional covered options. However, this is achieved by means of only one transaction. Both the purchase of the underlying asset and the writing of the call option are carried out synthetically using derivatives. The purchase price of such a product is identical to that of the underlying, less the premium received for the sale of the call option. Hence, the synthetic product is sold more cheaply than its underlying.

What are the risks of a covered option?

Covered options do not contain a hedge against falls in the market value of the underlying. However, by writing a call option (traditional covered option) or by calculating the return from the sale of a call option into the product price (synthetic covered option), any loss in market value of the underlying has less impact than it would in the case of a direct investment. In effect, the option premium thereby limits any loss in the market value of the underlying.

Either cash settlement or physical delivery of the underlying takes place on the expiration date. If the market value of the underlying on expiration is higher than the strike price, the holder of an option with cash settlement is paid a specified cash amount as settlement.

CAUTION If, however, the market value of the underlying is lower than the strike price, the holder of an option with physical settlement receives physical delivery of the underlying asset. In this case, the option holder bears the full risk associated with the underlying.

What are option strategies?

If you acquire two or more options, based on the same underlying, which differ in either the option type (call or put), the quantity, the strike price, the expiration date or the type of position (long or short), this is referred to as an option strategy.

CAUTION Given the large number of possible combinations, we cannot go into detail here about the risks involved in any particular case. Before entering into any such transaction, be sure to consult your securities dealer about the particular risks involved.

What are exotic options? Unlike the "plain vanilla" put and call options described above, exotic options are linked to additional conditions and agreements. Exotic

options come in the form of tailor-made OTC options or as warrants.

Given the special composition of exotic options, their price movements can vary markedly from those of their “plain vanilla” cousins.

CAUTION You must be aware that larger transactions can trigger price movements even shortly before expiration and that these can render an option worthless. Before buying or selling any exotic options, be sure to seek comprehensive advice about the particular risks involved.

There is no limit to the possible structures for exotic options. We cannot describe in full here the risks involved in any particular case.

The examples of exotic options listed below can be broadly divided into two categories: path-dependent options and options on more than one underlying.

What are path-dependent options?

Unlike “plain vanilla” options, for path-dependent options, it is not just when the option expires or is exercised that the market value of the underlying is important. You also need to take into account fluctuations in the market value of the underlying during the life of the option when contemplating such an investment. The following are examples of path-dependent options:

Barrier options

Your exercise rights for knock-in barrier options only arise if the market value of the underlying reaches a fixed threshold (barrier) within a specified period. Exercise rights for knock-out barrier options expire if the market value of the underlying reaches the specified barrier during the given time period.

If this barrier is between the market value of the underlying at the time the option was entered into and its strike price, it is referred to as a kick-in/kick-out barrier option.

Double-Barrier options have both an upper and a lower barrier and may take the form of knock-in and knock-out barrier options.

CAUTION When buying a barrier option, you must be aware that your exercise rights only arise when the market value of the underlying reaches the barrier (knock-in/kick-in option) or that they expire irrevocably when that barrier is reached (knock-out/kick out option).

Payout options

The Payout options accord you the right to payment of a fixed amount agreed in advance.

In the case of a digital (otherwise known as “binary”) option, you receive payment if the market value of the underlying reaches a fixed value once during a specified time period (one-touch digital option) or precisely on the day of expiration (all-or-nothing option). For the one-

touch digital option, payment occurs either immediately the barrier is reached or on the date of expiration (lock-in option).

With lock-out options, you only receive the fixed payment if the market value of the underlying does not reach the agreed barrier during a specified time period.

CAUTION If you sell a payout option you owe the fixed amount if the barrier is reached, regardless of whether or not the option is in the money when exercised or on the expiration date, or to what extent. This means that the amount you owe can be considerably larger than the option's intrinsic value.

Asian options

For Asian options, an average value is derived from the market value of the underlying over a specified time period. This average is used to determine the underlying's value for an average-rate option and to calculate the strike price for an average strike option.

CAUTION The calculation of an average value for the underlying in the case of the average-rate option can result in the value of the option on the expiration date being considerably lower for the buyer and considerably higher for the writer than the difference between the strike price and the current market value on expiry.

CAUTION For an average-strike option, the average strike price of a call option can be considerably higher than the price originally set. For an equivalent put option, the strike price can similarly be lower than the price originally set.

Lookback options

With a lookback option, the market value of the underlying is recorded periodically over a specified time period.

For a strike-lookback option the lowest value (call option) or the highest value (put option) of the underlying becomes the strike price.

The strike price remains unchanged for a price-lookback option, with the highest value (call option)/lowest value (put option) being used in calculating the option value of the underlying.

CAUTION For lookback options, both the calculated strike price and the calculated value of the underlying can vary considerably from the market prices prevailing on the expiration date. If you sell an option of this type, you must be aware that it will always be exercised at the most unfavourable value for you.

Contingent options

When you buy a contingent option you must pay the premium only if the market value of the underlying reaches or exceeds the strike price during the life of the option (American-style option) or on the

expiration date (European-style option).

CAUTION You will have to pay the entire premium even if the option is only just at the money or just in the money.

Cliquet and Ladder options

For cliquet options (also known as ratchet options), the strike price is modified for the following period, normally at regular intervals, in line with the market value of the underlying. Any intrinsic value of the option is locked in. All lock-ins arising over the entire life of the option are accumulated.

For ladder options, these modifications take place when the underlying reaches specified market prices, rather than at regular intervals. Normally, only the highest intrinsic value is locked in. In rare cases, all the intrinsic values recorded are added together.

CAUTION If you sell a cliquet option, you are required on the expiration date to pay the buyer all the accumulated lock-ins in addition to any intrinsic value of the option. If you sell a ladder option you must pay the buyer the highest lock-in amount, which can be considerably higher than the option's intrinsic value on the expiration date.

What are options on more than one underlying?

Examples of options on more than one underlying are:

Spread and outperformance options

Both spread and outperformance options are based on two underlyings. With a spread option, the absolute difference in movement between the two underlyings forms the basis for calculating the option's value. By contrast, the value of an outperformance option is based on the relative difference, i.e. the percentage outperformance of one underlying compared to the other.

CAUTION Even if the underlying performs positively, the difference between the underlying may be equal or lower in absolute as well as relative terms, thus having a negative impact on the value of the option.

Compound options

The Compound options have an option as their underlying, i.e. they are options on options.

CAUTION Compound options can have an especially large leverage effect. If you sell an option of this type, you can be faced with very substantial obligations.

Credit default options

With a credit default option, a credit risk of the original risk-taker (risk seller) is transferred to a third party (risk buyer), who receives a premium in return. If the defined credit event occurs, the risk buyer is obliged to effect a cash settlement or take on the non-performing loan (or another delivery obligation) by way of physical settlement at a

previously determined price. Credit default options are a form of credit derivatives.

