

## Annex to the Appendix on the provision of investment services

# Product sheet: Futures Trading

The document contains information or refers to other documents, while it is intended to specify the terms and conditions and the manner of the contract fulfilment, the subject of which is the provision of services, in particular the documents General Business Terms („GBT”) and Technical Information, both available at [www.citfin.cz](http://www.citfin.cz).

This document contains the information required by law, which Citfin is obliged to make known to the Client when providing services pursuant to Act No. 256/2004 Coll., on Capital Market Business („CMB Act”). Upon request, Citfin shall provide the Client with information pursuant to the CMB Act in paper form.

Unless otherwise specified, capitalized terms are defined in the GBT.

<b>Citfin company information</b>	<b>Citfin – Finanční trhy, a.s.</b> , with registered office at Bucharova 1423/6, 158 00 Prague 5, ID No.: 25079069, incorporated in the Commercial Register at the Municipal Court in Prague, Section B, Insert 4313 (“Citfin”). Citfin is a trading company authorised to provide Futures Trading pursuant to a securities dealer licence under the CMB Act.
<b>Method of communication and provision of information</b>	<p>Information is provided in the manner and within the time limits set out in the GBT. Green Line: +420 800 311 010          Reception desk: +420 234 092 000          Citfin website: <a href="http://www.citfin.cz">www.citfin.cz</a>          Data box of Citfin – Finanční trhy, a.s.: 7s2n782</p> <p>Clients also use Citfin’s Internet banking as a means of communication with Citfin, which serves as a durable medium.</p> <p>The Framework Agreement is concluded in the Czech language. Communication is also carried out in the Czech language. At the Client’s request and upon agreement with the Client, the Framework Agreement may also be concluded and communication may be conducted in another language to be agreed with the Client. However, the text of the Framework Agreement in the Czech language shall always be decisive.</p> <p>Citfin shall provide the Client with reasonable reports on the services already provided or business procured, containing details of the services provided, including associated costs. This information shall be provided to Clients on a quarterly basis through regular statements sent to the Client’s Internet banking. Clients have access to selected information on an ongoing basis within Citfin’s Internet banking.</p>
<b>Information on supervision</b>	Citfin is regulated by the Czech National Bank as a supervisory authority with its registered office at Na Příkopě 28, 110 00 Prague 1.
<b>Protection of Client assets</b>	Information on the protection of the Client assets is provided in the GBT.

<b>Conflict of interest</b>	<p>Information on conflicts of interest and their prevention is provided in the GBT.</p> <p>In addition to the information provided in the GBT, Citfin informs that it does not accept or provide incentives other than operational<sup>1</sup>, i.e., incentives that enable the provision of investment services and are required for this purpose (e.g., fees charged by regulated markets or banks in connection with the execution of orders).</p>
<b>Client categorization</b>	<p>Citfin categorizes Clients into the following categories: (i) Non-professional Client; (ii) Professional Client; and (iii) Eligible counterparty.</p> <p>Unless the Client is explicitly told otherwise, it is considered a Non-professional. Therefore, the Client shall always be informed about the possible re-classification as Professional Clients or Eligible counterparties.</p> <p>Non-professional Clients shall be entitled to the highest level of protection. Professional Clients and Eligible counterparties shall be granted a lesser degree of protection, for example in the areas of mandatory disclosures or the assessment of the reasonableness of their trades.</p> <p>Upon meeting the conditions set out in the CMB Act, the Client may request to be classified in a different category.</p>
<b>Client compensation system</b>	<p>Citfin is a participant in the Securities Dealers Guarantee Fund, which operates a guarantee system that compensates Clients of a securities dealer who are unable to meet their debts.</p> <p>The Guarantee Fund shall provide compensation for 90% of the unissued assets of customers, up to a maximum of an amount equivalent to EUR 20,000 per customer per securities dealer. For the purpose of calculating the compensation, the compensation of the assets on the date on which the Guarantee Fund received the CNB's notification shall be decisive.</p> <p>More detailed information can be found on the websites of the Guarantee Fund(<a href="http://www.gfo.cz">www.gfo.cz</a>), Citfin (<a href="http://www.citfin.cz">www.citfin.cz</a>) or § 127 et seq. CMB Act.</p>
<b>Investment services and investment instruments provided</b>	<p><b>Citfin provides the following investment services:</b></p> <ul style="list-style-type: none"> <li>a) Receiving and giving of instructions concerning investment instruments</li> <li>b) Executing instructions concerning investment instruments on behalf of the Client</li> <li>c) Trading in investment instruments on behalf of the Client</li> </ul> <p>Information on Futures Trading offered by Citfin to Clients</p> <p><b>Citfin provides the following types of transactions in investment instruments or financial derivatives:</b></p> <ul style="list-style-type: none"> <li>a) Swap refers to selling or buying one currency in exchange for another and subsequently repurchasing or reselling it after a certain period of time at an exchange rate agreed beforehand. A swap is used when I need to replace liquidity in one currency for a certain period of time with liquidity in another currency without taking currency risk. A swap can also serve to extend or shorten the maturity of an obligation by allowing it to be refinanced in another currency.</li> <li>b) Forward refers to buying or selling one currency in exchange for another at a fixed exchange rate, with settlement of the trade taking place at a future date agreed beforehand.</li> <li>c) Option is an umbrella term for such futures transactions between the Client and Citfin, the substance of which is the right of one of the parties to exchange a predetermined volume of one currency for another at a predetermined rate on a predetermined date or at a predetermined time in the future. The other party has a corresponding obligation in such a case. The validity of this right may be subject to other conditions.</li> </ul>

