

## General Terms and Conditions for Trading in Financial Instruments of NLB d.d.

### I. GENERAL PROVISIONS

#### Article 1 – General Information about the Bank and its services

(1) Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2, 1000 Ljubljana (hereinafter: **the Bank**), short name: NLB d.d., telephone no.: 00386 (0) 1 476 39 00, e-mail: [info@nlb.si](mailto:info@nlb.si), SWIFT code: LJBASIX and website: [www.nlb.si](http://www.nlb.si) hereby issues these General Terms and Conditions governing the provision of services referred to in Paragraph 3 hereunder.

(2) The Bank is the member of the NLB Group banking group.

(3) The Bank shall perform investment services and transactions as well as auxiliary investment services (hereinafter jointly: **investment services or services**) for which it holds a valid licence of the Bank of Slovenia, Slovenska 35, 1505 Ljubljana (hereinafter: **the Bank of Slovenia**), namely:

- accepting and transmitting of orders, as well as executing of orders for the account of the clients in relation to one or several financial instruments (hereinafter also: **brokerage**);
- trading for its own account;
- implementation of initial or subsequent offerings of financial instruments with mandatory buyout;
- implementing of initial or subsequent offerings of financial instruments without mandatory buyout;
- services related to the implementation of initial or subsequent offerings of financial instruments with mandatory buyout;
- record keeping of financial instruments for the account of the client (including custodian and similar services such as management of monetary and other types of collaterals as well as management of clients' accounts with book-entry securities, except for keeping of a central register);
- consulting and services related to mergers and acquisitions of companies;
- consulting to companies on capital structure, business strategy and similar matters;
- investment research and financial analyses;
- currency exchange services related to investment services.

(4) When providing investment services, the Bank is supervised by the regulator of the financial instruments market, i.e. the Securities Market Agency, Poljanski nasip 6, 1000 Ljubljana (hereinafter: **the Agency**) and the Bank of Slovenia.

(5) The Bank shall perform investment services or conclude financial instruments transactions with the clients at its registered office, in authorised branches, organisational units and through other authorised legal entities (dependent broker registered in the Republic of Slovenia). The list of branches, units and dependent brokers is available on the Bank's website [www.nlb.si](http://www.nlb.si) or is submitted to the client in writing at its request.

#### Article 2 – Definition of terms

(1) In these General Terms and Conditions the terms used shall have the meaning as defined by the applicable Market in Financial Instruments Act (hereinafter: **the ZTFI-1**), unless stipulated otherwise in the provisions of these General Terms and Conditions.

(2) **AUTHORISED PERSON OF THE BANK** in the agreements on provision of investment services shall mean a specific person in the Bank who is authorised to receive and forward notifications.

(3) **RESOLUTION or TARIFF OF NLB d.d.** shall mean the applicable tariff or the resolution of the Bank's Management Board or other document of the Bank with substantively the same contents related to fees and costs.

(4) **APPLICABLE REGULATIONS** shall mean the applicable laws and implementing regulations, rules, policies or procedures governing operations with financial instruments on the territory of the Republic of Slovenia and/or in the place (or institution) where the services and transactions or other tasks related to financial instruments are performed, as well as the rules applicable in the area where the financial instruments are admitted to trading on the regulated market.

(5) **FOREIGN CURRENCY** shall mean the currency which is not euro and is acceptable for the Bank.

(6) **WORKING DAY** shall mean the day on which the Bank operates, except for Saturdays, Sundays, holidays and other non-working days, unless stipulated otherwise in the General Terms and Conditions or the agreement on provision of investment services.

(7) **KDD** shall mean the central register of book-entry securities with KDD - Centralna klirinško depotna družba, d.d., Ljubljana (Central Securities Clearing Corporation).

(8) **CENTRAL DEPOSITORY** shall mean the central register of financial instruments, except for KDD.

(9) **THE SUB-DEPOSITORY RULES**, to which these General Terms and Conditions refer, shall mean the applicable rules on management of sub-depository in the Bank which are available in the Bank's branches providing investment services and are published on the Bank's website [www.nlb.si](http://www.nlb.si).

(10) **SUB-DEPOSITORY** shall mean a record of the holders of financial instruments managed by the Bank for the account of the clients at the central depository via its own account or via the account of a sub-depository in accordance with the sub-depository's rules.

(11) **CLIENT'S CASH ACCOUNT** shall mean the account of the client which is stated in the agreement on provision of investment services as defined in Paragraph 1 of Article 3 of these General Terms and Conditions.

(12) **SPECIAL CASH ACCOUNT FOR THE CLIENTS' CASH ASSETS** shall mean the Bank's account through which it accepts and makes payments arising from transactions made for the account of clients as well as manages clients' cash balances.

(13) **FINANCIAL INSTRUMENTS ACCOUNT** shall mean (i) the account of the client and/or the omnibus or fiduciary account of the Bank where the Bank, in accordance with these General Terms and Conditions and the KDD rules, manages financial instruments of the client; (ii) account of the client or omnibus account of the Bank or the sub-depository in the central depository. If the Bank manages foreign financial instruments of a client in the central depository on the omnibus account referred to in the previous sentence, it shall establish and manage a sub-depository.

(14) NLB Klik shall be an online bank facilitating performance of banking services via the Internet in accordance with the General Terms and Conditions for the NLB Personal Accounts and enables the user to inspect the balance on their personal account, perform payments, order payments of obligations, transfer funds between accounts in the Bank and, in connection with the electronic trading system also specific investment services. The General Terms and Conditions for the NLB Personal Accounts shall be available at the NLB's website [www.nlb.si](http://www.nlb.si). In case of any discrepancies between the provisions of these General Terms and Conditions and the provisions of the General Terms and Conditions for the NLB Personal Accounts, related to NLB Klik, the General Terms and Conditions for the NLB Personal Accounts shall prevail over these General Terms and Conditions.

(15) ELECTRONIC TRADING shall mean an electronic system for placing orders for trading in financial instruments that the Bank, in the framework of its investments services, enables to its clients on the applicable electronic trading platform.

(16) ELECTRONIC TRADING PLATFORM shall mean an applicable application the use of which the Bank offers to its clients under the concluded agreements on provision of investment services in different forms (e.g. NLB Klik, electronic trading website, trading applications etc.).

### Article 3 – The Agreement and the General Terms and Conditions

(1) To perform investment services the Bank usually concludes a written agreement with the client where the Bank and the client define the type and the scope of the service, the payment for the service and other elements. Such agreements shall include among other: brokerage agreement, agreement on managing collaterals and the rights of third parties to financial instruments, agreement on managing accounts of book-entry securities, agreement on consulting on mergers and acquisitions of companies, agreement on implementing initial offerings of financial instruments with/without mandatory , buyout, master agreement on trading in derivatives and other agreements (hereinafter jointly: **agreement on provision of investment services**). By signing the agreement on provision of investment services the client confirms that it decided to conclude such an agreement at its own discretion and that it considered all aspects that had influenced its decision.

(2) By signing the agreement on provision of investment services the client confirms and guarantees:

- that it is entitled to and capable of concluding the agreement and the related transactions;
- that it has obtained all necessary approvals and authorisations to conclude individual agreement and the related transactions and/or that it shall transact within limitations, if such limitations apply; and
- that conclusion of transactions related to an individual agreement and the individual agreement are not in contravention of the client's founding act and articles of association or contractual documents concluded with third parties.

(3) Before concluding the agreement on provision of investment services in accordance with the applicable regulations, the Bank shall verify the client's identity in a reliable way.

(4) General Terms and Conditions for Trading in Financial Instruments of NLB d.d., Ljubljana (hereinafter: **General Terms and Conditions**) govern mutual rights and obligations of the Bank and the client for provision of investment services. The General Terms and Conditions shall form a constituent part of the agreement on provision of investment services if so stipulated in the agreement. In case of any discrepancy between the provisions of the General Terms and Conditions and the provisions of the agreement, the agreement shall prevail over these General Terms and Conditions.

(5) The Bank shall not be obliged to submit the General Terms and Conditions to the clients who are considered eligible counterparties in compliance with Article 4 herein.

(6) The attachments to these General Terms and Conditions include:

- Information on the financial instruments of NLB d.d. and the associated risks,
- Information on client classification of NLB d.d.

### Article 4 – Client classification and explanatory obligations

(1) When providing investment services the Bank shall consider clients as non-professional, professional and/or eligible counterparties in accordance with the Client classification policy of NLB d.d.

(2) Before starting to perform services, the Bank may obtain from a non-professional client information on its know-how and experience.

(3) The Bank explicitly informs the client that prior to executing or transmitting of an order placed by a professional client and/or eligible counterparty, the Bank shall not check the client's know-how and experience, in accordance with the Client classification policy of NLB d.d. The same shall apply when the Bank executes or transmits an order placed by a non-professional client on the client's initiative and the client's order refers to the following financial instruments:

- shares admitted to trading on a regulated market or an equivalent market in a third country or MTF, if the shares are owned by companies and are not units of alternative investment funds or shares that embed derivatives;
- money-market instruments, except for those that embed derivatives or other elements that make it difficult for the clients to understand these instruments;
- bonds and other forms of debt financial instruments that are listed for trading on a regulated market or an equivalent market in a third country or MTF, except from those that embed derivatives or other elements that make it difficult for the clients to understand these instruments;
- units of undertakings for the collective investment in transferable securities – UCITS, except for structured UCITS as defined in Paragraph 1 of Article 36 of the Commission Regulation (EU) No 583/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website;
- structured deposits except for those that embed elements that make it difficult for the clients to understand the risk involved in return or the cost of early termination of agreement; or
- other simple financial instruments.

(4) The Bank shall not ensure to eligible counterparties execution of orders under the most favourable conditions for the client in accordance with the Client Order Execution Policy of NLB d.d. In the parts where the General Terms and Conditions refer to the Client Order Execution Policy of NLB d.d. and/or to the Best Execution for the client, the General Terms and Conditions for eligible counterparties shall not apply.

(5) The Bank shall implement transactions related to currency and interest derivatives with counterparties which are classified, in accordance with the Client Classification Policy of NLB d.d. as professional clients and eligible counterparties.

### Article 5 – Financial instruments

(1) The Bank shall trade in the following financial instruments:

- transferable securities,
- money market instruments,
- derivatives,
- units of undertakings for the collective investment in transferable securities – UCITS etc.

(2) Financial instruments shall not be considered cash deposits with the Bank.

#### Article 6 – Guarantee system for investors' receivables

(1) The receivables arising from the relationships related to financial instruments and provision of investment services shall be covered by the guarantee system for investors' receivables, according to the provisions of the ZTFI-1. The Bank shall provide the guarantees for investors' receivables in accordance with the guarantee system for investors' receivables which is set up in accordance with the ZTFI-1 and published on the Bank's website [www.nlb.si](http://www.nlb.si). The receivables of eligible counterparties and professional clients are not guaranteed for. Likewise, the receivables of eligible counterparties and professional clients who asked to be re-classified in the category of non-professional clients in accordance with the Client classification policy of NLB d.d. shall not be guaranteed for.

(2) The client's receivables arising from the relationships connected with the client's cash deposits with the Bank shall not be covered by the guarantee system for investors' receivables according to the ZTFI-1 but by the guarantee system for cash deposits with bank according to the Banking Act (hereinafter: **ZBan-2**).

#### Article 7 – Risks

(1) Investments in financial instruments are risky, therefore, by signing the agreement on provision of investment services, the client confirms that it is aware of the risk and it accepts it, namely that the value of financial instruments may unexpectedly change, due to market trends and other factors that influence the financial instruments market and are outside the client's control.

(2) The risks are defined in detail in the Information on financial instruments of NLB d.d. and the associated risks, which is attached hereto.

(3) The Bank shall not guarantee to the client the return on financial instruments to the client's benefit or detriment.

#### Article 8 – Fees, costs and taxes

(1) The Bank shall inform the client about the costs of performance of investment services in accordance with the applicable regulations. When investment services are performed under these General Terms and Conditions, the client shall pay the fees, costs and taxes (hereinafter jointly: **payments**), as stipulated in the agreement on provision of investment services, as follows:

- payments in the (i) amount and under the terms stipulated in the applicable Tariff of NLB d.d. or (ii), if the amount of costs is not determined in the Tariff of NLB d.d. in the amount equalling the actual amount of costs, unless stipulated otherwise in these General Terms and Conditions and/or the agreement on provision of investment services. If possible, the Bank shall inform the client in advance of the costs referred to in the previous sentence (ii);
- payments arising from and/or related to the transactions concluded for the account of the clients (particularly but not limited to the fee for financial instrument trading, direct costs of executing clients' orders through execution partners or persons to whom the Bank, in compliance with the Client Order Execution Policy of NLB d.d., submits an order of the client for execution, direct costs of settlement of transactions with financial instruments, commission for the KDD services or other central depository, any taxes, duties and other public charges);
- payments arising from and/or related to transfer of financial instruments between financial instrument accounts that are not a consequence of the sale of the client's financial instruments;
- payments arising from and/or related to registration, change or deletion of the lien to financial instruments and rights of third parties;
- payments arising from and/or related to filing of claims for overpaid taxes abroad;
- payments of other costs, taxes, duties and fees related to trading in financial instruments arising from provision of services under these General Terms and Conditions;
- payments of other costs, taxes, duties and fees related to trading in financial instruments arising from provision of services under these General Terms and Conditions that are not payable through the Bank and the client pays them by itself.

(2) In the case of clients who have a personal or transaction account opened with the Bank, the Bank shall have the right to pay all cash amounts arising from the contractual relationship on provision of investment services by debiting the account; the Bank shall notify the client about this in writing. It shall be considered that by concluding the agreement on provision investment services the client expressly and irrevocably authorises the Bank for debiting its personal or transaction account.

(3) The summary of the Tariff of NLB d.d. related to provision of investment services shall be available in the Bank's branches that perform investment services and/or on the Bank's website [www.nlb.si](http://www.nlb.si).

(4) When performing brokerage services the Bank shall notify the clients about costs and fees, including the costs related to an investment service, transaction and financial instrument, that are not a consequence of market risk.

#### Article 9 – Management of conflicts of interest

(1) The Bank shall manage the conflicts of interest between the clients and the Bank and between individual clients in accordance with the applicable regulations and its own measures and/or the Conflict of Interest Management Policy in Provision of Investment Services and Transactions in NLB d.d. (hereinafter: **Conflict of Interest Management Policy of NLB d.d.**).

(2) The Bank's measures to prevent the conflicts of interest shall include among other:

- ensuring organisational separation of the Bank's units which perform transactions where a conflict of interest may occur and preventing of inappropriate influence among its organisational units;
- ensuring confidentiality of sensitive information when performing transactions;
- preventing personal gains by the Bank's employees and their related persons at the expense of the Bank's clients;
- requirements about the conduct of the Bank's employees to the benefit of the Bank's clients;
- other measures of the Bank;
- general nature and/or source of a conflict of interest;
- measures adopted to mitigate the risks.