CAUTION The risk of chain reactions on the credit market is high and can easily be underestimated. There is also the risk that lack of liquidity will lead to price distortions when volumes are low. This may mean that the investment can only be sold at a low price, longer term or even not at all.

Forwards and Futures

What duties do you have with forwards and futures?

With forwards and futures you undertake to deliver or take delivery of a defined quantity of an underlying on a specified expiration date at a price agreed on the contract date. Unlike with options, which (for the buyer at least) only give rise to rights, forwards and futures involve both parties entering into obligations. You do not have to pay a premium when the contract is concluded.

CAUTION Forwards and futures can involve special risks. You should therefore only make investments of this type if you are familiar with this type of instrument, have sufficient liquid assets and are able to absorb any losses that may arise.

What is the difference between futures and forwards?

Futures are traded on an exchange. They take the form of contracts in which the quantity of the underlying and the expiration date are standardised.

Forwards are not traded on an exchange; hence they are referred to as OTC (over-the-counter) forwards. Their specifications may also be standardised; otherwise they may be individually agreed between the buyer and seller.

What underlying assets can forwards and futures be based on?

The most common underlyings for forwards and futures are:

- assets (equities, bonds, precious metals and other commodities),
- benchmark rates such as currencies, interest rates and indices.

What is a margin?

When you buy or sell (short) an underlying asset on the futures market, you must supply a specified initial margin when entering into the contract. This is usually a percentage of the total value of the contracted instruments. In addition, a variation margin is calculated periodically during the life of the contract. This corresponds to the book profit or loss arising from any change in value in the contract or underlying instrument. The way in which the variation margin is calculated will depend on the rules of the exchange concerned and/or the conditions of the contract.

As the investor, you are obliged to deposit the required initial and variation margin cover with the securities dealer for the entire life of the contract.

CAUTION In the event of a book loss, the variation margin can be several times as large as the initial margin.

How is a transaction closed out? As the investor, you are entitled to close out the contract at any time prior to the expiration date. How this is done depends on the type of contract or stock exchange practice. You either “sell” the contract or agree an offsetting trade with identical terms. Concluding such an offsetting trade means that the obligations to deliver and receive cancel one another out.

How is the transaction settled? If you do not close out the contract prior to the expiration date, you and the counterparty must settle it.

If the underlying in your contract is a physical asset, settlement is achieved by physical delivery or a cash payment. Generally, the asset is physically delivered. Only in exceptional cases do the contract provisions or stock exchange practice call for cash settlement. All other fulfillment specifications, especially the definition of the place of fulfillment, can be found in the relevant contract provisions.

The difference between physical delivery and cash settlement is that with physical delivery, underlyings amounting to the entire contractual value must be delivered, whereas with cash settlement, only the difference between the agreed price and the market value on settlement needs to be paid. This means that you need more funds available for physical delivery than for cash settlement.

If the underlying in your contract is a reference rate or benchmark, fulfillment by physical delivery is not permitted (except for currencies). Instead, settlement is always in cash.

What special risks do you need to bear in mind? For forward sales, you must deliver the underlying at the price originally agreed even if its market value has since risen above the agreed price. In such a case, you risk losing the difference between these two amounts.

CAUTION Theoretically, there is no limit to how far the market value of the underlying can rise. Hence, your potential losses are similarly unlimited and can substantially exceed the margin requirements.

For forward purchases, you must take delivery of the underlying at the price originally agreed even if its market value has since fallen below the agreed price. Your potential loss corresponds to the difference between these two values. Your maximum loss therefore corresponds to the originally agreed price. Potential losses can substantially exceed the margin requirements.

CAUTION In order to limit price fluctuations, an exchange may set price limits for certain contracts. Find out what price limits are in place before effecting forward or futures transactions. This is important since closing out a contract can be much more difficult or even impossible if a price limit of this type is reached.

CAUTION If you sell forward an underlying which you do not hold at the outset of the contract, this is referred to as a short sale. In this case, you risk having to acquire the underlying at an unfavourable market value in order to fulfill your obligation to effect delivery on the contract's expiration date.

What special factors apply to OTC forwards? The market for standardised OTC forwards is transparent and liquid. Hence, contracts can normally be closed out without difficulty. There is no actual market for OTC forwards agreed individually, and hence the positions they entail may only be closed out with the agreement of the counterparty.

What special factors apply to combinations? Since combinations comprise a number of elements, closing out individual elements can considerably alter the risks inherent in the overall position. Before entering into any such transaction, be sure to consult your securities dealer about the particular risks involved.

Given the many possible combinations, we cannot go into detail in this brochure about the risks involved in any particular case. Before making a purchase, be sure to seek comprehensive advice about these risks.

What are structured products? **Structured Products**
Structured products are issued either publicly or privately. Their redemption value depends on the performance of one or more underlyings. They may have a fixed or unlimited term and consist of one or more components.

What are the common types of structured products? Here is a list of the common product categories, based on the categorisation model used by the Swiss Structured Products Association (SSPA):

- capital protection products
- yield enhancement products
- participation products
- leverage products

Can products of this type be traded on an exchange? Structured products may be listed for trading on an exchange, but do not have to be.

Can you sell a structured product? The tradability of a structured product depends on whether the issuer or a market maker is prepared to make a price. Even if they are, liquidity risks can still arise. If the market is not liquid, you run the risk of having to either hold the financial instrument until the end of its term or sell it during the term at an unfavourable price. It can also be difficult or impossible to determine a fair price or even compare prices at all, as there is often only one market maker.

What is the issuer risk? You bear the risk that the debtor of a structured product may become insolvent (issuer risk). The instrument's value is therefore dependent not only on the performance of the underlying asset but also on the creditworthiness of the issuer, which may change over the term of the structured product.

What special risks do you need to bear in mind? Every structured product has its own risk profile, and the risks of its individual components may be reduced, eliminated or increased. In particular, it may profit to different degrees from rising, constant or falling market values of the underlying, depending on the product involved.

CAUTION It is extremely important to find out exactly what the risks are before acquiring a product of this kind. This information can be found in, for example, the issue documents or the product description concerned.

Are structured products covered by the Collective Investment Act? Structured products are not categorised as collective investments under the Collective Investment Schemes Act (Federal Act on Collective Investment Schemes of 23 June 2006). Unlike with collective investments, the issuer is liable with his or her own assets (as is any guarantor, to the extent of a guarantee they have provided), and there is no backing from specially protected assets. You therefore need to bear in mind that in addition to a potential loss resulting from a decline in the market value of the underlyings (market risk), you may in the worst case lose your entire investment because the issuer or guarantor becomes insolvent (issuer or guarantor risk).

Do you have an entitlement to voting rights and dividends? You do not normally have any entitlement to voting rights or dividends if you buy a structured product.