#### Article 10 – Acquiring, processing and protecting data

(1) At the Bank's request, the client shall submit or forward to the Bank appropriate documentation or information, data and approvals that the Bank needs for uninterrupted provision of services under these General Terms and Conditions or in relation to them as well as the agreements on provision of investment services. The client shall inform the Bank in writing about all circumstances that are relevant for implementing the services of the Bank under these General Terms and Conditions, including the circumstances relevant for the classification of the client in accordance with the Client Classification Policy of NLB d.d. and the ZTFI-1. The client shall guarantee the accuracy and truthfulness of all data submitted to the Bank and shall be held liable for the damage arising from inaccurate or false data. For the purpose of providing the services the Bank shall collect, acquire, manage, store, disclose and forward as well as process in other ways the documents and data (hereinafter jointly: data processing) obtained on the basis of and in relation to agreement on provision of investment services and the General Terms and Conditions.

(2) The Bank shall process the data according to regulations. More detailed information about how the Bank handles personal data and rights of individuals are available at <http://www.nlb.si/varstvo-osebni-podatkov> and/or in the document General Information on Personal Data Processing.

(3) If required to implement the agreement on provision of investment services, the Bank shall disclose and forward the documents referred to in Paragraph 1 hereunder to third parties in (i) the Republic of Slovenia, (ii) other member states of the European Union and/or parts of the European Economic Area, and (iii) third countries - countries which in regulations on personal data protection are defined as countries not included under items (i) and (ii) hereunder and where protection of personal data may not be fully ensured at an adequate level (hereinafter jointly, for items (i), (ii) and (iii) of this Article: **third parties**).

(4) Disclosing and forwarding of the documents and data to third parties may include data which are considered personal data according to the regulations on personal data protection, namely:

- name and surname, address of permanent/temporary residence, date and place of birth, nationality, tax number in the Republic of Slovenia and foreign country as well as residency of the final holder of the financial instrument or beneficiary to funds;
- number, type and issuer of the official identification document and validity of the identification document;
- source/origin of income and tax base;
- transactions in financial instruments and cash assets (ticker number, date of financial instrument transaction and date of transaction settlement, type of transaction, price and quantity of financial instruments and the value of transaction);
- the number of agreement/account and account balance; and
- other identification data about the Client and other data about the Client's disposal with financial instruments and their balance.

(5) The Bank shall disclose and submit the documentation and the data from Paragraph 1 of this Article to the following third parties for the purposes described below:

- to execution partners/depositaries/sub-depositaries for the purpose of managing clients' financial instruments in central depositories and provision of other services agreed in agreements on provision of investment services;
- to the SMA, the Bank of Slovenia and other authorities in charge of the supervision over markets in financial instruments, especially (but not exclusively) for the supervision over investment services (including the supervision over the services of depository/sub-depository), abuse in the financial instrument markets, the reaching or exceeding of takeover thresholds or any other prescribed interest in the issuers of financial instruments, the prevention of money laundering and terrorist financing (hereinafter: supervising authorities), with the aim to provide the documentation and data that these authorities require in the context of the implementation of their authorisations and competencies;
- to tax authorities for the purpose of enforcing tax allowances, refunds of overpaid taxes, tax payments and implementing reporting and supervision procedures, including the procedures and obligations related to financial transaction taxes as defined in the applicable legislation of individual countries where an individual financial instrument was issued;
- to issuers of financial instruments for the purpose of participating in corporate governance of these issuers; and
- to third parties not defined in the previous indents of this paragraph (hereinafter: other third parties) who demand or request the documents and data in relation with the investment services for clients pursuant to the regulations.

(6) The Bank shall disclose and forward the documentation and data based on a written or e-mailed demand or a request by the execution partner/sub-depository/depositary, market operators (e.g. Ljubljana Stock Exchange), the supervisory or tax authority, the issuer of financial instruments or other third parties for disclosure and forwarding of all or individual pieces of information. The Bank shall receive the demand or request from the execution partner/sub-depository/depositary, the supervisory or tax authority, the issuer of financial instruments or other third parties, and shall disclose and forward the documents defined in the demand or request directly or through an execution partner/sub-depository/depositary.

(7) By signing an agreement on provision of investment services, the client shall explicitly approve (i) the processing of data, (ii) the disclosure and forwarding of data, and (iii) the recording of telephone conversations related to the agreement on provision of investment services for the duration thereof, and after the termination of the agreement, for the purpose of disposing with financial instruments during the period the Bank provides the services under the agreement on provision of investment services, for the period and scope defined by the applicable regulations. The approval referred to in the previous paragraph shall be deemed the client's approval of data processing according to the ZTFI-1, ZBan-2 and the applicable Personal Data Protection Act.

#### Article 11 – Business secret

The client and the Bank shall handle confidentially all data and information acquired in relation to these General Terms and Conditions and any agreement on provision of investment services or connected to their implementation and treat them as business secret.

#### Article 12 – Communication

(1) The methods of communication used between the Bank and the client shall include:

- a writing sent by regular mail, telefax and the SWIFT system, whereas for e-mails the following conditions shall apply: (i) the client has access to the Internet which it proves by submitting to the Bank its e-mail address to which the Bank shall send the notifications agreed in advance to be sent by e-mail; (ii) the client agrees in the agreement on provision of investment services that it shall obtain the information on the website; and (iii) the Bank notifies the client by e-mail about the website address and the place where such information is available;
- verbally by telephone;
- through NLB Klik and/or the applicable electronic trading platform that the Bank offers to clients in the framework of performing investment services;
- through the media for informing the public (including the Bank's website and daily newspapers published on the territory of the Republic of Slovenia).

(2) During verbal communication by telephone, the Bank may record the telephone conversations between the Bank and the client. The client shall be verbally informed about the recording of each telephone conversation when the telephone connection with the Bank has been established. It shall be considered that the client agrees with the recording of the telephone conversation if it proceeds with the conversation. The Bank shall process the tone recording of the telephone conversation in compliance with Article 10 of these General Terms and Conditions and the recording shall be considered an authentic proof of the alleged facts (also before a court).

(3) The Bank and the client shall agree on all addresses and telephone numbers for communication in the agreement on provision of investment services. The client shall be obliged to inform the Bank about any change in the information in the manner enabling authentic client identification.

(4) The Bank shall communicate with the client, conclude legal transactions with the client and receive documents and other information (hereinafter: **conducting business**) in the Slovenian language. When conducting business with foreign entities the Bank shall use the English language, but in the case of any uncertainties regarding the meaning of individual words, terms or rights and obligations, the Slovenian language shall be used.

#### Article 13 – Written notification

(1) The Bank shall send or forward to the client, among other, the certificates, reports and notifications stated in the continuation (hereinafter each referred to as: **written notification** or jointly **written notifications**):

- certificate of receipt, change or cancellation of order (the next working day after the receipt, change or cancellation of the order at the latest);
- account of the performed transaction (no later than the next working day after performance of the transaction that the Bank concluded for the account of the client in the RS or no later than the next working day after the day on which it received from the investment firm in a member state or a third country, through which the Bank provided for the execution of the client's order, an account of the transaction, if it acted as an agent in the conclusion of the transaction in another member state or third country);



- statement of the balance and the annual transactions in the account of the client that the Bank manages for the client's account (once a year, unless the Bank and the client agree separately on shorter reporting periods);
- notifications on corporate actions and payment of revenues from financial instruments;
- notification on transactions through personal or business account of the client with the Bank in relation to the debit transaction for fees and costs arising from provision of investment services for which the client and the Bank agree in these General Terms and Conditions or the agreement on provision of investment services;
- annual report on costs and fees, including the costs related to an investment service, transaction and financial instrument that are not a consequence of market risk, namely in an aggregate form as a single cost;
- notification in the case of a decrease in the value of a leveraged financial instrument, when the initial value of each instrument is reduced by 10% and then by multiples of 10%, namely no later than by the end of the working day on which the Bank obtained the last applicable closing price and the threshold was exceeded and/or if the threshold is exceeded on a non-working day, by the end of the next working day; and
- any other notifications about which the client and the Bank agree in the agreement on provision of investment services or must be ensured in compliance with regulations.

(2) Irrespective of other provisions of these General Terms and Conditions, a written notification to the client (including about the receipt, cancellation or change of order, order execution, annual report on performed transactions for the account of the client and other notifications related to the brokerage services and other written notifications) shall also be considered access to data and information through NLB Klik or an electronic trading platform. It shall be deemed that the client who is a user of NLB Klik or an electronic trading platform has submitted a written notification to the Bank when the written notification of the client, in accordance with the General Terms and Conditions for the NLB Personal Accounts and these General Terms and Conditions, has been registered in NLB Klik or an electronic trading platform and the identification is based on a qualified digital certificate of the user and/or additional security mechanisms that are enabled or prescribed by the Bank. It shall also be considered that a written notification of the Bank is sent to the client when it is registered in NLB Klik or an electronic trading platform in compliance with the General Terms and Conditions for the NLB Personal Accounts and these General Terms and Conditions. If the data and information shown in NLB Klik or an electronic trading platform differ from data and information stated in individual written notifications that the client receives in writing by regular mail, the data and information in the notifications shall apply.

(3) Unless the Bank and the client agree otherwise or required otherwise by the applicable regulations, it shall be considered that the written notification was sent or submitted appropriately if the following requirements have been met cumulatively:

- (i) the written notification is submitted to the respective client in writing, serviced personally, by regular mail, through NLB Klik or an electronic trading platform, by e-mail or by fax;
- (ii) the written notification for the respective contracting party is addressed to the authorised or contact person and to the address, e-mail or fax number about which the Bank and the client agreed and/or the written notification is entered in NLB Klik or an electronic trading platform;
- (iii) the written notification (if submitted by the Bank) is signed by a person authorised for this by the Bank, or in the case of notification via NLB Klik or an electronic trading platform, by the person stated in the notification, or (if submitted by a client) it is signed by a person who, according to the agreements on provision of investment services, is stipulated as the signatory for the client's account;
- (iv) the written notification fulfils any other conditions stipulated in the agreements on provision of investment services, but when the other contracting party receives a written notification on the day which is not a working day or after 4.00 p.m. in the current working day, it shall be considered that the written notification was received at 9 a.m. of the next working day.

(4) It shall be deemed that the client received the written notification of the Bank after the expiry of the third working day as of the day of sending the written notification, except if the client proves that it could not receive the notification on that day for justified reasons.

(5) When submitting a written notification through NLB Klik or an electronic trading platform, it shall be considered that the client who uses NLB Klik or an electronic trading platform has received a written notification of the Bank on the day the written notification was published in NLB Klik or an electronic trading platform.

(6) If the client receives the Bank's written notification on the day which is not a working day in the country where the recipient's registered office or place of residence is or after 4.00 p.m. of the current working day, it shall be considered that it received the notification at 9.00 a.m. of the next working day in the country of the recipient's registered office or place of residence.

#### Article 14 – Responsibility of the Bank and the client

(1) The Bank shall not be held responsible to the client or any other person for any direct or indirect damage, obligation and/or loss resulting from the risks that the client assumes when signing the agreement on provision of investment services, except for the cases stipulated in these General Terms and Conditions or the abovementioned agreements.

The Bank shall not be held responsible for the consequences of the client's decisions related to the abovementioned agreements nor for any damage, costs or other obligations that the client would sustain:

- as a consequence of the Bank's provision of services under the agreement on provision of investment services, except in the case of intent or serious negligence of the Bank, the substance of which shall be evaluated in accordance with the Bank's standard of professional diligence;
- as a consequence of the Bank's provision of services under the agreement on provision of investment services, due to incorrect or incomplete data and/or information submitted to the Bank, based on which the Bank serviced the client in accordance with the Client Classification Policy of NLB d.d. and/or the Client Order Execution Policy of NLB d.d. and/or it performed on this basis one or more services or transactions for the client under these General Terms and Conditions, except in the case of intent or serious negligence of the Bank, the substance of which shall be evaluated in accordance with the Bank's standard of professional diligence;
- as a consequence of acts that the Bank committed based on what it reasonably believed to be instructions, or in relation to notifications, requests, approvals, certificates or other documents for which it believed in good faith that they were authentic and that they were issued or signed by the authorised person.

(2) The client shall reimburse or pay the Bank for any damages or costs and release the Bank from all liabilities that it could have in relation to any persons as a consequence of provision of services for the client under these General Terms and Conditions and the agreements on provision of investment services, except in the case of intent or serious negligence of the Bank, the substance of which shall be evaluated in accordance with the Bank's standard of professional diligence.

#### Article 15 – Force majeure and third parties' conduct

(1) The Bank shall not be held responsible for conduct and omissions as well as the consequences of such conduct and omissions that are partly or entirely the result of events or circumstances over which it has no influence, including the malfunctioning of the telecommunications equipment, electronic media, the malfunctioning of the systems on financial instruments markets, and the conduct of third parties, such as KDD, the central depositories, sub-depositaries, execution partners, the stock exchange and others.

(2) The Bank shall not be held responsible for conduct and omissions as well as the consequences of such conduct and omissions made by it as well as for any damages, costs or other obligations incurred by the client (i) in the case the client's or the Bank's access to the Internet is not functioning and/or (ii) in the case the client fails to check the incoming mails and/or (iii) in the case of a malfunctioning or a failure in the hardware and software of the Bank or the client for any reason which may cause particularly (but not exclusively) that the Bank or the client does not receive any of the notifications or other writings of the Bank or the client that they send each other via the Internet.

### Article 16 – Assuming the Bank's obligations

The client shall assume from the Bank all obligations arising from the services under these General Terms and Conditions and the agreements on provision of investment services concluded with the Bank.

### Article 17 – The client's consent

(1) By signing the agreement on provision of investment services including taking, transmission and execution of orders and with each placed buy or sell order for a financial instrument, the client hereby confirms it agrees with the Client Order Execution Policy of NLB d.d.

(2) By signing the agreement referred to in the previous paragraph the client shall confirm it agrees with the execution of orders outside the regulated market or the Multilateral Trading Facility (MTF/OTF).

### Article 18 – Foreign exchange rate for payments

(1) In foreign exchange transactions and currency conversions for the account of the clients in the framework of investment services, the NLB's list of corporate buy and sell exchange rates and the Bank of Slovenia's exchange rate (ECB exchange rate) – ECB reference exchange rates shall apply. For transactions that exceed EUR 10,000 the Bank can quote individual exchange rate to the client.

(2) If the subject of the exchange service or transaction is a foreign currency, that is not included in the exchange rate list mentioned in the previous paragraph, or in the case the Bank implements settlement with the sub-depositary for a client in a currency that does not equal the transaction currency, the exchange rate is applied in accordance with the Policy and the Bank's or sub-depositary's rules of operations.

(3) In the execution of the exchange services and transactions, the Bank or its executing partner/sub-depositary may be subject to the laws and rules of the market on which the transactions are actually performed.

### Article 19 – Measures of the Bank to protect the client's financial instruments and funds

The Bank has adopted the following measures to protect a client's financial instruments and funds:

- the financial instruments and funds of a client shall be managed separately from the financial instruments and funds of the Bank;
- the Bank shall manage the financial instruments for the account of the client in compliance with the applicable legislation governing the management of financial instruments in the Republic of Slovenia or abroad;
- the Bank shall manage the funds of the client that the latter has remitted to the Bank for the purpose of purchasing financial instruments, in the client's account;
- the Bank shall manage and promptly update the records of the client's financial instruments and funds;
- the Bank shall report to the supervisory authorities in accordance with the applicable legislation, and to the client at its request;
- the Bank shall manage financial instruments of foreign issuers for the account of the clients with individual sub-depositary;
- in the case the client places the order by telephone, the Bank shall request from the client to provide its password;
- the Bank shall keep separate sub-ledgers of the balances and changes in the financial instruments and funds in the accounts which are managed under the agreement on provision of financial services;
- the Bank shall regularly control and reconcile the balances of the clients' financial instruments and funds with the central depository and the selected foreign (sub-)depository;
- the Bank has established and manages the internal control system;
- the Bank shall ensure access to applications on the basis of authorisations governed by its internal acts.

### Article 20 – Investment studies

(1) The Bank may occasionally publish and submit investment studies or recommendations (hereinafter: **investment study** and/or **material**) to all or to any of its clients. The Bank and the client shall not be obliged to stipulate the investment studies services in an agreement.

### Article 21 – The Bank's transactions for its own account and price quotation

(1) In the case the Bank performs transactions for its own account and publishes the prices of financial instrument (price quotation) or sets the prices on the basis of a client's request (request for price quotation), it shall not accept, transmit or execute orders under the most favourable conditions for the client, pursuant to the Client Order Execution Policy of NLB d.d., as the transaction between the Bank and the client is concluded when the client accepts the quoted price. This applies in particular to the Bank's transactions with financial instruments which are not traded with on a regulated market and where the Bank acts as the counterparty or contracting party in a transaction, e.g. conclusion of transactions for buying or selling foreign exchange or transactions with derivatives for the purpose of hedging currency and interest rate risks. The Bank concludes such transactions with counterparties based on different agreements (e.g. Framework agreement on trading in derivatives) and this does not constitute performing of an investment service for a client.

(2) A transaction with a client that the Bank concluded for its own account constitutes execution of the client's order under the condition that the Bank acts for the account of the client in accordance with the applicable provisions of the ZTFI-1 governing separation of business operations for own account from those for the client's account.

### Article 22 – Legal basis for performing the services

The Bank shall perform investment services in compliance with the applicable ZTFI-1, the ZBan-2 and other appropriate regulations, these General Terms and Conditions as well as special conditions agreed on in the agreement on provision of investment services.

### Article 23 – Application of these General Terms and Conditions and other internal regulations of the Bank

(1) The Chapters I (General provisions) and VII (Final and transitional provisions) shall apply when performing any investment service for which the Bank and the client concluded an appropriate agreement, unless an individual provision of the General Terms and Conditions explicitly stipulates a specific service. Other provisions of the General Terms and Conditions shall be used for the investment service which is defined in the title of the chapters of the General Terms and Conditions or in an individual provision and for which the Bank and the client concluded an appropriate agreement.

(2) The legal and other internal regulations of the Bank (rules, instructions, policies etc.), stated in any documents of the Bank shall be used in accordance with their applicable content.

## II. BROKERAGE

### Article 24 – Brokerage agreement

(1) Before starting to perform the brokerage services, the Bank and the client shall conclude a written brokerage agreement, with these General Terms and Conditions being its constituent part, based on which the Bank shall on its behalf and for the account of the client perform against a fee the services of accepting and transmitting orders related to one or more financial instruments and executing orders on the regulated market in the Republic of Slovenia, a member state or a third country or outside such a market or within multilateral trading facilities (MTF/OTF).

(2) Before starting to perform the brokerage services referred to in the previous paragraph, the Bank and the client shall also reach an agreement about the opening and management of a financial instruments account of the client and/or management of the sub-depository of financial instruments, where the provisions of these General Terms and Conditions on account management shall apply.

#### Article 25 – Places for accepting orders

(1) The client may place orders in the Bank's branch where clients' orders are executed.

(2) The client may also place an order in the Bank's branch where orders are not executed or in a branch of another legal entity which accepts orders on behalf and for the account of the Bank (dependent brokerage agent) in the working hours of the branch.

(3) The order shall be transmitted to the branch which executes clients' orders in the shortest possible time but no later than in two (2) working days after the placing of the order in the branch that does not execute orders. An order shall be deemed accepted when the Bank receives it in the branch which executes clients' orders.

#### Article 26 – Methods of accepting orders

(1) The client shall place orders directly via telephone in the branch that executes clients' orders, whereby the telephone conversations shall be recorded in accordance with Paragraph 2 of Article 12 of these General Terms and Conditions or in writing and personally in the branch that accepts and transmits and/or executes clients' orders, unless a different method of placing orders is agreed in writing with the Bank.

(2) The client shall place orders in the Bank's branches that do not execute orders or in a branch of another legal entity which accepts orders on behalf and for the account of the Bank in writing and personally and/or using some other method that is permitted pursuant to the ZTFI and the Bank allows it and executes it in accordance with its internal regulations.

(3) A written method of placing orders in accordance with the next Article herein shall also be considered electronic placement of orders in the framework of electronic trading via NLB Klik or an electronic trading platform.

(4) It shall be considered that the buy or sell order which the client places with the Bank concurrently with the conclusion of the brokerage agreement, is placed with the Bank at the time of opening of a financial instruments account.

(5) If the Bank is unable to open a financial instruments account for the client for any reason on the part of the client, every buy or sell order which the client places with the Bank concurrently with the conclusion of the agreement on the opening of the financial instruments account shall be deemed not received.

(6) It shall be deemed that the client's order to sell financial instruments on the regulated market also involves an order to transfer financial instruments from the client's account or sub-depository in order to meet the obligation arising from the sale.

#### Article 27 – Electronic trading via NLB Klik or an electronic trading platform

(1) The client may place orders 24 hours a day via an electronic trading system, whereby the order shall be processed during the working hours of the Bank's branch which executes clients' orders. An order shall be deemed accepted when the Bank receives it via the electronic trading system in the branch which executes clients' orders.

(2) It shall be deemed that the client has placed with the Bank a buy or sell order for financial instruments, if the order was registered, in accordance with the General Terms and Conditions for the NLB Personal Accounts and these General Terms and Conditions, in NLB Klik or an electronic trading platform and the identification was based on a qualified digital certificate of the user and/or other security mechanisms that are enabled or prescribed by the Bank.

(3) The Bank may at any time, without any prior written notification and notice period, temporarily or permanently terminate the electronic trading service, (i) if the client fails to follow these General Terms and Conditions, (ii) when the client's trading account with the Bank is closed, (iii) in the case of incorrect trading practices of the client, (iv) for the purpose of updating or upgrading of the electronic trading system, (v) because of safety reasons or (vi) other reasons based on its own and independent decision, whereby in all the above mentioned cases the Bank shall not be held liable to the client for any loss, costs or other obligations that the client would incur due to an interruption in the provision of the electronic trading service.

(4) The Bank shall not be held responsible to the client for any damage, loss of profit and other costs arising from the client's use or inability to use the electronic trading system and/or NLB Klik or other electronic trading platform.

(5) The Bank shall reserve the right to change, expand or restrict the electronic trading service about which it shall notify the client via its notification system or to the client's electronic address.

#### Article 28 – Use of passwords

(1) When placing an order via telephone, the client shall submit to the Bank (and/or the broker) a valid password, in addition to data stipulated in the brokerage agreement. The correct password provided by the client shall be the condition for accepting the order that the client has placed by telephone.

(2) The client shall, in the premises or branches of the Bank or other legal entity which accepts orders on behalf and for the account of the Bank, fill in and sign personally the "Statement for obtaining the password for placing orders by telephone" based on which the selected password shall be activated.

(3) Throughout the validity of the brokerage agreement the client shall be obliged to maintain the secrecy of its password and shall be held liable for any consequences arising from an abuse of the password by the client or by a third party.

(4) If the client establishes that its password or individual characters which form part of the password have been unjustifiably disclosed to a third party, it shall promptly inform the Bank which shall immediately carry out the required measures to block the use of the password and send the notice on the blocking to the client. The client shall obtain a new password in the manner referred to in the second paragraph hereunder. The Bank shall also act in compliance with this paragraph when suspecting that the password is being abused by a third party.

(5) If the Bank suspects that the client abuses the password, it shall immediately take the necessary steps to block the use of the password, send a notice about password blocking to the client, with an explanation, and notify the competent state authorities of the suspected password abuse, if appropriate.

(6) In the cases referred to in the Paragraphs 3, 4 and 5 hereunder, the client shall carry all costs related to the procedure of blocking and acquiring a new password. In the cases referred to in Paragraphs 3, 4 and 5 hereunder, the Bank shall have the right to request from the client to compensate for any damage and/or to terminate the brokerage agreement without a notice period.

#### Article 29 – Types of orders

(1) The client may place with the Bank the types of orders stipulated in the general regulations and the rules of Ljubljanska borza d.d. or any other market operator where the client's order will be executed and the Bank supports it in the framework of its operations. The types of orders shall be classified by:

- transaction type: buy or sell order;
- setting of price: market, with prudence, limited order;

- execution venue;
- execution time: daily, open, forward order;
- execution terms and conditions, trading terms and conditions and other criteria in accordance with the applicable rules on the market where the order will be executed.

(2) When executing a market order for buying or selling financial instruments, there is a risk that the price, based on which the transaction was concluded, deviates substantially from the last official price of the financial instrument, whereby the Bank shall not be held liable to the client for the damage, costs or other expenses that the client might incur.

(3) An order with prudence shall expire (i) if the Bank accepted it before the end of trading on the market where the order would be executed, expiring on the date of order acceptance; (ii) if the Bank accepted it after the end of trading on the market where the order would be executed, expiring on the day following the date of order acceptance.

(4) The types of buy or sell orders or orders for registering financial instruments abroad shall be determined and executed in accordance with the regulations and the appropriate rules of the market where the order will be executed, and the Bank supports such types of orders in the framework of its operations.

(5) In the Bank's branches that do not execute clients' orders, only the following types of orders may be placed:

- market order;
- limited order with daily validity or validity until a specific date;
- other types of orders allowed by the market regulations only if the Bank informs the client about this before the order is placed.

(6) The client may place orders through the electronic trading system if such trading method is enabled at the time.

### Article 30 – Contents of the order

The client shall submit and/or specify in the buy or sell order for financial instruments mainly the following, in the manner and form as defined in the brokerage agreement:

- type of transaction (sale, buy);
- type of financial instrument;
- symbol and/or issuer of the financial instrument;
- quantity of financial instruments;
- type of order (setting of the price, execution method, trading terms and conditions etc.);
- time validity of the order;
- other elements enabling distinction of financial instruments with the same qualities as referred to in the previous indents of this Article (e.g. serial number or serial code).

### Article 31 – Terms and conditions for executing buy or sell orders for financial instruments

(1) The client undertakes to credit to a special cash account for the clients' cash assets, before placing the buy order for financial instruments, funds in the currency and amount (advance) as defined by the Bank's authorised person upon each placement of the order, depending on the type of order and the market conditions. If the client does not have an appropriate currency it can agree with the Bank about the currency exchange. If the amount of advance was not determined separately, the advance shall be paid in the following amount:

- if the order has a price limitation, 100% of the value of the order, topped by fees and costs of execution;
- if the order does not have a price limitation, 110% of the market value of the order at the time of its placement, topped by fees and costs of execution.

The advance payment shall be used to pay the Bank's receivables from the client arising from these General Terms and Conditions and the brokerage agreement.

The advance or the unused advance shall not be considered a deposit and shall not bear interest.

(2) When placing sell orders for financial instruments, the client shall ensure that the financial instruments that are subject to order are entered in the financial instruments account which is stipulated in the brokerage agreement or any other agreement on provision of investment services.

(3) The client's order referred to in the previous paragraph shall be executed only after the Bank has checked in a reliable manner whether the client provided the appropriate balance of financial instruments that are subject to the sell order in the financial instruments account that is managed by the Bank on the client's behalf, and/or the client has ensured to the Bank disposal of these unencumbered financial instruments, unless the Bank and the client agree otherwise.

### Article 32 – Change, cancellation and refusal of the order

(1) If the client, after having placed the order, changes the price, quantity, a special condition or any of other elements of the order, it shall be considered that it cancelled the previous order and placed a new one. The client may change or cancel its order only if the latter has not been executed in full and only in the non-executed part, provided that its execution can be cancelled with reasonable measures, taking into account the sequence of the accepted orders, whereas in the case of buy or sell orders for foreign instruments, only if the procedures of the Bank's execution partner for changing or cancelling orders permit this. The order shall be considered changed or cancelled when the change/cancellation is confirmed by the Bank's broker or, in case of order for foreign financial instruments, by the execution partner's broker. The Bank shall be entitled to reimbursement of the costs of handling the cancelled order.

(2) The Bank may refuse to accept the order:

- if the client fails to meet the terms and conditions from Article 31;
- if it assesses the transaction to be unsuitable for the client based on the data from Paragraph 5 of Article 254 of the ZTFI-1;
- upon a conflict of interest;
- if, based on the Bank's judgement, the order or its execution could be in contravention of its business policy, relevant regulations or these General Terms and Conditions;
- if the execution partner cannot execute orders in a specific market;
- if the sub-depositary or a third party who manages the clients' accounts or carries out settlements of transactions cannot carry out a settlement in a specific market;
- in other cases stipulated in appropriate regulations or the General Terms and Conditions.

(3) The Bank shall inform the client about its refusal of the order referred to in the previous paragraph:

- if it refuses it because the advance has not been paid: immediately after it was able to check within a reasonable period of time that the advance was not paid upon the placement of the buy order, as stipulated in Article 31 of these General Terms and Conditions, or
- if it refuses it because the financial instruments have not been provided: immediately after it was able to check within a reasonable period of time that the quantity of financial instruments in the client's account was not sufficient upon the placement of the sell order, as stipulated in Article 31 of these General Terms and Conditions;
- if it refuses it for other reasons: after accepting the order in the branch which executes clients' orders, within a reasonable period of time to find the reason for refusing the order.



(4) The Bank shall not be obliged to prove to the client that the order is in contravention of the Bank's business policy.

(5) The Bank shall not be obliged to send to the client a notification on refusal of the order before the order is considered accepted under these General Terms and Conditions.

#### Article 33 – Certificate of acceptance, cancellation or change of the order

The Bank shall inform the client about the acceptance, cancellation or change of the order in accordance with Article 13 of these General Terms and Conditions and the applicable regulations. If the client, after receiving the certificate of acceptance of the order, does not object in writing to the certificate by 3.00 p.m. of the next working day at the latest, the data in the certificate shall be considered correct.

#### Article 34 – Method of accepting, transmitting and executing clients' orders and record keeping

(1) The Bank shall accept, transmit and execute the clients' orders in accordance with the Client Order Execution Policy of NLB d.d. which is available in its branches where clients may place orders and on its website, with other relevant regulations and rules that apply on the market where the financial instrument which is subject to the order is admitted to trading. The client shall be informed about and aware of special trading and settlement rules that apply to each market and it shall be obliged to acquaint with them before placing an order.