Capital Protection Products

What types of capital protection is there? Some structured products offer capital protection. The level of this protection is fixed by the issuer when the product is issued and indicates the percentage of the nominal value that will be repaid to the investor on expiration. However, capital protection generally only applies at the end of the term and may, depending on the product conditions, be (far) lower than 100% of the invested capital.

CAUTION Some structured products offer only conditional capital protection, which can be lost if the value touches, falls below or rises above a predefined threshold (barrier, knockout level). Repayment is then dependent on the performance of one or more underlyings.

What are structured products with capital protection? Structured products with capital protection consist of two elements, such as a fixed income investment (especially a bond or a money market investment) and an option. This combination enables the holder to participate in the performance of one or more underlyings (via the option or participation component) while at the same time limiting potential losses (via the fixed-income investment or capital protection component). The capital protection component may only cover a portion of the capital invested.

What is the purpose of the capital protection component? The capital protection component determines the minimum repayment you receive on expiration, regardless of how the participation component performs.

What does the capital protection relate to?	The capital protection is linked to the nominal value rather than the issue price or purchase price. Hence, if the issue/purchase price you pay exceeds the nominal value, only the nominal value is capital-protected. The protection of your capital outlay drops accordingly. If, however, the issue/purchase price is less than the nominal value, the protection of your capital outlay rises accordingly.
Is the invested capital fully protected?	The capital protection component can be well under 100% of the capital invested, depending on the product. Capital protection does not therefore mean 100% repayment of nominal value or the purchase price for all products. Structured products with capital protection generally offer lower returns than direct investments in the underlying, as the capital protection costs money.
Does the capital protection still apply if you sell the product during its term?	If you wish to sell a structured product with capital protection before it expires, you may receive less than the capital protection component as the capital protection only applies if you keep the product until the redemption date.
What is the purpose of the participation component?	The participation component determines how you benefit from price movements in the underlying(s) when you buy a structured product. In other words, it fixes the level of your potential return over and above the capital protection component. Some structured products with capital protection offer only a limited potential participation (those with a cap); some (those without a cap) offer unlimited potential participation. Others require the market value of the underlying to touch, rise above or fall below a specific barrier before you can make a profit.
How high is the risk on the participation component?	The risk on the participation component is the same as that on the corresponding option or combination of options. Depending on the movements in the market value of the underlyings, the participation component may therefore be zero.
What is the maximum possible loss?	Your maximum loss on a structured product with capital protection is limited to the difference between the purchase price and the capital protection, provided you continue to hold the product until expiration. You may also miss out on a profit due to the fact that full or partial repayment of the capital is guaranteed but no income (interest) is paid. Please be aware that there is also issuer risk.
What are structured products with yield enhancement?	<p>Yield Enhancement Products</p> <p>Structured products with yield enhancement consist of two elements, such as a fixed-income investment and an option (mainly on equities or currencies), and possibly a currency swap. This combination enables you to participate in the performance of one or more underlyings (via the option component). However, these financial instruments offer no or only conditional capital protection. The interest that is paid means you receive a higher return than with a direct investment if the price of the underlying remains essentially unchanged. On the other hand, you will not benefit from the full potential return of the underlying.</p>

What special risks do you need to bear in mind? If the market value of the underlying rises, you will receive the stipulated interest and the nominal value on expiration (equally, the product may provide for a discount on the issue price). If the market value of the underlying rises sharply, you could possibly have earned a higher return on a direct investment. However, if the market value of the underlying falls sharply, you will receive both the interest payment and the underlying on expiration (unless the product offered a discount on the issue price).

Many products with yield enhancement refer to several underlyings. You as investor receive the security with the worst performance on expiration (either physically or in the form of cash) if the underlying touches, rises above or falls below a predefined barrier during the term of the financial instrument. If the performance of the underlying is negative, the financial instrument can trade some way below the issue price during its term even if the barrier is not touched, exceeded or undershot. The level of interest rate is directly related to the level of the barrier. The nearer the barrier is to the market price of the underlying on the day of issue, the higher the interest you receive will generally be, but the higher the risk that the barrier will be reached, and vice versa.

What is the maximum possible loss? When you invest in a structured product with yield enhancement, you could in the worst case scenario lose the entire capital that you have invested.

What are structured products with participation?

Participation Products

Structured products with participation enable you to participate in the performance of one or more underlyings. However, they offer no or only conditional capital protection.

If the participation product offers conditional capital protection, the risk is smaller than with a direct investment provided the market value of the underlying does not reach a specific barrier (termed the “knock-out”).

If the market value of the underlying touches, rises above or falls below the barrier, you will lose the capital protection.

CAUTION The risk of a structured product with participation is generally the same as that of the underlying. Unlike with a direct investment, however, you do not receive voting rights and you are not entitled to a dividend. You do, though, bear the credit risk of the product’s issuer.

What special risks do you need to bear in mind? Many products with participation refer to several underlyings. You as investor receive the security with the worst (or sometimes best) performance on expiration (either physically or in the form of cash) if the market value of the underlying touches, rises above or falls below a predefined barrier during the term of the financial instrument. The financial instrument can trade some way below the issue price during its term even if the barrier is not touched, exceeded or undershot.

Moreover, the level of participation is directly related to the level of the barrier. If you have a higher risk tolerance when selecting the barrier, you will enjoy a higher participation.

What is the maximum possible loss?

When you invest in a structured product with participation, you could in the worst case scenario lose the entire capital that you have invested.

What are structured products with leverage?

Leverage Products

Structured products with leverage enable you to achieve a leverage effect by investing less capital than you would have to if you invested directly in the underlying. This means you can benefit from short-term trends.

Structured products with leverage are suitable for short-term speculation but also for strategically hedging a portfolio.

What special risks do you need to bear in mind?

Because of the leverage effect, you need to carefully and regularly monitor the underlying, since structured products with leverage can experience a larger rise in profits but also a bigger loss than the underlying.

What is the maximum possible loss?

When you invest in a structured product with leverage, you could in the worst case lose the entire capital that you have invested.

What exactly are these products?

Products Used for Financing or Risk Transfer

The financial instruments discussed in this section have the same or similar profit and loss structures as certain conventional financial instruments (equities or bonds).

Such financial instruments may be listed for trading on an exchange, but do not have to be.

The risks associated with these products are not necessarily the same as those of the financial instruments they contain. It is therefore extremely important to find out exactly what the risks are before acquiring a product of this kind. This information can be found in, for example, the product description concerned.

What are credit and catastrophe derivatives?

There are some products that are mainly used to transfer risks. These include credit and catastrophe derivatives. They are financial instruments where the “underlying” is an event such as a credit event (default of a loan or bond) or a natural disaster.

Derivatives of this type can be used by the bearer of a risk to transfer it to others. Credit derivatives come in the form of swaps, options or hybrid financial instruments.