(2) The Bank shall be obliged to implement the order or transmit it to its execution partner for execution when the two conditions have been fulfilled: (i) the Bank has accepted the order as stipulated in Paragraph 3 of Article 25 of these General Terms and Conditions and (ii) the Bank has not sent the notification on refusal of the order to the client in due time, in accordance with appropriate regulations and Article 32 of these General Terms and Conditions.

(3) The Bank shall execute the client's order according to its specifications and in the order of precedence.

(4) All clients' orders shall be recorded in line with the relevant regulations.

#### Article 35 – Execution venue and execution partner

(1) In accordance with these General Terms and Conditions and the Client Order Execution Policy of NLB d.d., the Bank may submit clients' orders to its execution partner to be executed at execution venues (markets) to which the Bank does not have direct access.

(2) The Bank shall only be responsible for the instructions given to its execution partner and for their selection in compliance with the relevant regulations. If the client gave the Bank a specific instruction regarding the selection of a execution partner, the Bank shall not be responsible for the selection of the execution partner when executing an order.

(3) A list of execution venues and execution partners to whom the Bank transmits clients orders for execution shall be published on the Bank's website or in its branches where the client may place orders.

#### Article 36 – Payment of the proceeds to the Bank

If the client, pursuant to Article 31 of these General Terms and Conditions paid to the Bank an advance to meet its cash obligations arising from the buy order, the amount of the proceeds, increased by the accounted payments pursuant to Article 8 herein, shall be paid from the amount of the advance. If the Bank did not request, pursuant to Paragraph 3 of Article 31 of these General Terms and Conditions, from the client to pay an advance or if the amount of the advance would not suffice to settle cash obligations arising from the purchase of financial instruments, the client shall be obliged, on the day stated in the Bank's notification on the purchase of financial instruments, to credit to the special cash account for the clients' cash assets, which is opened based on the agreement on provision of investment services, the proceeds, increased by the accounted payments pursuant to Article 8 herein, and/or the difference between the advance and the amount of the proceeds, increased by the accounted payments pursuant to Article 8 herein, unless agreed otherwise by the client and the Bank.

#### Article 37 – Remitting of cash amounts

(1) After the obligations have been settled, the Bank undertakes to remit the amount of the proceeds received from the executed sell order and reduced by the accounted payments pursuant to Article 8 of these General Terms and Conditions and the brokerage agreement to the client's cash account stipulated in the brokerage agreement on the next working day after receiving the proceeds from the executed order on the special cash account for the clients' cash assets, unless the client and the Bank agree otherwise.

(2) In the settlement procedure involving foreign financial instruments, the Bank shall be responsible for the timely provision of appropriate instructions to a foreign clearing or custodian bank or institution, based on which the settlement of the concluded transactions with foreign financial instruments can be made. The Bank shall not assume any responsibility towards the client for any delay in the settlement of a transaction with foreign financial instruments or for a potential failure to settle the transaction due to non-payment by the counterparty or due to counterparty's failure to submit financial instruments. The Bank shall not ensure timely submitting of the financial instruments on foreign markets of financial instruments in the case of the DVP (delivery versus payment) settlement and shall warn the client that the transaction may be annulled later due to counterparty's failure.

#### Article 38 – Submitting of financial instruments

(1) Regarding execution of a buy order for financial instruments in accordance with the relevant regulations governing the fulfilment of the obligations arising from the orders executed on the relevant financial instruments market, the Bank undertakes to take all necessary measures so that on the day of settling the obligations arising from the executed order the financial instruments are transferred to the financial instruments account of the client or credited to the account.

(2) If the client transacts through the Bank's custodian account that is opened with the selected custodian bank, the cash and paper settlement of the transaction based on the client's order shall be implemented through this custodian account and in compliance with the agreement and any general terms and conditions that apply to such custodian account. In this case the Bank shall not assume responsibility under these General Terms and Conditions for cash and paper settlement of transaction.

#### Article 39 – Account of a performed transaction

(1) The Bank shall submit to the client an account of the performed transaction in compliance with the relevant regulations and Article 13 of these General Terms and Conditions.

(2) If the client, after receiving the account of a performed transaction, does not object in writing to the account by 3.00 p.m. of the next working day at the latest, the data in the account shall be considered correct.

#### Article 40 – Closing of the financial instruments account

(1) If there are no financial instruments in the client's financial instruments account for more than one year, the Bank shall have the right to close the account and inform the client thereof.

(2) In the case the Bank is informed or learns that bankruptcy proceedings have been initiated against the client and the client does not have any financial instruments in its trading account, the Bank shall be entitled to cancel the agreement on provision of investment services, submit to the bankruptcy receiver notice of termination of the agreement and close the client's trading account.

#### Article 41 – Termination of the brokerage agreement

(1) After the termination of the brokerage agreement, the repayment of all its receivables due from the client in accordance with these General Terms and Conditions and the brokerage agreement as well as in the manner and under the terms and conditions prescribed by relevant regulations, the Bank shall:

- transfer the financial instruments held on the day of termination of the brokerage agreement for the client's account to the account specified by the client and notified to the Bank; and/or
- remit to the client to its cash account, as stipulated in the brokerage agreement, cash assets which it received until the day of termination of the agreement from the execution of the sell order or from the sale of financial instruments due to the collection of the Bank's receivables and/or which it did not spend until the date of the termination of the agreement for the purpose of executing the buy order for financial instruments and it has not yet remitted to the client's cash account as stipulated in the brokerage agreement.

(2) After recovering all its receivables due from the client, pursuant to the General Terms and Conditions, the Bank shall submit to the client, in a manner and under the terms and conditions hereunder, also those financial instruments of the client or remit to the client cash assets that it would receive after the termination of the brokerage agreement.

(3) If the Bank, within seven days as of the date of termination of the brokerage agreement, fails to submit to the client the financial instruments for any reason, pursuant to the Paragraph 1 hereunder, it shall be entitled to sell the financial instruments managed for the client's account and, after the payment of all costs arising from the sale of financial instruments under this paragraph and any other receivables of the Bank due from the client under the brokerage agreement, it shall credit the proceeds to the client's cash account specified in the brokerage agreement.

### III. MANAGEMENT OF FINANCIAL INSTRUMENTS ACCOUNT AND AUXILIARY TASKS

#### Article 42 – Agreement on account management

The Bank and the client shall stipulate the management of the financial instruments account in a written agreement. If the financial instruments account management service is stipulated in a separate agreement which is concluded with the Bank or some other legal entity (e.g. custodian agreement), general terms and conditions shall apply to the relationship arising from such an agreement and the agreement shall make references to them. If the management of the accounts is stipulated in the agreement on provision of investment services, such as brokerage etc. (hereinafter: **agreement on account management**) and such an agreement makes references to these General Terms and Conditions, the provisions stated in the continuation of this chapter of the General Terms and Conditions shall apply, unless stipulated otherwise on individual investment service in any of the chapters hereof.

#### Article 43 – Management of accounts of financial instruments issued in the Republic of Slovenia

(1) The Bank shall open the account of the client with financial instruments issued in the Republic of Slovenia based on the client's request upon the conclusion of the agreement on account management. Every placement of a buy or sell order for financial instruments on the market of financial instruments issued in the Republic of Slovenia shall be considered a request of the client for opening of a financial instruments account. The Bank shall manage the balances of the clients financial instruments in the financial instruments account and shall also enter the orders referred to in the next Article hereof.

(2) The Bank shall be obliged to open the account referred to in the previous paragraph hereunder only if all data and/or all personal data on the holder and the beneficiary that are stated in the agreement on account management aligned with the data with KDD and if it has the client's tax number.

(3) If relevant regulations enable this and the Bank and the client agree in the agreement on account management, the Bank may open an omnibus or fiduciary account for managing the financial instruments of one or several clients jointly in one account. Article 49 of these General Terms and Conditions and the rules of the sub-depositary shall apply to the management of the omnibus or fiduciary account.

#### Article 44 – Transfer of financial instruments registered with KDD and registration of the third parties' rights

The Bank shall perform transfers of financial instruments among the financial instruments accounts of the same holder or of different holders as well as entries and deletion of the rights of third parties to financial instruments on the basis of a written order of the client or any other eligible person. The content of the orders shall be determined by KDD.

(2) The Bank shall not be obliged to consider the orders of the client regarding the transfer of financial instruments or entry/deletion of the rights of third parties to financial instruments if there are not enough appropriate financial instruments in the financial instruments account with KDD.

(3) The Bank shall enter the orders referred to in the first paragraph hereunder in the order of their acceptance.

#### Article 45 – Reporting on the balance in the financial instruments account with KDD

When managing the financial instruments accounts at KDD in relation to the performing of brokerage services, the Bank shall report to the client on the balance and transactions in its financial instruments account in accordance with Article 13 of these General Terms and Conditions.

#### Article 46 – Management of accounts of financial instruments issued abroad

(1) The Bank shall open an account of financial instruments issued abroad immediately after concluding the agreement on account management but no later than within three working days. In the case that a client request is required and an appropriate documentation, pursuant to the provisions of relevant regulations governing the opening of the financial instruments account, the Bank shall open a financial instruments account no later than within three working days after receiving the notification from the sub-depositary on the opening of the account on the local market. The Bank shall manage the balances of the clients financial instruments in the financial instruments account and shall also enter the orders in accordance with the rules of the sub-depositary or the relevant regulations.

(2) The Bank shall, in compliance with the regulations and the account management organisation in individual local market, manage the clients' financial instruments issued abroad in the financial instruments account (i) on its own behalf and for the account of the client via a special account of the Bank with the central depositary of the local market or the Bank's sub-depositaries which manage these financial instruments on a foreign market or (ii) manage or provide management directly at the central depositaries on the local market if the local legislation requires or enables the opening and management of the client's financial instruments accounts in the client's name with the central depositary and the client requests so from the Bank.

(3) The Bank shall provide the service of financial instruments account management in such foreign markets and in such a scope that it can ensure with its network of selected foreign sub-depositaries and central depositaries or third parties in compliance with the business policy, the relevant regulations and market practices in individual markets. The client is aware that all costs arising from the organisation and implementation of such a registration of holding of financial instruments shall be borne by the client and that the Bank shall be entitled to charge its manipulation costs related to the organisation and implementation of such a registration.

#### Article 47 – Sub-depositary and risks associated with the management and transfer of financial instruments and cash assets

(1) When performing investment services related to brokerage (especially but not exclusively accepting and transmitting of orders) for those financial instruments which it keeps in the central depositary on its own behalf and for the account of the clients through its account or through some other intermediate

sub-depositary, the Bank shall open and manage the financial instruments account for the client in the sub-depositary of financial instruments in accordance with the rules of the sub-depositary in the framework of its own sub-ledger.

(2) The Bank shall not be obliged to consider the orders of the client regarding the transfer of financial instruments or registration/deletion of the rights of third parties to financial instruments if there are not enough appropriate financial instruments in the financial instruments account referred to in the previous paragraph.

(3) The Bank hereby warns the client that the costs of managing the client's financial instruments and cash assets on behalf of the client and through the client's account directly with the central depositary can be higher but the risks can be lower. The costs of managing the client's financial instrument for the account of the client, on behalf of the Bank and through the Bank's account or some other sub-depositary are usually lower, but the risks can be higher, among other:

- due to acts or omissions by the central depositary or intermediate sub-depositary or a third party through which the client's cash assets are managed, there may be insufficient financial instruments in the sub-depositary of the Bank and/or cash assets in its sub-ledgers;
- when it is not possible to identify, pursuant to a national legislation, the financial instruments or cash assets (hereinafter: the assets) of the client that are managed by a third party from other assets, the execution risks are higher for the client;
- if the management of cash assets account of the client is the subject of legislation outside an EU member state, the client's rights associated with these assets may vary;
- the sub-depositary through which the client's assets are managed can have the right to cash the assets or can hold a lien to the assets.

(4) The Bank shall not be held responsible for any legislative possibilities of enforcing liens in individual national legislations. The Bank shall not be held responsible for the acts or omissions of the central depositary or sub-depositary or a third party through which the Bank on its own behalf and for the account of the client manages the client's assets as well as for any deficits in the abovementioned assets. In the cases mentioned in the previous sentence the Bank shall file, for the account of the client and on its expenses, the claims for damages and other claims related to the responsible person and/or transfer these claims to the client.

#### Article 48 – Settlements of financial instruments and cash

The markets where the Bank provides settlement services are included in the list of settlement markets which is available on the Bank's website and/or in the branch which executes clients' orders. In some markets, due to their characteristics, settlement is only possible if additional conditions have been fulfilled (e.g. arrangement of specific documentation before trading in the market).

#### Article 49 – Payment of income from the exercising of rights associated with financial instruments

(1) The Bank undertakes to pay to the client income from the exercising of rights associated with financial instrument to the client's cash account, stipulated in the agreement on account management, in accordance with the notification received directly from the issuer of a specific financial instrument or selected sub-depositary or central depositary on the day the income is credited to the Bank's account or no later than the next working day.

(2) Should the Bank, after receiving this income, detect some irregularities and/or submit an enquiry or a complaint to the sub-depositary or the central depositary, it shall reserve the right to perform the payment of the income at a later time or the next working day at the latest, after obtaining the explanations or resolving the complaint. In the case of erroneous payment or a correction of previously paid income from the exercising of rights associated with a financial instrument, the Bank shall make the necessary corrections and inform the client on the same day or the next working day at the latest. The client shall return the previously overpaid income to the Bank at its first request.

(3) The Bank shall inform the client in writing of the payment of income, dividend, coupon and similar events on the date of payment or the next working day at the latest.

#### Article 50 – Taking corporate action

(1) The Bank undertakes to inform the client about the corporate action (hereinafter: notification on the administered or announced corporate action) in accordance with the notification received directly from the issuer or selected foreign sub-depositary or central depositary on the day of receiving the notification or the next working day at the latest.

(2) If the client has several options of corporate action to choose from (hereinafter: **optional corporate action**), the Bank shall send them a written notification of corporate action or inform them thereof in a recorded telephone conversation, stating the options as well as the method and deadline for receiving the client's instructions for the Bank regarding the optional corporate action. The client shall send to the Bank the instructions for exercising certain rights arising from corporate actions to the branch which executes clients' orders in the manner stipulated in Paragraph 1 of Article 26 of these General Terms and Conditions or in accordance with the applicable written notification of the Bank. The Bank shall be obliged to send the instructions regarding the implementation of the optional corporate action in accordance with the client's instructions. In the case the instructions are received after the deadline for submitting them, the Bank may, in the client's interest, forward the instructions to the issuer, foreign sub-depositary or central depositary.

The Bank shall not be held responsible for the implementation of the instructions for implementing corporate actions, if received too late or if they are incorrect. The client shall choose from among optional corporate actions at its own discretion, independently from the Bank.