Credit and catastrophe derivatives involve a liquidity risk. Often such instruments cannot be sold before the end of their term, because there is no market for them.

CAUTION Credit bonds securitise the risks and transfer them to third parties as credit-linked notes, collateralised debt obligations and asset-backed securities. As a result, the buyer takes on the risk associated with a loan portfolio.

Credit-linked notes (CLN)

CLN are bonds whose redemption and interest payments depend on the performance of a specific underlying or benchmark portfolio (e.g. loan, bond).

Look closely at the creditworthiness of the debtor to which the CLN is linked, as the CLN can end up being valueless if a credit event occurs. There is an issuer risk, i.e. a credit risk of the issuing bank, just as with structured products. The secondary market for CLN is highly illiquid, and you should therefore assume that you will not be able to sell one before the end of its term.

Collateralised debt obligations (CDO)

CDO are bonds backed by a diversified debt portfolio (mostly loans, bonds or credit default swaps). They give you access to investments that are unattractive or even unattainable for individual investors. Since CDO are often divided up into a number of tranches with differing credit risks, you can decide what credit risk you wish to take on. If a debtor in the debt portfolio experiences a credit event, the equity-like tranches are affected first: they may be only partially redeemed, or not redeemed at all. If a number of debtors default, this affects the remaining tranches in order of creditworthiness, until finally the tranche with the highest credit rating (comparable to that of first-class bonds) may only be partially redeemed, or not redeemed at all. The value of a CDO is based primarily on the probability of a credit event affecting the individual companies in the portfolio. This probability of default is determined using statistical methods and on the basis of historical data, and can cease to be meaningful in extreme market conditions.

Before you invest in a CDO, you should also look at the track record of the manager in charge of it: he or she will receive a performance-related bonus and will often have a holding in the CDO him/herself. If the portfolio is not run by a manager (which is termed a “static” portfolio), its composition remains unchanged throughout its term. In this case you should pay special attention to the composition of the portfolio.

CAUTION CDO typically have a term of several years. As there is generally no secondary market, you should assume that you will not be able to sell the CDO before the end of its term.

Asset-backed securities (ABS)

In ABSs, risks (such as a range of receivables) are grouped together and transferred to a special purpose vehicle (SPV). The SPV finances this

transaction by issuing securities backed by a pool of assets or a portfolio. If the collateral is a mortgage, this kind of instrument is called a mortgage-backed security (MBS). The individual components of the portfolio would be unattractive or even unobtainable in this form for individual investors. However, the composition of the portfolio makes it possible to combine together and sell a range of assets and risks. By grouping together different types of credit risk, different risk profiles can be created.

Even if a pool or portfolio is created, lack of diversification can lead to a concentration of risk.

CAUTION Credit bonds are often issued by particular types of offshore companies (SPV). In this event you should pay special attention to the issuer risk and the quality of government supervision of such SPVs.

What are alternative or non-traditional investments?

Alternative (Non-Traditional) Investments

Alternative or non-traditional investments are investments that do not fall within the traditional asset classes, such as equities, bonds or money market products. They include a wide range of instruments and strategies. This section focuses on the classes that are most important in terms of risk information:

- hedge funds
- private equity
- real estate
- precious metals and other commodities

This list is not exhaustive and this brochure cannot point out all the risks and issues that need to be taken into account in connection with alternative or non-traditional investments.

CAUTION Be sure to obtain comprehensive advice before investing in alternative or non-traditional investments, and examine the offering carefully.

What do you need to bear in mind when making direct investments?

Instruments allowing for direct investment can make sense in terms of diversifying a portfolio (risk distribution) because their returns are less dependent on factors such as the performance of the markets and levels of interest rates than those of conventional investments. However, the minimum outlay required for direct investments is generally very high, and they are often not accessible to all investors.

What about indirect investments?

To overcome these obstacles and avoid the risks of the large direct investments required, the financial sector has developed instruments for indirect investment. They include certificates, notes, and investment funds, funds of funds, commodity futures and forward contracts. All these structures are based on one or more of the asset classes mentioned below. If you are interested in indirect investments, you need to bear in mind not just the risks of alternative investments as an asset class, but also the risks of the instrument concerned – the risks associated with structured products, for example. Please note that this section does not deal with the risks of structured products, forward

contracts and futures, as these were discussed in the preceding sections (see “Forwards and Futures” and “Structured Products”).

Offshore investments are often structured as funds or partnerships (such as limited partnerships) and domiciled in countries where legislation and supervision can be weak – hence the name “offshore funds”.

What are offshore funds?

The legislation and supervision applying to offshore funds are much less strict than for traditional investments, which means that investors may enjoy less protection. They may find it difficult to enforce their rights, and problems and delays may occur when settling buy and sell orders for units of such funds.

What are hedge funds?

Hedge Funds

Hedge funds are the best-known form of alternative or non-traditional investments. Despite what their name suggests, hedge funds do not necessarily have anything to do with hedging. Indeed, they take on sometimes very high levels of risk in order to obtain an above-average return. Hedge funds include all forms of investment funds, investment companies and partnerships that use derivatives not just for hedging but also for investment, that are able to engage in short selling or take on significant leverage by borrowing. Other features typical of hedge funds include their freedom to choose their asset classes, markets (including emerging markets) and trading methods. Hedge funds normally require high minimum investments. They frequently offer only limited opportunities for subscription and redemption, with long notice periods. The portfolio managers of hedge funds receive performance-related bonuses and often hold a personal stake in the funds.

What should you particularly bear in mind about hedge funds?

Pay special attention to the following:

- A hedge fund may be less transparent than a traditional investment fund, for example, as investors are not always informed about planned strategies and changes to them, or changes of portfolio manager. Hedge funds are also not subject to any disclosure requirements.
- Unlike traditional collective investments, hedge funds have limited liquidity (units may generally only be redeemed once a month, quarterly or annually). Normally, investors can only invest in a hedge fund at specific times. There are generally long notice periods for redemptions and long lock-up periods (periods during which investors are obliged to leave their capital in the fund).
- Delays may occur, and unfavourable prices may result, when settling buy and sell orders for hedge fund units. There is no guarantee that investors will be able to enforce their rights.

Investors invest in funds of hedge funds or multi-manager hedge funds in order to reduce risk. These funds invest their capital in a number of hedge funds and spread it across a range of hedge fund managers that cover different investment styles, markets and instruments. There are also structured products that you can use to invest in hedge funds or

hedge fund indices.

What strategies do hedge funds pursue?

The main hedge fund strategies seen on the market are as follows:

– **Equity hedge (“long”, “short”)**

Equity hedge funds identify undervalued (buy or long position) and overvalued (short selling or short position) equities in specific regions or market segments and attempt to make profits in the belief that sooner or later these positions can be closed out at a profit.

– **Arbitrage strategies**

Arbitrage strategies identify price differences between identical or similar investments in different markets and try to exploit them. Such strategies include equity-market neutral, fixed-income arbitrage, convertible-bond arbitrage and mortgage-backed securities arbitrage.

– **Event-driven**

Managers that pursue this kind of strategy try to make a profit from events such as upcoming changes in a company (mergers, takeovers, restructurings, turnarounds, etc.). Examples of such strategies are merger arbitrage, distressed securities and special situations.

– **Global macro**

Hedge funds that pursue global macro strategies attempt to identify macro-economic developments such as changes in interest or exchange rates at an early stage and exploit them for profit. This category includes growth funds and emerging market funds.

– **Managed futures**

This type of hedge fund deals in futures (standardised, exchange-listed contracts) on financial instruments, currencies and commodities.

What risks do you take on when you invest in a hedge fund?

Generally speaking, hedge fund managers do not need to be licensed by an authority and are largely unregulated. In particular, hedge funds are not subject to the numerous investor protection regulations that apply to authorised collective investments. These include rules on liquidity, redemption of fund units at any time, avoiding conflicts of interest, fair prices for fund units, disclosure and limitations on borrowing.

Since these rules do not apply to hedge funds, they can use much more leverage than traditional authorised funds, and engage in complex investment transactions that are not permitted for traditional collective investments. A hedge fund is allowed to adopt aggressive strategies including the widespread use of short selling, leverage, swaps, arbitrage, derivatives and programme trading. Their investment strategies are often highly complex and very nontransparent. You will often receive little or no information about changes of strategy that may lead to a significant increase in risk, or receive such information only at a late stage.

As part of their investment strategy, hedge funds can also use

derivatives such as futures, options and swaps that may be listed for trading on an exchange but do not have to be. These instruments may be subject to significant price volatility, resulting in a high risk of loss for the fund. The low margins typically required to build up a position in such instruments mean that high levels of borrowing can be used. Depending on the instrument, a relatively small change in the price of the contract can therefore lead to a large profit or loss, in comparison with the capital lodged as collateral and hence to further unforeseeable losses that can exceed any margin cover.

Investment vehicles that are not listed on an exchange also involve further risks as there is neither an exchange nor a secondary market where units can be sold or open positions closed out. It may be impossible to unwind an existing position or determine the value or risk of a position. If a hedge fund sells uncovered options on securities, it may be exposing itself to an unlimited risk of loss.

What is private equity?

Private Equity

Private equity is a form of risk capital financing for companies that either are not exchange-listed or – occasionally – wish to delist. Investments are usually made at an early stage in a company's development, when its chances of success are uncertain and the risks are therefore high.

Where private equity flows into young companies (start-ups) or small companies with growth potential that are at an early stage in their development, the term venture capital is also used. Private equity now also extends to risk capital made available to a company immediately before it goes public (late-stage financing, mezzanine financing). Normally the financing is constructed in such a way that the proceeds of the initial public offering are used to wholly or partially redeem the holdings of the shareholder entrepreneurs. If a change of ownership is financed, for example a delisting, the term "buyout" is customarily used.

The success of a private equity investment depends on the correct timing of the "exit" or sale and – especially with indirect investments via a fund, for example – on the quality of the private equity manager. The exit can be effected by going public (initial public offering or IPO), a sale to another company (trade sale) or to another private equity fund (secondary sale), or a management buyout. The choice of solution will depend largely on the market conditions prevailing at the time. How easy or difficult the exit phase is, and whether the proceeds meet expectations, will depend on factors such as the performance of the equity markets.

What are the risks of private equity investments?

Private equity investments are not regulated compared to equities listed for trading on an exchange. This means that investors may be exposed to more risks, for example due to lack of transparency (e.g. limited access to financial statements, lack of publication).

Private equity investments involve considerable risks and can lead to substantial losses. They are based on a long-term approach and are much less liquid than exchange-listed equities. Normally, private equity investments cannot be sold until some years after the original investment. You should be aware that your capital will be tied up, either completely or with access subject to restrictions, for a long time. No distributions are made prior to exit from investments. You do not normally have any entitlement to exit early.

Companies that are potential candidates for private equity investments may have high levels of borrowing and therefore be more sensitive than established companies to negative market developments such as rising interest rates. There is also a greater danger of the company becoming insolvent and going bankrupt than with listed companies.

CAUTION It is not unusual for further calls for capital to be made at short notice after the initial investment. If you fail to comply with such a demand, you may lose all the capital you have invested up to that time.

CAUTION A change of management in a young company where the personality of the individuals occupying key functions is a particularly important factor can have a highly detrimental effect on a private equity investment.

What do you need to bear in mind when making indirect investments? With indirect investments, there is no guarantee that the manager of a private equity fund will be able to make investments and generate profits that fulfill the expectations for this form of investment. The abilities of the private equity manager are therefore crucial to the success of an indirect investment.

How can you invest in real estate? **Real Estate** Investments in real estate can be made directly or indirectly. Real estate comprises office buildings, retail and industrial premises, residential property and special real estate (such as hotels or hospitals). The variables that determine the value of a property are its location, construction, equipment fittings and the variety of ways in which it can be used.

What do you need to bear in mind when making direct investments? A direct investment involves actually buying property. This will usually require a high capital outlay, a long term investment horizon, in-depth knowledge of the sector, familiarity with the location and often personal involvement, as property needs to be professionally managed.

What about indirect investments? Indirect investments in real estate generally require a lower capital outlay than direct investments. Indirect investments are divided into those that are exchange-listed and those that are not. Examples of unlisted indirect investments include real estate funds, shares of real estate companies that are not listed for trading on an exchange, and certificates on real estate funds. Real estate funds can reduce risk by diversifying across geographical areas and real estate categories. The main category of exchange-listed indirect investments is real estate

investment trusts (REITs). These enable investors to invest in real estate without incurring certain disadvantages, such as illiquidity.

What risks do you need to be aware of?

Real estate investments are based on physical assets – land and buildings – that are ultimately unique, and in which trading is not regulated.

Where real estate is concerned, it is therefore often difficult, or even impossible, to spread risks adequately or diversify investments sufficiently. With direct real estate investments especially, the high capital outlay required and the illiquidity of the property market makes diversification difficult or even impossible.

Property markets are also frequently nontransparent, and require precise knowledge of local circumstances. It is therefore vital to involve local experts, which hampers access to the market.

Real estate often reacts to interest rate changes in a similar way to bonds: when interest rates are low, for instance, mortgages are cheap and it is easy to generate above-average profits. Conversely, high interest rates cause profits to contract. Fiscal incentives offered by the state to promote home ownership and attractive lending conditions can also lead to excessively high prices.

What are commodities?