(4) If the Bank receives in a timely manner the client's decision that is not in line with the options offered in the notification or is incorrect, unclear, questionable or incomplete, it shall strive to obtain a correct or complete decision from the client in a timely manner but shall not be liable for its implementation.

(5) If the client, after it was notified of the corporate action, discloses with financial instruments that are subject to this corporate action, it shall bear the risk of implementation or correct implementation of the corporate action and the related costs and damage.

(6) The Bank shall not be obliged to inform a holder of third-party rights (e.g. lien creditor or usufructuary) of corporate actions related to the financial instruments it manages on the client's financial instruments account. The client shall inform the holder of third-party rights from corporate actions on a financial instrument on which such rights are entered.

#### Article 51 – Enforcing voting rights

The Bank shall not enforce voting rights arising from those financial instruments it manages for the client's account in relation to provision of brokerage services and shall enable the client, at its request, to exercise voting rights in the client's interest.

#### Article 52 – Taxes

(1) The client shall pay taxes and other levies and duties (e.g. personal income tax, corporate income tax, financial transaction tax) in accordance with the applicable (Slovenian and foreign) tax regulations.

(2) The Bank shall implement the taxation of capital gains in accordance with the law governing income taxes and the Tax Procedure Act and/or other relevant legislation.

(3) Implementing of taxation based on withholding tax and implementing of automatic submission of data to the tax authority and taxable person for the purpose of taxation in compliance with the relevant tax regulations in the Republic of Slovenia shall not be considered tax consultation.

(4) If the tax authority establishes that the taxpayer failed to deduct withholding tax and pay it or to deduct withholding tax and pay it correctly, the not-withheld portion of the tax, including the pertaining duties, shall be paid by the taxpayer who shall have the right to enforce this amount from the taxable person to whom the income was paid from which the withholding tax was not deducted or was not deducted correctly or in full. By signing the agreement on account management the client agrees that such abolishment of improper taxation be debited against the client's balance in accordance with the provisions of the decision of the Financial Administration of the Republic of Slovenia (FURS) which deals with the incorrect taxation of income which the Bank imposes on the client.

(5) In relation to the capital gains the Bank may perform administrative services related to the enforcement of the benefits stipulated in the avoidance of double taxation agreements. The costs arising from enforcement of benefits from the agreements shall be borne by the client in full. The Bank shall have the right to charge a fee for the service.

(6) The Bank shall provide the services of enforcing benefits from the avoidance of double taxation agreements based on a special authorisation by the client and if the client provides all information and documents in the language of the official procedure which are needed for the procedure or it considers necessary and such a procedure is feasible with the sub-depositary.

The Bank shall perform the activities referred to in this Article for domestic tax residents and for foreign tax residents of Slovenian issuers.

(7) By signing the agreement on account management, the client expressly allows the Bank to store a copy of the personal document for the purpose of implementing tax activities, tax payment, other duties and enforcement of the avoidance of double taxation agreement. By signing the agreement on account management the Bank undertakes to submit to the Bank a copy of the new personal document within the shortest possible time. The Bank shall carefully store the documentation and may use it only for tax purposes.

#### IV. OTHER INVESTMENT SERVICES

##### Article 53 – Contractual relationships

Legal relationships between the client and the Bank regarding management of collaterals and rights of third parties in financial markets, implementation of the initial offerings without mandatory buyout and auxiliary services, implementation of initial offerings with mandatory buyout, consultation and services related to mergers and acquisitions of companies as well as other investment services that are not stipulated in special chapters of these General Terms and Conditions and which are provided by the Bank on the initiative and for the account of the client, shall be stipulated in detail in appropriate agreements on provision of investment services. The General Terms and Conditions shall form a constituent part of such agreements and shall be used in compliance with Paragraph 1 of Article 23 of these General Terms and Conditions.

#### V. FINAL AND TRANSITIONAL PROVISIONS

##### Article 54 – Transfer of contractual rights

Unless agreed otherwise between the client and the Bank, the client cannot – without a prior written approval by the Bank and provided that the transfer is permitted under the applicable regulations – transfer in full or in part the agreements on provision of investment services or its rights under these agreements or related thereto to a third party.

##### Article 55 – Violation of contractual obligations

Upon a violation of the obligations arising from these General Terms and Conditions and relation to them and to agreements on provision of investment services (hereinafter: **violation of contractual obligations**) any of the contracting parties may terminate the agreement based on a written notice of termination and request from the other contracting party a compensation for damages in compliance with the relevant regulations.

##### Article 56 – The Bank's lien, offset and collection

(1) For the purpose of securing its overdue cash receivables arising from the agreements on provision of investment services or in relation to them and/or in relation to these General Terms and Conditions, including the claims for damages (hereinafter: **receivables**), the Bank shall have a statutory lien to all financial instruments and cash assets received in possession when performing services for the client. In accordance with the ZTFI-1, the existence of an agreement on out-of-court sale shall be assumed for the lien on financial instruments, according to the relevant regulations of property law.

(2) For the purpose set out in the previous paragraph, the Bank shall also have the right:

- to offset any receivable due from the client by any receivable of the client due from the Bank (hereinafter: **offset**);
- to sell any financial instruments of the client which are in direct or indirect possession of the Bank, and any receivables acquired for the client, as well as to recover its receivables with priority from the actual proceeds (hereinafter: **collection**) under the terms and conditions stipulated in the continuation of this Article and in the next Article.

(3) The Bank shall have in possession those financial instruments or cash assets of the client that are in the account or are managed in the account of the client with the Bank.

(4) In the out-of-court sale or exercise of a lien on the client's assets, the Bank shall not be liable to the client for any possible direct or indirect damage, costs or other liabilities that the client may incur due to or in connection with the actions or conduct of the Bank, except in the case of the Bank's gross negligence or intentional breach that is finally proven with a court decision or that the Bank explicitly acknowledges.

(5) The Bank may implement an out-of-court sale of the client's financial instruments that are not admitted to trading on the regulated market, in a manner it chooses in accordance with the law. The Bank shall determine the value of these financial instruments based on the rules of the financial profession and publicly accessible information sources (hereinafter: **base price**). If it is not possible to sell the financial instruments at the base price, because the Bank does not accept the offers, it may sell the financial instruments at a price lower than the base price.

##### Article 57 – Collection by direct debit to the client's balance

(1) The Bank shall inform the client in advance in writing of its intention to enforce the lien referred to in the previous Article and set an additional deadline for the repayment of the outstanding amount.

(2) After enforcing its lien, the Bank shall inform the client thereof in writing, whereby it shall be entitled to terminate the agreement and close the client's account.



(3) If the client has an open transaction or other account with the Bank, the latter shall have the right to directly collect, for the purpose of recovering the receivable, based on a prior written call to the client which also includes an additional deadline for the repayment of the receivable by the order it determines itself, the owed amount by debiting it to the client's balance in the transaction or other account of the client with the Bank as well as inform the client thereof.

(4) The Bank may recover all of its receivables arising from the agreements on provision of investment services or in relation to them and/or in relation to these General Terms and Conditions from any balance of the client's funds with the Bank.

For the purpose of Paragraphs 3 and 4 hereunder, the Bank shall have the right to offset any receivable due from the client against any balance of the funds of the client with the Bank, especially but not limited to the client's funds in the client's transaction or other account with the Bank.

#### Article 58 – Default

In the case of a default on the payment of any overdue obligation under these General Terms and Conditions or in relation to them or the agreements on provision of investment services, the client shall be obliged to pay to the Bank also the statutory default interest.

#### Article 59 – Termination of the agreement

(1) The contracting parties shall stipulate the term of the agreement on provision of investment services and the conditions of termination or cancellation of the agreement for cases not set out herein in the abovementioned agreements and/or appropriate regulations of the law of obligation shall apply.

(2) In the case of termination of the agreement on provision of investment services for the reasons stated in these General Terms and Conditions and the agreements on provision of investment services, the abovementioned agreements shall be used until all obligations of the client and the Bank arising from these agreements or in relation to them or the transactions concluded before the validity of the termination have been finally settled.

(3) Should the client fail to settle the outstanding amount of obligations under the agreement on provision of investment services, the Bank shall be entitled to do the following, after submitting a prior written request to the client, including an additional deadline for repayment of the amount: (i) terminate the agreement on provision of investment services and (ii) in accordance with the provisions of such an agreement, sell all financial instruments kept in the account of the client on the day of termination and (iii) from the received proceeds repay all overdue and outstanding obligations of the client under the agreement on provision of investment services and (iv) use the surplus for repayment of any other overdue and outstanding receivables of the Bank due from the client, and (v) after their repayment, credit the remaining amount, if any, to the account specified by the client, (iv) and close its financial instruments account with the Bank.

In the case of initiation of the bankruptcy proceedings against the client, the Bank shall be entitled to proceed in accordance with the sub-items (i) to (v) of the previous paragraph, whereby the Bank shall not be obliged to previously request from the client to make the payment.

(4) The termination of the agreement on provision of investment services shall be in writing.

#### Article 60 – Settlement of disputes

If the client, who is a consumer (a natural person acquiring or using goods and services outside their professional or profitable activity), does not agree with the final decision adopted in the internal complaint procedure of the bank or if the bank fails to decide on their complaint within 15 days, there are two external institutions available for out-of-court dispute resolution, namely the Bank Association of Slovenia or the European Centre for Dispute Resolution (ECDR).

The client has the right to propose initiation of the mediation and proposal procedure by ordinary mail to the address Združenje bank Slovenije - GIZ, Ljubljana, Šubičeva ulica 2, 1000 Ljubljana, telephone; +386 1 242 97 00, with the note: OCDR initiative, or via e-mail to the address: [izvajalec.irms@zbs-giz.si](mailto:izvajalec.irms@zbs-giz.si); it must do so in accordance with the Rules of Procedure on Out-of-Court Consumer Dispute Resolution of the Bank Association of Slovenia. The mediation and proposal procedure is conducted by the mediator in the dispute, whose aim it is to achieve agreement between the parties. If no agreement can be reached, the mediator issues a non-binding opinion. The procedure is free of charge for the client. Find more information on the website of the BAS: <http://www.zbs-giz.si>.

A client is entitled to bring the dispute for mediation to the European Centre for Dispute Resolution (ECDR), Tomšičeva ulica 6, SI-1000 Ljubljana, telephone: 08 20 56 590, or by e-mail to the address: [info@ecdr.si](mailto:info@ecdr.si), in accordance with the ECDR rules on mediation. The mediation procedure is conducted by a mediator who actively helps the parties to settle the dispute by agreement. The agreement reached through mediation can be, if the parties agree, written in a legal form with the power of a final judgement. The procedure is free of charge for the client. Further information is available here: <http://www.ecdr.si/>.

A client (initiator) may file an initiative with only one of the above providers. It is deemed that, when filing an initiative with one of the selected providers, the initiator started the procedure of out-of-court resolution of consumer dispute, and therefore may not file an initiative concerning the same dispute with the other provider.

#### Article 61– Application of the law

(1) The Slovenian law shall apply to the validity and substance of the contractual investment relationships and provision of investment services by the Bank.

(2) The Bank hereby warns the client that regarding the transactions with foreign financial instruments and non-residents, especially (but not exclusively) transactions involving the management of the client's accounts of financial instruments and cash assets, the Bank may be bound by the laws of the country where the financial instruments were issued and/or the laws of the country where the financial instruments are admitted to trading on a regulated market and/or the laws of the country in which the client is a resident, as well as that the client's rights related to these financial instruments or cash assets may vary for such reasons.

#### Article 62– Amendments to the General Terms and Conditions

(1) The Bank shall be entitled and, upon the amendment to the relevant regulations, also obliged to unilaterally amend and/or supplement the General Terms and Conditions.

(2) The Bank shall inform the client in writing about the essential amendments and/or supplements to the General Terms and Conditions and shall, at its request, submit it a clear copy which shall be available also on the Bank's website [www.nlb.si](http://www.nlb.si) or in the Bank's branches providing investment services.

(3) If the client disagrees with the amendments or supplements to the General Terms and Conditions, it may, within 15 days as of the receipt of the written notification of the Bank about the amendments to the General Terms and Conditions, terminate the agreement on provision of investment services, otherwise it shall be considered that it has accepted the amendments and supplements. The same assumption of the acceptance shall apply if the client, after receiving a written notification on the amendments and supplements of the General Terms and Conditions, places a new buy or sell order for financial instruments, a new order for the transfer of financial instruments, any new instruction or request or performs any other act related to the performance of investment services, excluding the termination of the agreement.

#### Article 63 – Invalidity and collision of provisions

(1) Invalidity or non-enforceability of individual provision of these General Terms and Conditions and the agreements on provision of investment services shall not affect the validity and enforceability of other provisions.

(2) In the case of invalidity or non-enforceability of a provision of these General Terms and Conditions the Bank shall, in compliance with the provisions of these General Terms and Conditions governing amendments and supplements to the General Terms and Conditions, replace such a provision with a new one which is the closest to the invalid or non-enforceable provision and its intent. In the case of invalidity or non-enforceability of a provision of the agreements on provision of investment services, the client and the Bank shall not use such a provision or shall use it in a sense that is the closest to the purpose of the invalid provision. Should this not be possible the client and the Bank shall replace the invalid provision with a new one which is the closest to the invalid or non-enforceable provision and its purpose.

(3) If the General Terms and Conditions and special arrangements in the agreements on provision of investment services are incompatible, special arrangements shall apply that are set out in an individual agreement on provision of investment services.

#### Article 64 – Transitional provisions

(1) These General Terms and Conditions shall enter into force on 06/07/2020. On the day these General Terms and Conditions enter into force, the General Terms and Conditions for Trading in Financial Instruments of NLB d.d., dated 15/06/2019, shall cease to be in force but shall apply until these General Terms and Conditions start applying.

(2) If the client has concluded a custody agreement besides the brokerage agreement, for such a client the general terms and conditions of the custody agreement shall also reasonably apply, apart from the General Terms and Conditions.

Management Board of NLB d.d.

## Information on the financial instruments of NLB d.d. and the associated risks

### PART 1: INTRODUCTION

The Information on the financial instruments of NLB d.d. and the associated risks (hereinafter: **the Information**) is intended for the clients and potential clients (hereinafter: **client**) of Nova Ljubljanska banka d.d., Ljubljana (hereinafter: **the Bank**). The purpose of this Information is not to forward information about all risks and other important aspects of the financial instruments or products described in the Information which the client may buy from, sell to or order with the Bank or in relation to which it may perform other types of transactions through the Bank (hereinafter: **financial instruments or instruments**<sup>1</sup>), but only the information and warnings about the risks associated with financial instruments which enable the client to understand the nature and the risks associated with the services and individual types of financial instruments, stated in the Information, and consequently adopting of decisions on financial investments while being aware of the risks associated with financial instruments. The Bank advises to the client to read in detail, before adopting the decision on an investment service or a transaction related to financial instruments (hereinafter: **investment service**), all additional disclosures on a financial instrument or investment service that can be included in an individual documentation or agreement on financial instrument or are a constituent part of the investment service, especially (but not exclusively) the prospectus for the issuing of a financial instrument on a regulated market, the agreement on provision of investment service, the General Terms and Conditions for Trading in Financial Instruments of NLB d.d., Ljubljana and the General Terms and Conditions for the Financial Instruments Custody Services of NLB d.d., Ljubljana (hereinafter: **General Terms and Conditions for Trading**) as well as the Client order execution policy of NLB d.d.