Precious metals and other commodities

Commodities are physical goods that are produced via agriculture and mining, for example, and standardised for use as the underlying of a transaction. Derivatives on commodities such as energy sources, precious and other metals, and agricultural products are traded on futures markets.

Contractual agreements allow investors to buy or sell futures linked to the performance of a particular commodity. This means that they can buy a standardised amount of a commodity at a specific time in the future for a specific price.

The commonest way in which private individuals invest indirectly in commodities is via structured products. There are other alternatives, such as commodity swaps and options that are not listed for trading on an exchange. These are traded directly between the parties concerned and are tailor-made products. More information on how forwards and futures work can be found in a separate section of this brochure.

CAUTION

With commodity futures, you may receive physical delivery of the commodity concerned on expiration, while structured products normally provide for cash payment. If you prefer cash settlement, you will have to sell the futures before their expiration date. Such products are therefore more risky than, for instance, equities or collective investments.

What are the risks of

The price of commodities is influenced by a number of factors. These

commodity investments? include:

- the relationship between supply and demand
- climate and natural disasters
- state programmes and regulations, national and international events
- state intervention, embargoes and tariffs
- movements in interest and exchange rates
- trading in commodities and the corresponding contracts
- provisions relating to monetary policy, trading, fiscal and currency controls.

These variables can lead to additional investment risks.

Commodities investments are more volatile than conventional investments, and yields on commodities can collapse at short notice. The volatility of commodity prices also affects the value, and hence the price, of a futures contract based on those commodities.

Conventional futures on oil, base and precious metals are normally easy to trade, regardless of their term.

CAUTION When market activity is limited, a contract can become illiquid. Depending on how the yield curve moves, such illiquidity can lead to significant price changes. This is a typical feature of commodities.

Investments in Emerging Markets

There is no standard definition of the term “emerging markets”. In the broadest sense it includes all economies that are not regarded as “advanced”. Common criteria for defining what an emerging market is, are per capita income, the level of development of the financial sector, and the proportion of the total economy that is made up by the service sector.

The creditworthiness of countries that fall within this definition can vary widely: from very high to very low, with – in the latter case – very high default risk. Although they can be at very different stages in their economic development, most emerging markets have a political system that is very new (for instance they have only recently become democracies) or is currently changing. This means that the political system and its institutions may be less stable than in an advanced nation.

The list of emerging markets is changing constantly. According to the criteria applied by the International Monetary Fund in October 2007, they include all countries except: Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the UK and the US. These nations are classed as having advanced economies.

There are risks linked to investments in emerging markets that are not

encountered in their advanced counterparts. This is also the case when the issuer or provider of a product has its headquarters or primary focus of activity in an emerging nation.

Investing in products linked to emerging markets is therefore often speculative. Before investing in emerging markets, you should form an impression of them that allows you to assess the risks involved.

When investing in emerging markets, the following risks should be taken into account. The list is not exhaustive. Depending on the type of investment product, there may be additional risks involved as described elsewhere in this brochure.

Political risk

A government's political inexperience or the instability of the political system increases the risk of short-term, fundamental shifts in a nation's economy and politics. The consequences for you as an investor can include the confiscation of your assets with no compensation, the restriction of your rights of disposal over your assets, or government-imposed controls. State intervention in specific sectors of industry can result in a dramatic fall in the value of investments in those sectors.

Economic risk

Emerging market economies are more sensitive to changes in interest and inflation rates, which are in any case subject to greater swings than in the developed nations. The focus of such economies is often relatively narrow, allowing single events to have a magnified impact. In addition, emerging nations generally have a lower capital base. Finally, their financial markets often lack an adequate structure and sufficient supervision.

Credit risk

Investments in debt securities (e.g. bonds, notes) issued by emerging market governments or companies tend to entail higher levels of risk than advanced market debt. This can be due to inferior creditworthiness, a high level of government debt, debt restructuring, a lack of market transparency or a lack of information. It is also much more difficult to assess credit risk due to inconsistent valuation standards and the absence of ratings.

Currency risk

The currencies of emerging market nations are subject to unpredictable fluctuations in value that are larger than those of advanced countries. Some countries limit the export of their currency or can impose short-term restrictions, or stop pegging their currency to a reference currency such as the dollar. Hedging can help limit losses resulting from currency swings, but they can never be entirely eliminated.

Inflation risk

Large fluctuations in the value of the currency and an insufficiently developed financial market can make it difficult for an emerging

market nation's central bank to stick to its inflation targets. As a result, inflation may fluctuate more than in advanced countries.

Market risk

Because there is little or no supervision of financial markets in emerging market nations, regulation, market transparency, liquidity and efficiency are often inadequate. Moreover, high volatility and large price differences are characteristic of these markets. Finally, the inadequacy or absence of regulatory measures gives rise to an increased danger of market manipulation or insider trading.

Market liquidity risk

Liquidity is dependent on supply and demand. The impact on the emerging markets of social, economic and political changes or natural disasters can involve a much more rapid and lasting change to this supply and demand equation than would be the case in the advanced markets. In an extreme case, illiquidity can be the result. This can make it impossible for an investor to sell his/her investments.

Legal risk

The absence or inadequacy of financial market supervision can lead to your legal rights being difficult or impossible to enforce. Moreover, legal uncertainty may exist due to the inexperience of the emerging nation's judiciary.

Settlement risk

Certain emerging markets have an array of different clearing and settlement systems. These are often outmoded and prone to processing errors as well as considerable delays in settlement and delivery. Some countries do not have any such systems at all

Shareholder risk and creditor risk

Legislation to protect the rights of shareholders and creditors (e.g. duties of disclosure, insider trading ban, management responsibilities, and minority shareholder protection) may often be inadequate or non-existent.

Order Execution Policy

1. Order Execution Principles

Cdbbank, in compliance with the Law which has implemented the provisions set out in the Directive, has established, in accordance with existing conduct of business rules, an order execution policy (hereinafter 'Order Execution Policy'), which sets the basis on which Cdbbank will provide best execution. The Order Execution Policy applies to all clients of Cdbbank.

In this document Cdbbank outlines the main measures it takes in order to achieve the best possible result and relevant information concerning the Order Execution Policy which it follows.

Cdbbank applies its Order Execution Policy when providing the services of reception, transmission and execution of orders as well as the service of portfolio management in respect of the following product categories:

1. Listed Shares/Exchange Traded Funds
2. Bonds
3. Mutual Funds
4. Structured Products
5. Derivatives (listed in regulated markets or over the counter)

The Order Execution Policy also applies when Cdbbank places an order with, or transmits an order to third parties for execution.

Cdbbank is not obliged to follow its Order Execution Policy in the following cases:

- a. In case of orders on financial instruments and services that do not fall within the scope of the Law, e.g. loans, real estate or commodities in their physical form.
- b. In case of unavailability of the transaction systems and until reestablishment of their normal operation.
- c. In case of clients that are classified as 'eligible counterparties'.

Whenever there are specific instructions from the client, Cdbbank will execute the client order following these specific instructions.

Any specific instruction of the client may prevent Cdbbank from taking the steps that it has designed and implemented in its Order Execution Policy to obtain the best possible result for the execution of those orders.

When the client's instructions concern part of the order, Cdbbank applies its Order Execution Policy in respect of the elements that are not covered by those instructions.

Orders related to products, whether structured or not, or products tailored to specific client needs, which are traded over-the counter (OTC), are not comparable for best execution purposes with similar transactions due to their uniqueness.

2. Execution Factors and Criteria

Cdbbank takes all reasonable steps to achieve the best possible result for the client when executing orders, taking into account the factors stated in paragraph (2.1) by reference to the criteria set out in paragraph 2.2.

2.1. Execution Factors

Cdbbank, in selecting the most appropriate execution venue to execute a client order, takes into consideration, in each case, the following factors: the price of the financial instrument, the costs related to the execution (i.e. execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order), the speed of execution, the likelihood of execution (fill rate) and its settlement, the size of the order, the nature of the order, the client's instructions for the execution of the order and other factors affecting the execution of the order. Cdbbank may take into account, at its discretion, additional factors (such as market conditions etc.).

2.2. Execution criteria

Cdbbank on executing client orders and in order to define the relative importance of the factors referred to in paragraph (2.1), takes into account the following execution criteria: the characteristics of the client, including the client's categorization as retail or professional, the characteristics of the order, the type of the financial instrument which is the subject of the order and the execution venues to which the order can be directed.

When executing orders on behalf of a retail client, the best possible result is defined in terms of:

- a. the total consideration which represents the financial instrument price and all other costs related to the execution, including all expenses charged to the client that are directly related to the execution of the order and execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order;
- b. the speed of the execution;
- c. the correctness of the execution.

When providing professional clients with best execution we are not required to prioritize the overall costs of the transaction as being the most important factor in achieving best execution for them.

2.3. Aggregation of Orders

Cdbbank may aggregate client orders when the following conditions are met:

- a. the aggregation of orders and transactions is unlikely to work overall to the disadvantage of the client whose order is to be aggregated;
- b. Cdbbank has disclosed to the client whose order is to be aggregated that such aggregation may work to the client's disadvantage in relation to a particular order;
- c. Cdbbank applies effectively its policies regarding the aggregation and allocation of client orders.

Execution of orders in over-the-counter (OTC) financial instruments

Cdbbank executes orders in Government Bonds, Supranational, Corporate Bonds and Emerging Market Bonds, Structured Notes, which are traded over-the-counter. The aforementioned bonds may be Floating Rate, Fixed Rate, Zero Coupon, Convertible or Structured bonds. Moreover, it executes orders in Options, Forwards, Swaps and other derivative instruments traded in the over-the-counter market.

For the abovementioned product categories, Cdbbank and the client agree to a specific fixed price. Therefore, in these cases, Cdbbank’s best execution obligation is fulfilled if the prices given to the client are close to market prices.

When executing orders at a fixed price, there are no additional charges for the client in relation to the execution of the order in the specific financial instrument except if, such additional charges have been agreed in advance by the client and Cdbbank.

For transactions outside regulated markets or Multilateral Trading Facilities (MTF), prior express client consent is required.

3. Execution Venues

‘Table 1’ below shows an indicative list of Execution Venues-per product category-used by Cdbbank so that it may obtain on a consistent basis the best possible result for the execution of client orders.

Table 1
<p>DERIVATIVES TRADING VENUES</p> <p>Athens Exchange Derivatives Market – ADEX Chicago Board of Trade – CBOT Chicago Mercantile Exchange – CME Euronext Liffe European Derivatives Market – EUREX New York Board of Trade – NYBOT New York Mercantile Exchange – NYMEX</p> <p>STOCKS TRADING VENUES</p> <p>Athens Exchange – ATHEX Cyprus Stock Exchange New York Stock Exchange – NYSE NASDAQ American Stock Exchange – AMEX Madrid Stock Exchange Bulgarian Stock Exchange – BSE Milan Stock Exchange Frankfurt Stock Exchange Vienna Stock Exchange</p>

Nordic Stock Exchange-OMX Exchanges (Copenhagen-Stockholm-Helsinki) SWX Swiss Exchange & Virt-x London Stock Exchange – LSE London Stock Exchange (Alternative Investment Market) – AIM Euronext (Amsterdam-Brussels-Lisbon-Paris) Belgrade Stock Exchange – BELEX Toronto Stock Exchange – TSX Irish Stock Exchange Luxembourg Stock Exchange Oslo Stock Exchange Budapest Stock Exchange – BSE Warsaw Stock Exchange – WSE Prague Stock Exchange – PSE Instabul Stock Exchange – ISE Tokyo Stock Exchange – TSE Australian Securities Exchange – ASX Hong Kong Stock Exchange – HKEX Singapore Exchange – SGX
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Cdbbank reserves the right to amend the list of Execution Venues whenever it deems appropriate in order to achieve the best possible result for the client.

In cases where more than one competing venues exist for the execution of an order, Cdbbank assesses and compares the results in each one of the execution venues in order to achieve the best possible result for the client.

In the above mentioned assessment Cdbbank takes into account own costs and commissions as well as the execution costs at each eligible execution venue. Cdbbank determines the charges in an objective way for each execution venue.

4. Reception and Transmission of Orders to third parties

Cdbbank can transmit client orders for execution either to a Cdbbank subsidiary or to an external entity as a third party with which it cooperates.

In this context, Cdbbank monitors and evaluates on a regular basis the quality of the services provided by third parties during the term of their cooperation.

Cdbbank is considered to have taken all reasonable steps so as to obtain the best possible result for its clients, to the extent that it follows specific instructions from its clients, when placing an order with, or transmitting an order to a third party for execution; in this case Cdbbank is not required to take any additional measures.

Regarding Cyprus and Greek listed shares, Cdbbank transmits the orders to Global Capital Securities and Financial Services Ltd (hereinafter “Global Capital”), which executes the client’s order in the Cyprus and Athens Stock Exchange respectively.

Regarding listed shares in foreign Stock Exchanges, Cdbbank transmits the orders to Global Capital, which executes the client's order directly if it is a member of the respective Stock Exchange or transmits the order via a third party for execution that is a member of the respective Stock Exchange.

Cdbbank transmits the buy/sell orders for Mutual Funds (this category includes Money Market Funds, Bond Funds, Equity Funds, Balanced Funds, Domestic Mutual Funds, International Mutual Funds, Hedge Funds, Commodity Funds, Funds of Funds) which are traded outside a regulated market to the respective management company and/or by way of an order routing system established at the the Banks 's end, if applicable.