The guidelines or other statements in the Information shall not constitute the Bank's advice on potential investments and shall not be considered the Bank's recommendation for placing an order for any of the investment services or investment in any financial instrument stated in the continuation. The Information shall not constitute the Bank's offer for the client regarding the conclusion of the agreement on provision or implementation of investment services for financial instruments, stated or described in the document. In the case the client fails to understand the meaning of any of the disclosures or warnings, stated in the document, we recommend it to seek independent legal or financial advice.

We advise to the client that before using any of the investment services, it should get acquainted with the document about financial instruments, the nature of the agreement on provision of investment services and the scope of exposure and risks assumed by the client when taking such an investment decision. We also advise to the client that, before taking an investment decision or concluding an agreement on provision of investment services, it should carefully examine whether the financial instrument or the investment service is appropriate for it, considering its knowledge, experience and financial standing and, if required, to obtain a suitable independent opinion from an expert on investment services or trading in financial instruments as described in the document.

The risk factors may occur at once or accumulate which can have an unpredictable effect on the value of each investment. In any of the situations described below, the use of a financial leverage (which increases potential positive or negative results) may substantially increase the influence of any of the described risks.

The Bank warns the client that all financial products, described in this document, bring a specific level of risk, which is why an element of uncertainty exists even with investment strategies with a relatively low risk. The types of risks depend on a number of factors, including how the financial instrument is prepared and structured and how it can be cashed. The risks that are characteristic for a specific financial instrument or service depend on the characteristics of the financial instrument or service and special circumstances or relations between the participants involved in the instrument or service, such as especially (but not exclusively) clients, domestic and foreign banks, brokerage companies, stock exchanges, depository institutions and custodian banks.

### PART 2: TYPES OF GENERAL RISKS

Systematic and non-systematic risks are inherent to trading in financial instruments. Non-systematic risks are those related to specifics of each financial instrument, and do not have influence to the whole financial market and are independent of the trends in the financial instruments market. An example of non-systematic risk is credit risk. A systematic risk is a risk related to the factors which influence the whole financial market and thus the total value of the portfolio. The diversified portfolio of securities cannot avoid a systematic risk because the value of the diversified portfolio moves approximately the same as the total value of securities on the financial markets. Systematic risks include liquidity risks, risks of changes in interest rates, risk of reinvesting, currency risk and risk of changes in the price of commodities.

The price or the value of the investment will depend on the fluctuations on financial markets which cannot be influenced by any of the individual operators of financial instruments market. The Bank warns the client in advance that future returns on financial instruments cannot be predicted based on past returns.

The nature and the scope of investment risks differ among financial markets of individual countries and among individual financial instruments. These investment risks can, among other, differ also in terms of investment type, irrespective of the needs and goals of some investors, in terms of the method of implementing an investment service and/or the method of offering, selling or marketing a financial instrument, in terms of location or domicile of the issuer, diversification or concentration in the portfolio, complexity of the transaction and use of a leverage.

The types of risk stated in the continuation can influence any type of investment:

#### 1 Liquidity risk

The liquidity of the instrument is directly influenced by the demand and supply of the instrument and indirectly also by other factors, including some deviations in the market (e.g. in the stock exchange) or infrastructural aspects such as incompleteness or disturbances in the process of financial instruments settlement. In some trading conditions it can be difficult or impossible to close or open a position<sup>2</sup> in a specific financial instrument. This can happen, for example, when prices change very fast, especially if a decrease or increase in the price of a financial instrument is such that the trading in this instrument is suspended or restricted, in accordance with the rules of the stock exchange. Issuing of a stop-loss order by the client will not necessarily limit the loss to a desired amount because the market conditions may prevent such an order from being carried out. When concluding bilateral transactions with financial instruments, the counterparty (signatory of the agreement) does not have to accept early termination of the agreement, redeem or pay out the financial instrument (except if stipulated so in the agreement), which is why an instrument may have a null liquidity. In other cases, due to early termination, implementation or payment, the client may receive substantially less compared to what it paid for the instrument or in some cases even nothing.

<sup>1</sup> The term 'financial instrument' includes only those financial instruments that are set out in the Market in Financial Instruments Act (Official Gazette of the RS, no. 77/2018, hereinafter: ZTFI-1), whereas the term 'instrument' can also include those instruments that, according to the ZTFI-1, do not belong to the category of financial instruments such as for example deposit, time deposit and similar instruments.

<sup>2</sup> Buy or sell a specific financial instrument.

## 2 Credit risk

Credit risk is the risk of loss caused by borrowers, debtors in the process of issuing bonds or transactions related to bonds, guarantors or counterparties, if they fail to meet their overdue obligations, or risk that the credit rating of these clients will deteriorate. Exposure to credit risk is especially important in all financial instruments with credit exposure, such as commercial papers. The potential losses that can be incurred, the frequency and probability of such losses in financial instruments with credit exposure can be much higher than in investments in the basic instrument which is an element of the credit exposure with the financial instruments with credit exposure.

## 3 Market risk

The price or value of financial instruments changes according to the market supply and demand, investors' perceptions, prices of any basic or related investments or the influence of the industry, political and economic factors which can be completely unpredictable.

### 3.1 Foreign markets<sup>3</sup>

All investments abroad or investments with a foreign element can be exposed to the risk of foreign markets that represent different risks from those on the domestic market of the investor<sup>4</sup>, whereby in some cases the risks can be higher than those the client assumes when investing on the domestic market. The probability of profit or loss from transactions on foreign markets or agreements in foreign currencies depends also on the fluctuations in foreign exchange rates.

### 3.2 Emerging markets

Price volatility can be high, especially on the emerging markets. Price maladjustments, small volume of trading and big price spread are frequent and unpredictable trends in the market. Moreover, when specific news or information is published about a certain country, financial markets may respond with a dramatic increase and/or decrease in prices in a very short period. The emerging markets mostly lack transparency, liquidity, efficiency, market infrastructure, legal certainty or security and regulations that are characteristic of the legal system on developed markets. It is therefore possible that there are no regulations on such markets that would govern market or price manipulation and inside trading or other regulations the purpose of which is to ensure equal conditions for all in terms of information availability and their use or abuse on such markets. Industry, economic and political risks may influence these markets. It may happen that it is difficult to use specific practices for managing risks and legal uncertainty on these markets, such as hedging by concluding a currency forward agreement or other transactions with derivatives. The influence of the introduction or elimination of currency controls at any time must be examined, along with difficulties with asset repatriation. The risks associated with nationalisation or expropriation of funds, introduction of taxation with confiscation or punitive taxation, restrictions on investments by foreigners on the emerging markets, sanctions, war and revolution must also be considered.

## 4 Settlement risks and protection offered by clearing houses

In many stock exchanges, only a stock exchange or a clearing house can 'guarantee' for the performance of transactions. Regardless of the above, such a guarantee usually benefits a member of a stock exchange or clearing house but it cannot be enforced by the client and the latter is thus exposed to additional credit risk and risk of insolvency of the company through which the transaction was performed. Usually there does not exist any clearing house for the instruments which are traded in outside the stock exchange and in contravention of the stock exchange rules (although the transferable securities that are not admitted to trading in the stock exchange can be settled through a clearing house).

Settlement risk is a risk that the counterparty will not provide/deliver or ensure the provision/delivery of a financial instrument (or its value) in accordance with the agreed conditions after the counterparty has already fulfilled its part of the agreement. The settlement risk is higher if different parts of transaction are settled in different time zones or in different settlement systems where an offset or settlement is not possible. This risk is particularly high with currency transactions and FX swaps.

## 5 Insolvency risk

Insolvency or failure to meet obligations by a company with which you do business or any agent participating in the transaction can result in liquidation or closing of the positions without the client's approval. There also exists an insolvency risk related to the investment such as for example risk of insolvency of the company participating in transactions with derivatives in an OTC market (where the risk is associated with the derivative and potential security or coverage).

## 6 Currency risk

In any currency transactions and transactions with derivatives and securities in a foreign currency the changes in the exchange rate influence favourably or unfavourably on profit or loss arising from these transactions.

Weakening of the currency compared to the benchmark currency (reference or comparative index) or the currency of your portfolio will negatively affect the value of the investment denominated in the currency. Some countries have FX controls that can temporarily disable exchange or transfer of foreign exchange or cause the currency to devalue. Hedging against risks can decrease exposure to currency risk but cannot eliminate exposure arising from the changing currency values.

If any of the payable amounts of interest and/or buyout related to any financial instrument depends on the exchange rate fluctuations any change in the exchange rate can cause a decrease in the amount of interest or buyout. In some cases the decrease in the amount can result in a smaller amount upon maturity than originally invested.

## 7 Interest rate risks

The interest rate risk arises from the fact that the value of financial instruments, especially debt securities, changes due to changed interest rates. There are additional risks arising from interest rates that are associated with the instruments with variable interest rate as interest income from instruments with variable interest rate cannot be foreseen. Due to variable interest income, the investors cannot determine accurately the return on the instruments with variable interest rate upon purchase. Investors who invest in instruments with frequent interest payment are also exposed to the reinvestment risk. This means that investors can reinvest interest income which they received only at the then applicable (possibly lower) interest rate.

The changes in the market interest rates influence on the prices of bonds without a coupon substantially more than on the prices of bonds with coupon interest rate. If the market interest rates increase, the price of bonds without a coupon can decline more than the

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<sup>3</sup> The term 'market' denotes a financial market and/or a capital market of financial instruments.

<sup>4</sup> In the case of domestic investors this is the Slovenian capital market.



price of the bonds with the same maturity and rating.

## **8 Risk of changes in the price of commodities**

The prices of commodities can be quite volatile and may vary considerably, if, for example, natural disasters such as hurricane, fire or earthquake affect the supply or production of such commodities. The prices of commodities can vary substantially due to disputes and wars that affect the supply or production of such commodities. If any of the payable amounts of interest and/or buyout related to any financial instrument depends on the price of commodities, any change in the price can cause a decrease in the amount of interest and/or buyout. In some cases the change in the price of commodities can result in a smaller amount upon maturity of the instrument, linked to the price of commodity, than originally invested.

## **9 Regulatory, legal and structural risk**

All investments can be exposed to regulatory, legal or structural risk.

Due to regulatory or legal measures and changes profitability of investments may change as a result of exposure to these factors. Legal amendments may even change a previously acceptable investment into an illegal one. Such risks are unpredictable and may depend on many political, economic and other factors. For this reason, such risks can be higher on the emerging markets. At the same time, on the emerging markets the state supervision and the regulation of business practices, stock exchanges and OTC markets are less strict.

The laws and regulations with which the investors are acquainted perhaps do not exist in some areas, while they may also be inconsistent or applied randomly or even interpreted and amended with retroactive effect. Independence of the legal systems as well as their immunity against economic, political or nationalistic influences are still untested in many countries. The judges and the courts in many countries are mostly inexperienced in commercial and corporate law. The companies are exposed to the risk that a legislative body changes the enforced law only because of an economic or political pressure or public dissatisfaction. In the case of violation of the local laws or regulations or any dispute due to ownership of the assets, there is no guarantee that the investor who has investments abroad can enforce an appropriate legal remedy in local courts; moreover, the investor may face difficulties in foreign courts related to recognition of their claims and the passing and implementing of judgements related to legal claims that they filed with the courts or such courts recognised them in a decision.

In many financial instruments, there is no right in rem or right to use associated with the obligations or securities of the issuer of the basic instrument, but the investor has a contractual relationship only with the counterparty, whereas his rights are limited only to legal remedies stipulated in the agreement that they can claim from the counterparty in accordance with the terms and conditions of individual financial instrument.

In all cases the legal terms and conditions of the financial instrument may include provisions that may be in contravention of the client's interests. They may enable, for example, early buyout or termination or they may give to the issuer of financial instruments a lot of freedom in amending the terms and conditions of financial instruments. In other cases the amount to which the rights, arising from financial instruments, can be enforced may be limited. In some cases the investment can also be influenced by the enforcement of the rights arising from financial instruments of other market operators.

The Bank hereby warns the client that in particular (but not exclusively) with regard to transactions in foreign financial instruments and with non-residents the client may be (i) bound to the laws of the country (depending on the case, but not exclusively) in which the financial instruments were issued and/or the laws of the country in which these financial instruments were admitted to trading or entered into the central depository, or the laws of the country in which the client has its registered office/permanent residence, and (ii) in case the ensuring of compliance of the management of financial instruments and funds of clients or other services agreed in the agreement on provision of investment services in accordance with said law depends on or is conditioned by a certain act and/or omission of the client and/or the final holder of financial instruments (for example the duty to disclose information on the final holder of financial instruments and the duty to submit information on the final holder of financial instruments at the request of a supervisory or other competent body on the foreign market), the Bank shall not be liable for performing these services or for any consequences that may arise, if the client and/or the final holder of the financial instrument does not carry out such an act and/or omission.

## **10 Operational risk**

The operational risk that arises from outages or failures of critical systems and controls, including the information technology systems (hereinafter: IT) may influence all financial instruments. Business risk, especially the risk that the company is managed incorrectly or poorly, also influences the shareholders or investors of such a company. The changes in human resources and organisation can affect strongly such risks, whereby the operational risk is generally not visible outside the organisation.

## **11 Conflicts of interest**

In normal operations the Bank and its related companies can be exposed to different actual and potential conflicts of interests, i.e. interests that can be in conflict with the client's interests or interests of one client of the Bank can be in conflict with the interests of some other client of the Bank.

## **12 Risks arising from corporate actions**

There are always several subjects participating in the implementation of a corporate action. The Bank is not informed about a corporate action by the financial instrument issuer, but by the sub-depository (for foreign financial instruments) and, for domestic financial instruments, by the organiser of trading (publication in the SEOnet system) or in the publication in a newspaper (e.g. in the Official Gazette of the Republic of Slovenia). There are several parties involved in the process of notification on corporate actions associated with foreign financial instruments, namely, from the source of the information i.e. the issuer to the Bank there are also an agent and one or more sub-depositaries; therefore, the deadlines associated with the client's rights and/or obligations in the corporate action set by the issuer of the financial instrument are short or even too short for a response, while errors may also arise during the transfer of information. The issuer may announce a corporate action well in advance of its implementation, and, in the period before the corporate action or afterwards, correct or change the circumstances or even the corporate action itself, and this can additionally contribute to the possibility of errors when implementing the corporate action and even to the risk that the corporate action is never completed or is annulled.

## **13 Risks arising from tax payments**

The client is exposed to risks arising from tax payments primarily for the following reasons: (i) collision of tax systems of individual

countries; (ii) misunderstanding of regulations (including international agreements on the avoidance of double taxation of income and assets) and/or (iii) complications in obtaining documentation and proving entitlement to more favourable tax treatment.

### **PART 3: PRODUCTS AND INVESTMENTS**

Buying or selling a financial instrument entails several types of costs (including the transaction cost and fee). These costs can significantly reduce or even cancel out the possibility of the client's potential profit that might have been achieved with the transactions involving such instruments. If additional domestic or foreign participants on the market of financial instruments are involved in the execution of the client's order, including among other domestic brokers or brokers on foreign markets, the client must take into account that it shall also be obliged to pay the brokerage fees, charges and other costs, particularly (without limitation to) the costs of third parties. In addition to the above costs that are directly related to the transaction involving the financial instrument ("direct costs"), the client must take into account all subsequent costs and fees ("e.g. fee for the provision of custody services"). Prior to making an investment, the client is advised to learn about all additional costs and fees incurred in connection with the purchase, custody or sale of a financial instrument.

If the client provides collateral in relation to a transaction involving a financial instrument, the treatment of such collateral depends on the type of transaction and the place of trading. A client's collateral can be treated in different ways, depending on whether the trading is made on a regulated market where the stock exchange rules and the relevant clearing house's rules apply or outside the stock exchange. In some cases risk may arise, due to non-differentiation between the assets of the client and the assets of the participant performing transactions for the account of the client via another participant on the market of financial instruments, that the client would not be able to exercise its rights and entitlements arising from the provided collateral at the beginning of the trading in financial instruments, or the risk that the client would lose the said rights and entitlements during the trading in financial instruments. Even though trading turns out to be profitable it is not ensured that the client would gain back all assets deposited with the participant on the market in financial instruments with the aim of collateralising the transaction.

The Bank advises the client to inquire about the method of treatment of the collateral provided by the client for securing the transaction and to learn about the legal protection provided in the transaction for the cash assets or the client's other assets provided as collateral (in particular for the case of insolvency or bankruptcy of any participant in the transaction). Any questions related to the repayment of cash or other assets lost in the transactions can also be regulated by the legislation or the local regulations.

#### **1 Shares and other types of equity securities**

Shares are exposed to all types of major risks indicated in Part 2 of this document. In addition to the above-listed risks, the shares are also associated with the risk of instability or problems in the company's industrial branch. If the company is not listed and its shares are not traded at the stock exchange, or if it is listed but its shares are scarcely traded, there is also the liquidity risk, which is why shares can be hard to sell.

##### **1.1 Ordinary shares**

Ordinary shares are shares granting their holders the right to participate in the company's management (voting at general meetings on the proposed resolutions), the right to a share in the profit (dividend) and the right to a proportionate part of the assets remaining after liquidation or bankruptcy of the company, while the investor in ordinary shares cannot demand the repayment of their contribution from the share issuer (return on investment when buying a share). Investments in ordinary shares do not have a guaranteed return and in the case of the issuer's liquidation, the holders of ordinary shares are among the last of those entitled to repayment from the capital and potential surplus assets of the issuer, which can lead to a loss of a large portion of or total investment in shares.

##### **1.2 Preference shares**

Unlike ordinary shares, the holders of preference shares are usually entitled to a fixed dividend that does not depend on the success of the issuer, which is why these are considered a less risky form of investment than ordinary shares. As a rule, preference shares do not give the holder the right to vote at the issuer's general meetings; however, in the case of the issuer's bankruptcy, the holders of preference shares have priority over the holders of ordinary shares in the repayment from potential surplus assets of the issuer.

#### **2 Depositary receipts**

Depositary receipts (American Depositary Receipts, Global Depositary Receipts, etc., hereinafter: **depositary receipts**) are transferable receipts that are usually issued by the Bank, they represent a certain number of shares in a company and are traded on the issuer's local stock exchange or a stock exchange abroad. The risks involved are related to the share itself and the Bank that issued the receipt. Furthermore, there are also significant differences between the rights of the holders of depositary receipts and the rights of the holders of the issuer's shares, represented by the depositary receipts. The agreement on the depositary receipts lays down the rights and responsibilities of the depositary (as the issuer of the depositary receipts), the issuer of shares represented by the depositary receipts and the holder of the depositary receipts and can differ from the rights of the holders of shares. For example, the issuer of shares represented by the depositary receipts may make payments to the holders of shares but not to the holders of depositary receipts. All differences between the rights of the holders of depositary receipts and the holders of the issuer's shares, represented by the depositary receipts, can be significant and can have a material and negative impact on the value of the depositary receipts. The depositary receipts representing the shares of the issuers with a registered office in foreign legal systems (particularly the legal systems of the emerging markets), which contain the risks, related to the markets of financial instruments in the legal systems.

#### **3 Warrants**

A warrant is a time-limited right to buy shares, debentures or bonds that can be exercised towards the issuer of the underlying financial instrument. Relatively small fluctuation of the price of the underlying financial instrument can result in a non-proportionally large fluctuation of the warrant price, either positive or negative. The prices of warrants can therefore be unstable.

The right to subscribe any financial instrument arising from the warrant is time-limited, which is why the investment becomes invalid if the investor fails to exercise the right until a certain deadline.

If the purchase rights are exercised, the holder of a warrant can be asked to pay additional amounts to the issuer (in the amount equalling or close to the value of assets to which the warrant refers. By exercising a warrant, the holder of a warrant obtains all rights and risks arising from the ownership of the underlying financial instrument.

A warrant can be exposed to all types of major risks described in Part 2.

The Bank advises to the client not to buy a warrant unless it is willing to suffer the loss of the entire invested amount, including the paid fee or other costs of transaction.

Some other instruments are also called warrants, although they are actually options (e.g. option to acquire a security that is traded on a regulated market and can be exercised in relation to a person that is not an issuer of the underlying instrument). The said instruments are described under the item on options.

#### **4 Money market instruments**

The same as other debt securities, money market instruments are exposed to the principal types of risks indicated in Part 2 of this document, particularly the credit and interest rate risk.

#### **5 Debt instruments/bonds/debentures**

All debt instruments are potentially exposed to the types of major risks indicated in Part 2 of this document, particularly the credit and interest rate risk.

Debt securities can be exposed to risk because of the issuer's inability to repay the principal and/or interest, and their values can also change because of the changed interest rates, and their values can change also because of the changed interest rates, market perception of the issuer's creditworthiness and other economic factors. Once the interest rates are increased it can be expected that the value of debt securities would be reduced. Transferable debt securities with a fixed coupon interest rate and long maturity/lower coupons are usually more sensitive to interest rate fluctuation than those with short maturity/higher coupons.

#### **6 Units of collective investment undertakings**

An undertaking for the collective investment in transferable securities, except for closed-type undertaking, is a mutual fund<sup>5</sup> or an investment firm<sup>6</sup> the purpose of which is to jointly invest capital provided by the public and operating based on the principle of risk spreading, and units that are bought or paid for directly or indirectly from the assets of such an undertaking at the request of the holder.

An investment coupon is a security issued by a management company, which is made out to one or several units of the mutual fund's assets and which gives the holder of the investment fund the right to demand from the management company the payment of the value of mutual fund assets units to which the investment coupon is made out, and the right to pay a proportional part of the liquidation estate in the event of mutual fund liquidation.

Collective investment undertakings and investments comprised in them (hereinafter jointly referred to as: **investment undertaking**) are potentially exposed to all types of major risks listed in Part 2 hereof.

There are many different types of collective investment undertakings. In general, collective investment undertakings involve an agreement that allows many investors to join their efforts which are then expertly managed by an independent manager. As a rule, investments comprise the money market instruments and the debt and equity securities but can – depending on the type of investment undertaking – also comprise derivatives, real estate or any other assets. The investments within an investment undertaking can be exposed to risks which is why investors are advised to check if an investment undertaking comprises several different types of investments, whereby the risk is dispersed.

The risk of collective investment undertakings can be reduced because the appropriate diversification in a collective investment undertakings can reduce the impact of the change in the value of each investment on the overall return of the investment undertaking. In spite of the risk dispersion, the value of an investment undertaking can increase or decrease.

The assessment of the value of a collective investment undertakings is usually supervised by the fund manager or investment consultant managing a collective investment undertaking (depending on individual case). Values are assessed on the basis of conditions that apply to the collective investment undertakings and can be based on unaudited financial statements of the collective investment undertaking and all the relevant reports. These assessments can be the preliminary calculations of the net assets of collective investment undertakings. A collective investment undertaking can comprise several types of investments that are illiquid or not traded actively, for which it is difficult to set a reliable price. Therefore, a fund manager or investment consultant may take into account different values of individual investments comprised in a collective investment undertaking. Uncertainty in the assessment of value of the assets in collective investment undertakings can have a negative impact on the value of the net assets of the collective investment undertakings, particularly if the judgement related to the value assessment turns out to be inaccurate.

Fund managers or investment consultants managing a collective investment undertaking may (among other) use strategies such as forward sale without coverage (short sale), leverage, lending and borrowing securities, investments with poor credit rating or those that are difficult to liquidate, non-covered option transactions, options and forward deals and currency deals, each of which can increase the impact of negative market fluctuations and the loss of the undertaking in certain circumstances. A collective investment undertaking may include investments on the markets that are unstable and/or illiquid and in which it is difficult or expensive to open or close a position. The profitability of each collective investment undertaking and investments that are its constituent part depends on the efficiency of the manager of the collective investment undertakings in the selection and management of individual tasks of the collective investment undertaking.

Furthermore, liquidation of an investment in the collective investment undertaking is usually limited by the conditions that apply to such undertaking. It is possible that there is no secondary market for the collective investment undertaking, which is why an investment in such an undertaking can be (highly) illiquid.

#### **7 Derivatives, including options, forwards, swaps, forward contracts, credit derivatives and contracts for differences**

The risks specified below may be incurred in connection with all types of derivatives, regardless of whether they are securitised products (such as certificates) and whether the transactions are concluded on the regulated or non-regulated market.

A derivative is an instrument with a value derived from the underlying instrument. Instead of only trading or swapping the underlying

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<sup>5</sup> A mutual fund is an investment fund established as a separate fund, which is divided into units. Upon a unit holder's request, the value of his units is payable out of the fund's assets, and the assets of this fund are managed by a management company.

<sup>6</sup> An investment firm is an investment fund organised as a public limited company with the registered office in the RS, the capital of which is divided into shares of the same class that are freely transferable and traded on the regulated market of securities.

instrument, a contract is signed for the exchange of money, assets, financial instrument or other value based on the underlying instrument, on a specified date in the future. A premium can also be paid to obtain a derivative.

When investing in derivatives, a financial leverage can often be obtained, which means that a small deposit or payment can lead to huge losses (higher than the initial contribution) or profits. This also means that a relatively small change in the price of the underlying instrument can result in a significantly bigger fluctuation of the value of derivative. Individual derivatives are connected with the request for the payment of coverage, which means that the client will have to provide cash to cover potential losses suffered in individual deals concluded with the Bank, or the client risks that the Bank will early terminate or realise a transaction based on a unilateral decision. The financial leverage and the request for coverage in some derivatives additionally increase the risks to which the investor is exposed when investing in such instruments.

There are many types of derivatives, the most usual being options, forwards and swaps. The investor investing in derivatives usually assumes high level of risk, which is why investments in derivatives must be placed carefully, particularly (but not exclusively) when the investor is less experienced and/or not willing to expose themselves to higher risks, or when they have a smaller amount of equity to invest.

If the transaction is particularly large or if the market is illiquid (which applies in most cases of derivatives, it can be impossible to perform a transaction or close the position at a favourable price.

Derivatives traded at the stock exchange are exposed to risks due to stock exchange trading in general, including the request for the payment of coverage. Derivatives traded outside the stock exchange can be transferable securities or bilateral agreements traded on the OTC market. Although different types of trading in these derivatives are possible, the credit risk can be present in both cases, namely of the issuer (transferable securities) or the counterparty (bilateral agreements), and all are subject to special conditions, which holds true for any agreement. In the case of bilateral agreements, it is particularly possible that the counterparty would not be bound to close or liquidate its position and the investor might be unable to terminate the agreement that generates loss. The specifics of the transaction involving a derivative traded outside the regulated market can be agreed upon each conclusion of a transaction on the individual level. As the conditions of a transaction are not standardised and there is no centralised source of prices (which exists in the case of the instruments traded on the stock exchange), it is sometimes difficult to evaluate the transaction. Different formulas and financial assumptions can result in different values and different financial organisations can list different prices for the same transaction. Furthermore, the value of derivative traded outside the stock exchange can be gradually changed and can be affected by several factors, including the remaining maturity, price, price instability and prevailing interest rates.

Derivatives can be used for speculative purposes or as collateral of other investments or management of economic risks. The client is advised to inquire about the specifics of the types of derivatives and the obligations arising from and related to such instruments (e.g. circumstances in which the client is obliged to take over or hand over the fixed asset and in the case of options – date of maturity, limited time for the execution and conditions and method of executing the option). In some cases, the stock exchange or the clearing house can change the provisions of non-fulfilled contracts (including the execution price in an option deal) corresponding to the changes in the underlying instrument.

Discrepancies may occur in the price of the underlying instrument and the derivative that is made out to that underlying instrument. For example, a forward contract related to an option can be subject to price limitation even though the option is not. If there is no price of the underlying instrument, it is sometimes difficult to assess the “fair” value of a derivative.

The said items related to different types of derivatives do not apply only to different types of financial instruments, but also broader, to derivatives in general. All derivatives are potentially exposed to the types of major risks indicated in Part 2 of this document, particularly the market risk, credit risk and all special branch risks, related to the fixed asset.

### **7.1 Forward contracts and agreement on forward interest rate**

Forward contracts and agreement on forward interest rate (all of them are considered derivatives) comprise the obligation of signing, taking over or delivering the agreed underlying instrument or cash settlement at a future date. When trading in forwards and other derivative contracts, it is usually possible to obtain a financial leverage. Derivatives transactions can include a conditional liability, particularly as regards to coverage.

### **7.2 Options**

By buying an option, the investor obtains the right and not the obligation to buy it from the issuer (in the event of issuing a put option) or to sell the issuer (in the event of issuing a call option) the underlying instrument on a predetermined or determinable day and under the predetermined (execution) price.

Buying option is less risky than selling option, because the loss in the event of a purchase cannot exceed the amount of the premium paid plus the fee or other transaction costs. Some option markets operate on the basis of the coverage, i.e. the buyers do not pay the entire premium for the option at the time it is bought. In such case it can be subsequently demanded from the client to pay the coverage for the option up to the amount of the premium; in the opposite case, the client's position can be closed or liquidated, such as a forward position. When a client issues an option, the associated risk is much higher than when buying an option. If a client wishes to maintain its position, it can happen that it would have to settle the obligations arising from the option; it is possible that it will suffer loss that considerably exceeds the received premium. With the issue of the option, the client namely accepts the legal obligation of purchase and sale of the underlying instrument under the condition that the beneficiary of the option exercises it within the specified deadline, irrespectively of the deviation of the price of the underlying instrument from the execution price agreed in the option.