The execution takes place at the most recently available valuation price T of the Mutual Fund, which is calculated by the responsible Mutual Fund Management Company, and is available to the public on the next working day (T+1).

Cdbbank is considered to have satisfied its obligation derived from the Order Execution Policy by transmitting the client's buy/sell order relating to the mutual fund units to the respective Mutual Fund Management Company.

When receiving orders for hedge funds or venture capital funds, Cdbbank executes the order according to the rules set by the respective investment management company. The valuation is available, provided that the respective information is made available by the responsible management companies.

For Mutual Funds traded in regulated markets (ETFs), Cdbbank transmits the order to Global Capital, which transmits the order to a third party, who is a member of the specific regulated market, for execution. Orders concerning listed derivatives (i.e. futures and options) on the Derivatives Market of the Athens Exchange are transmitted to Global Capital for execution.

5. Review / Monitoring

Cdbbank monitors on a regular basis the effectiveness of its Order Execution Policy and, where appropriate, corrects any deficiencies. In addition, Cdbbank reviews on an annual basis the Order Execution Policy and the order execution arrangements whenever a material change occurs that affects Cdbbank's ability to continue obtaining the best possible result for its clients.

6. Consent

The Order Execution Policy is applicable as from 1st November 2011 for retail and professional clients.

7. Further information

Any customer who wishes to receive further information may contact his Private Banker at:

Alpha House,

50 Arch. Makarios III Avenue,

CY-1065 Nicosia,

Tel: +357 22846670

Fax: +357 22846600

Pricing Policy

The Bank shall be entitled to a fee for the services provided by it to the Client, in accordance with the Bank's Pricing Policy in force from time to time, as stated below that may be amended and/or replace from time to time.

1. Investment Advice

Category	Description	Fees (exc. VAT)	Fee Type
Advisory	All Asset Types	0,20%-0,50%	Per Annum

2. Portfolio Management

Category	Description	Fees (excl. VAT)	Fee Type
Advisory	All Asset Types	0,20% – 0,50	Per Annum
Incentive	All Asset Types	Subject to specific agreement	Per Annum

3. Execution Services

Security Type	Transaction Cost	Pricing Basis
Local Equities Markets*	0,30% - 0,60%	Ticket size, portfolio size and frequency of trading
Local Bonds Markets*	0,30% - 0,60%	
Global Equities (Developed Markets**)	0,30% - 0,70%	Ticket size, portfolio size, frequency of trading, Regulated Market and security characteristic
US Equities	0,30% - 0,60%	
Global Equities (Emerging Markets***)	0,30% - 0,70%	
Global Bonds (Developed Markets**)	0,20% - 0,60%	
Global Bonds (Emerging Markets***)	0,20% - 0,60%	
Other Financial Instruments (e.g. options, futures, & other OTC)	Upon Request	Ticket size, frequency of trading, Regulated Market and security characteristics

For Global Equities (Developed Markets) there is a minimum commission of Euro 80.

For Global Equities (Emerging Markets) there is a minimum commission of Euro 80 -150, depending on the actual Market.

For transactions in currencies other than EUR, the minimum equivalent amounts apply.

The following additional charges apply for CSE and ASE:

- Securities account opening – EUR 40
- Additional Handling Fee – EUR 40

Fees and Taxes of all Regulated Markets/Stock Exchanges as well as any other Third Party fees are NOT included in the above transaction costs and are charged additionally.

*Local Markets are listed in Table A below.

**Developed Markets are indicatively listed in Table B below.

***Emerging Markets are indicatively listed in Table C below.

4. Custody Fees

Security Type	Transaction Fee	Safekeeping Fee	Pricing Basis
Global Equities/Bonds (Developed Markets)	EUR 0 – 40	0,10% p.a. – 0,20% p.a.	Ticket size, portfolio size, frequency of trading, Regulated Market and security characteristics.
Global Equities/Bonds (Emerging Markets)	EUR 40 – 100	0,25% p.a. – 0,35% p.a.	
Global Mutual Funds	EUR 0 – 100	0,10% p.a. – 0,20% p.a.	Ticket size, Fund Family and Fund Type.
Exotic Funds & Hedge Funds	EUR 0 -200	0,10% p.a. – 0,20% p.a.	
Other Instruments (e.g. Structured Products)	Upon Specific Request		Instrument Type, regulated Markets and clearing agent
<p style="text-align: center;">There are <u>NO</u> custody fees for CSE and ASE. Specific Corporate actions may be charged additionally and pricing is subject to specific requests. Transaction fee applies for both free and against payment transactions. For transactions in currencies other than EUR, the equivalent amounts will be charged. All prices and costs exclude VAT and any applicable taxes.</p>			

5. International Funds

Pricing Basis	Entry/Exit Fee (per fund category)				Switching Fee
	Equity	Bond	Money Market	Other (Alternative)	
Ticket size, Fund Family and Fund Type	1,00 - 4,00%	1,00 -3,00%	0,5-1,00%	0,00 – 5,00%	0,50 - 2,00%
<p>There is an additional switching fee when switching from a money market to bond or equity mutual fund, or from a bond to an equity mutual fund where the initial entry fee was lower compared to the entry fee that the customer should be charged if the customer entered into the final mutual fund.</p>					

Table A* Local Markets

Country	Name of Exchange
Cyprus	Cyprus Stock Exchange (CSE)
Greece	Athens Stock Exchange (ASE)

Table B** Developed Markets

Country	Name of Exchange
United Kingdom	London Stock Exchange
United Kingdom	London International

United States of America	NASDAQ
United States of America	NYSE
United States of America	American Exchange
Germany	Frankfurt S.E.
France	Euronext
Italy	Italian S.E.
Spain	SIBE
Switzerland	Virt-x
Switzerland	SWX
Sweden	Stockholm Stock Exchange
Finland	Helsinki S.E.
Belgium	EN Brussels
Austria	Vienna
Denmark	Copenhagen S.E.
Norway	Oslo Stock Exchange
Canada	Toronto Stock Exchange
Japan	Tokyo Stock Exchange

Table C* Emerging Markets**

Country	
Argentina	Malaysia
Australia	Mexico
Bahrain	Morocco
Bangladesh	Oman
Brazil	Pakistan
Bulgaria	Peru
Chile	Philippines
China	Poland
Colombia	Qatar
Croatia	Romania
Czech	Saudi Arabia
Egypt	Singapore
Estonia	Slovakia
Hong Kong	Slovenia
Hungary	South Africa
Iceland	South Korea
India	Taiwan
Indonesia	Thailand
Israel	Tunisia
Jordan	Turkey
Kuwait	UAE Abu Dhabi
Latvia	UAE Dubai
Lebanon	Ukraine
Lithuania	Vietnam