If the client holds the underlying instrument for which the agreement on the issue of a put option was signed (known as “covered call option”), the risk is smaller. If the client does not hold the underlying instrument (known as “non-covered call option”), the risk is unlimited. A call option is in-the-money when the execution price is lower than the market price of the underlying instrument. A put option is in-the-money when the execution price is higher than the market price of the underlying instrument. Also, when liquidating an in-the-money option, the investor can realise loss if the value of the liquidated option is lower than the costs incurred by the buyer when entering into the transaction involving the option (premium and other costs and fees).

In some cases, the instruments that ensure the option of purchasing or selling the underlying instrument towards a third party (a person who is not the original issuer of the fixed asset) are called warrants. Such instruments are traded on the regulated market (stock exchange) or outside the regulated market and contain similar risks as options.

There are several types of options, depending on the possibility of exercising the option, such as the American option (an option that can be exercised any time during its life), the European option (an option that can only be exercised at the end of its life, at its maturity) and the Bermuda option (an option that can be exercised only on predetermined dates, until maturity). Buying of the European or the Bermuda options can involve additional market risk, where the execution price can be below/above the market price (the so-called in-the-money), for the most part but not on the date or dates on which the investor can exercise the option. If the client is a potential issuer of the option, the manner in which the option can influence the timetable of the clients contingent liability for the payment or



delivery of the underlying instrument, arising from the option, must be taken into account. As the issuer of the European option, the client can foresee the timetable for payment or delivery of the underlying instrument. If there is no early termination of the relationship, arising from the conclusion of the agreement on the establishment of the option, the settlement prior to the maturity date is not necessary. As the issuer of the American option, the client must be ready to fulfil the potential liabilities for payment or delivery of the underlying instrument at any time until the maturity of the option.

### 7.3 Contracts for differences

Certain derivatives are called contracts for differences. These can be options or futures for stock exchange index, currency and interest swap. Unlike forwards and deals involving options (which can – depending on the conditions – be settled with cash or delivery of the underlying instrument) these contracts can only be settled in cash. An investment in a contract for differences brings about the same risks as the investment related to forwards or options. Transactions with contracts for differences can also comprise a contingent liability.

### 7.4 Investment certificates

Investment certificates enable the investors to pursue the fluctuation of the prices of different underlying financial instruments (shares, indexes, bonds, etc.); however, in addition to the risk of individual financial instruments, the investor is also exposed to the risk towards the issuer of the certificate. The issuers of the certificates are mostly large investment banks trading in these instruments on the regulated market (stock exchange). The owners of the investment certificates, contrary to the holders of the underlying financial instruments, have no rights that would originate from the ownership of the underlying instrument (e.g. the right to a dividend). The holders of certificates are entitled to certain payments under certain conditions determined in advance in the sales prospectus.

There are several types of certificates, such as the certificate of participation, leverage certificate, above-average yield certificate, certificate with guaranteed principal and other types of certificates differing on the basis of the scope and type of risks to which the investor is exposed.

### 7.5 Swaps

A swap contract is a derivative in which the clients exchange one cash flow for another (in FX swap, they also agree on the reverse cash flow with a future date, upon the maturity of the FX swap), calculated based on the underlying instrument (the most common are the FX swap, the IR swap, while an index, goods or other items can also serve as the underlying instrument).

A swap contract can be used in combination with an option. "Swaptions" are transactions based on which the buyer gains the right, against the payment of a premium, to enter into a preliminary swap contract before a certain date or on a certain date. Interest caps, floors and collars enable the client to protect themselves from or expose themselves to the fluctuation of value or the level of the underlying instrument, against the payment of a premium.

When trading in derivatives not traded at the stock exchange (including swap deals), the client is highly exposed to the so-called "counterparty risk", i.e. the risk and inability of the counterparty to meet the due liabilities arising from the financial instrument.

The scope of trading in swap instruments increased considerably in the recent years and became more liquid for certain underlying instruments, many banks and investment banking companies function as principals and brokers and use standardised swap documentation; however, it is not possible to ensure that a liquid secondary market would exist at any time for any individual swap deal.

## 8 Combined financial instruments/baskets

All combined financial instruments, such as for example bonds with warrants, structured deposit linked to a currency pair, structured deposit linked to the price of goods, are exposed to the risk of all financial instruments of which they are composed. In these financial instruments, the risk involved is greater than in general, for individual instruments (negative impacts of individual types of risks arising from a part of composed financial instrument can namely occur simultaneously and together), even though some composed instruments comprise elements for mitigating certain risks, e.g. principal protection instruments. In a structured deposit linked to a currency pair or the price of goods, an investor can, upon the maturity of such instrument, get less than initially invested (except in the case of the protection of principal), and the maximum loss is limited to the amount of investment.

The value of the basket of products such as shares, indexes, etc. can be affected by the number and quality of reference instruments contained in the basket. In general, the changes in the value of individual reference instrument in a basket more strongly affect the value of the basket, if the basket contains less reference instruments or a larger share of individual reference instruments. Furthermore, in case the reference instruments in a basket are concentrated in a certain branch, the value of such basket depends more strongly on economic, financial and other factors affecting the branch, which is not a case if the basket contains reference instruments from several branches.

## PART 4: INFORMATION ON THE MANAGEMENT OF THE CLIENT'S FINANCIAL INSTRUMENTS AND CASH ASSETS

The Bank manages a client's financial instruments and cash assets, of which it disposes either on its own behalf and for the account of the clients, or on behalf and for the account of the clients, which it acquired in the provision of investment and/or auxiliary financial services for the clients (hereinafter jointly referred to as: **management of the clients' financial instruments and cash assets**) in line with the rules on prudent management of financial instruments and cash assets of the clients, as specified in the ZTFI-1.

In the cases of brokerage, managing the accounts of book-entry securities, collective storage of securities, issued as written documents, managing the clients' assets and custody services of the client in accordance with the provisions of the agreement signed with the client for this purpose in the area of brokerage services, management of the accounts of book-entry securities, collective storage of securities, issued as written documents, asset management or provision of custody services, and the Bank's internal acts. All rights and entitlements related to the client's financial instruments and cash assets, to which the client is entitled in the provision of the services specified herein, particularly (without limitation to) the client's right to dispose of the financial instruments that are the subject of a purchase transaction or the client's right to dispose of the proceeds obtained from a sales transaction or the amount of the unused advance (given to the Bank for the execution of a buy order), the client's right to be handed over the client's assets delivered to the Bank into management and the right to returns arising from the management of financial instruments of the client, are regulated in the above-mentioned agreements.

The Bank shall open a special cash account with the Bank of Slovenia through which it accepts and makes payments arising from transactions made for the account of client as well as manages client's cash balances. The Bank shall keep a record in respect to each such account. The Bank shall not be allowed to accept and make payments arising from deals made for its own account through the special cash account of the client. The Bank shall keep the financial instruments and cash assets of a client separately from the financial instruments and funds of the Bank. The Bank shall keep an account of book-entry securities for the account and on behalf of the client with the central depository. The Bank may not transfer to the house account those financial instruments held by the client or

acquired for the client's account, unless there is a legal basis for such transfer. The Bank may not keep the financial instruments it owns on the client's account kept by the Bank. The Bank shall manage a trading account, an asset management account, a custodian account and a record of balance and transactions in the client's financial instruments and cash assets for the client's account.

If the client's financial instruments are entered in the central depository, the Bank shall keep them in line with the rules applicable to such depository. If the rules of the central depository allow for the management of the clients' accounts included in them, the Bank shall point out such option explicitly and submit all the relevant information in the scope permitted by the provisions of the ZTFI-1. If the client demands that its financial instruments are kept through its account in the central depository, the Bank shall, provided that it is a member of such central depository, open and manage the account of the client in which these financial instruments are kept; if it is not a member of the central depository, it shall ensure on behalf and for the account of the client, that a member of the central depository open and keep the client's account on which such financial instruments are kept. If the Bank keeps the clients' financial instruments in the central depository for the account of the clients, through its account in the central depository or through another intermediate sub-depository, it shall establish and keep the sub-depository of these financial instruments (hereinafter: **sub-depository**), whereby ensuring to the client all rights and entitlements related to the disposal of the financial instruments entered in the sub-depository, pursuant to the provisions of the ZTFI-1, the custodian services contract, the agreement on managing the clients' assets and the sub-depository rules, as well as other regulations of the Bank. The client, for the benefit of who a certain type of financial instruments are registered in the sub-depository, may at any time demand from the Bank to be handed over the financial instruments in accordance with the provisions of the ZTFI-1 and the sub-depository.

#### **PART 5: EXCLUSION OF THE BANK'S LIABILITY**

The Bank shall not be held liable for the actions and/or omissions of any third parties in charge of managing the client's financial instruments and cash assets (hereinafter: **third party**), or for any consequences the client might suffer due to third-party insolvency, or potential direct or indirect damage, costs or other liabilities the client might suffer in this relation.

## Information on client classification of NLB d.d.

Nova Ljubljanska banka d.d., Ljubljana, Trg republike 2, 1000 Ljubljana (hereinafter: **the Bank**) shall classify the clients, in accordance with the **Client classification policy of NLB d.d.**, into the following three categories, for the purpose of providing investment services and transactions and auxiliary services involving financial instruments for which it has obtained the licence from the Bank of Slovenia:

- *non-professional clients,*
- *professional clients and*
- *eligible counterparties.*

**The client may demand a different treatment in a written request sent to the following address: NLB d.d., Trg republike 2, 1520 Ljubljana.** In its request, the client must explicitly state what type of treatment it wants.

**1. Professional client** shall be a client with adequate expert knowledge and experience to adopt own investment decisions and assess the related risks, which is considered a professional client in accordance with Articles 246 to 248 of the Market in Financial Instruments Act (Official Gazette of the Republic of Slovenia no. 77/2018, hereinafter: the **ZTFI-1**).

Pursuant to the ZTFI-1, the following shall be considered professional clients:

a) Persons, which must obtain appropriate authorisation from the competent supervisory authority of a member state or a third country or in any other way obtain the right to operate on financial markets, namely:

- credit institutions,
- investment firms,
- other supervised financial companies,
- insurance companies, reinsurance companies and pensions companies,
- collective investment undertakings and companies for managing them,
- pension funds and companies managing them,
- persons trading in commodities and commodity derivatives,
- local companies in the meaning defined in item 4 of Paragraph 1 of Article 4 of the Regulation 575/2013/EU,
- other institutional investors.

b) large companies that meet at least two of the following criteria at the level of the company:

- the balance value of their total assets reaches EUR 20,000,000,
- their net annual sales revenue reaches EUR 40,000,000,
- the value of their own capital reaches EUR 2,000,000.

c) The Republic of Slovenia, and other states and national and regional authorities, public entities that exercise public debt, Bank of Slovenia and other 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.

d) Other institutional investors whose regular activity is to invest in financial instruments, including entities dedicated to the securitisation of assets or other financing transactions.

According to Article 450 of the ZTFI-1, non-professional clients are not included in the system of guarantees for the claims of the Bank's investors. Furthermore, the Bank is not obliged to verify the client's knowledge and experience according to Article 247 of the ZTFI-1, as it is assumed to have adequate knowledge and experience and that all investment products and all services and activities of the Bank are suitable for them.

If a client requires a higher level of protection (as professional client requiring non-professional treatment), the terms of operation are amended appropriately. The clients, which are considered professional clients by law and request to be treated as non-professional clients are not included in the system of guarantees for the claims of the Bank's investors (Article 450 of the ZTFI-1).

**2. Non-professional client** shall be any other client which is not a professional client.

In order to protect the interests of non-professional clients, the Bank requests from a client and a potential client, before the provision of an individual investment service or activity and before offering an individual product, except product from Article 255 of the ZTFI-1, the information about the client's knowledge and experience significant for individual type of services or products, pursuant to the Client Classification Policy of NLB d.d. When providing the service of financial instruments management and/or investment consulting the Bank also requires that the client provide information about its financial position and its investment goals. Although the Bank establishes, based on such client information, that an individual investment service or product is adequate and/or suitable for the client, the Bank still treats such client as a non-professional client.

If the Bank establishes that an individual investment service or product is not adequate and/or suitable for the non-professional client, the Bank has to warn the client of this fact.

If a non-professional client does not want to submit information to the Bank or it submits only incomplete information with regard to its knowledge, experience, financial standing and investment goals, the Bank has to warn the client that it cannot assess whether a certain investment service or product is suitable for this client or not.

If a non-professional client requires a lower level of protection (professional treatment), it must meet the predetermined criteria under Article 247 of the ZTFI-1 and submit a request in writing for a different treatment as well as declare in writing that it understands the consequences of the loss of protection rights to which it was entitled as a non-professional client.

**3. Eligible counterparty**, pursuant to the law, is a person from a member state:

- investment firm,
- credit institution,
- insurance company or reinsurance company,
- collective investment undertakings – UCITS and companies for managing such undertakings,

- pension funds and companies managing them,
- other regulated financial institutions in member states,
- persons whose main business consists of dealing on own account in commodities and/or commodity derivatives, unless they are part of a group the main business of which is the provision of investment services,
- persons from Paragraph 2 of Article 62 of the ZTFI-1.

In addition to companies listed above the Bank can, without the client's specific request, classify into the category of eligible counterparties also some other company of a member state, which meets the predefined conditions, including quantity thresholds.

The Bank may also classify as an eligible counterparty a client to whom it provides transactions, including the transmitting or executing of orders or the Bank's transactions for its own account.

In cases when the Bank performs other investment services for an eligible counterparty, the Bank shall classify such client for other services among professional or non-professional clients, as appropriate.

In the case of eligible counterparties, the Bank is not obliged to take into account some legal provisions of sound and prudent operations in line with Article 276 of ZTFI-1, including:

- it is not obliged to execute orders under the most favourable conditions for eligible counterparties (Articles 267 to 229 and 272 of the ZTFI-1),
- it does not have to separately keep all documents on the agreements on provision of investment services (Paragraph 7 of Article 237 of the ZTFI-1) for each eligible counterparty,
- provisions on information and market communications (Paragraphs 3 and 4 of Article 250 of the ZTFI-1),
- it is not obliged to give any explanation to eligible counterparties (Articles 252 to 257 and 259 of the ZTFI-1),
- it is not obliged to sign any written agreement and submit the general terms and conditions to the eligible counterparty (Article 257 of the ZTFI-1),
- it is not obliged to report to the eligible counterparty on the transactions concluded.

If an eligible counterparty demands a higher level of protection for transactions involving financial instruments and does not specify whether it wants professional or non-professional treatment, it shall be treated by the Bank as a professional client. If a client requires a higher level of protection, the terms and conditions shall be amended accordingly.

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#### **WARNING**

**This warning serves as a written warning of the Bank from item 2 of Paragraph 1 of Article 248 of the ZTFI-1 on protection and rights of the clients. The client submits a statement from item 3 of Paragraph 1 of Article 248 of the ZTFI-1 that it is aware of the consequences of the loss of the protection of rights, if it requires a lower level of protection in accordance with the Client Classification Policy of NLB d.d.**

**The Bank hereby warns the client that the client is obliged to regularly inform the Bank about any changes that might affect its classification into a category.**