<sup>1</sup> An incentive refers to a consideration or other advantage, whether monetary or non-monetary, which Citfin receives or provides in connection with the provision of investment services. An incentive is not a consideration or other monetary or even non-monetary payment received from the Client or provided to the Client

**Citfin provides these Futures in the following variants:**

- a) Standard currency forward refers to buying or selling one currency in exchange for another on a predetermined date and at a predetermined exchange rate. It is used to hedge the exchange rate of the selected currency for a specific date in the future.
- b) Amortizing currency forward refers to buying or selling one currency in exchange for another with gradual (amortizing) settlement on any date, in a predetermined period in any quantity and volume of drawdowns. It is used to spread the transaction over time while maintaining a fixed exchange rate.
- c) Currency forward with window refers to buying or selling foreign exchange at a fixed exchange rate with settlement of the transaction being made at an interval of 2 to 60 days.
- d) Currency Par forward refers to a series of currency forwards with different settlement dates on the same currency pair and a single exchange rate.
- e) Currency Par forward with a window refers to a series of currency forwards with different settlement dates on the same currency pair and a single exchange rate, while for each negotiated Futures Trade the Client can choose a settlement interval in the form of a window from 2 to 60 days.

Currency swap refers to selling or buying one currency in exchange for another and subsequently repurchasing or reselling it after a certain period of time at an exchange rate agreed beforehand. A currency swap is used to extend the maturity of a liability by allowing it to be refinanced in another currency.

**Risk information**

Trading in investment instruments is associated with risks that may affect the profit or loss of each investment. Investing in investment instruments is not for everybody and, with any investment, there is the probability of not achieving the anticipated return or even losing part or even all of the amount invested, even in the case of so-called „securitized“ products. Some investment instruments carry the risk of incurring additional financial liabilities – in some cases, a loss may be recognised in excess of the amount originally invested. As a general principle, the greater the risk, the greater the potential profit, but also the loss. Rates of return from investment instruments achieved in the previous period do not guarantee future returns. The overall risk of investments can be reduced by investing in different types of investment instruments. Trading in investment instruments using a leveraged method is associated with significantly higher risk. Special risks may also be associated with the tax consequences of transactions in investment instruments. You are solely responsible for meeting your investment tax obligations. We recommend that you never buy investment instruments when you do not fully understand their conditions and risks, including the extent of potential loss.

**Common risks associated with investing in investment instruments are:**

- a) Credit risk (issuer risk or counterparty risk) — risk that the counterparty will default on its debt (inability to pay); in the extreme case, there is a risk of losing the entire investment;
- b) Settlement risk — risk that the negotiated transaction will not be properly settled (e.g., the purchase price will not be paid or securities will not be delivered);
- c) Market risk — threat of loss in the event of an adverse change in market conditions, in particular interest rate (interest rate risk), share prices (equity risk), commodity prices (commodity risk), exchange rates (exchange rate or currency risk); market risks also include:
  - Liquidity risk — there is a risk of loss if the investment instrument cannot be sold or bought at the chosen time or the transaction can only be settled at an unfavourable price; and
  - Volatility (Fluctuation) risk — risk of short-term or long-term price fluctuations (poor timing of investment can lead to significant losses);

- d) Operational risk — risk of loss in the event of human errors, frauds, and/or deficiencies of information systems;
- e) Legal risk — threat of loss in the event of unenforceability of contract terms;
- f) Terminology risk — different terms are interpreted differently in different financial markets and you may sometimes get an inaccurate idea of the true nature of an investment instrument;
- g) Inflation risk — affects the real return of your investment instruments; a high inflation rate may cause you to earn less in real terms or even lose money;
- h) Global risk — risk of a change in the value of investment instruments in the context of a global downturn in economies and financial markets;
- i) Sectoral risk — risk of a change in the value of investment instruments in the event of the given sector decline;
- j) Political risk — risk of a change in the value or convertibility of investment instruments in the event of political situation change;
- k) Derivatives and leverage risk — their value depends on the value of the underlying asset; some derivative investment instruments are leveraged, i.e., their value depends on the rise or fall in the price of the underlying asset according to an agreed ratio, so even a small change in the value of the underlying asset can cause a significant reduction in the value of the investment instrument or a loss in excess of the original investment.

**Risks associated with Futures trading/Futures**

The risk arising from Futures trading is mainly related to the movement of the current exchange rate to the Client's disadvantage (a market exchange rate is more convenient for the Client than a Futures exchange rate), which may result in a loss, even above the advance deposited.

**Risks associated with Forwards**

With forwards (e.g., forward rate contracts), you make a commitment to buy or sell a certain amount of one currency for another at a given time or within a given period, at a fixed price. The risk is that you may be able to acquire or sell the underlying asset (e.g., foreign currency) at a much more favourable price than the price set out in the contract you have concluded after the deadline. The potential loss is limitless.

<b>Target market</b>	<p>Citfin determines the target market based on categories such as Client type, Client knowledge and experience, financial situation and loss capacity, risk tolerance, investment objectives and/or sustainability objectives. Whether a particular Client falls within the defined target market is assessed on the basis of a completed questionnaire.</p> <p>In relation to the identified target markets, Citfin informs that the services and investment instruments provided by Citfin are intended for professional customers within the meaning of Sections 2a and 2b of the CMB Act as well as for customers who are non-professional within the meaning of the CMB Act.</p>
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<b>Information on the execution of orders</b>	<p><b>General guidelines for executing orders</b></p> <p>Citfin takes into account the following when executing the Client's orders:</p> <ul style="list-style-type: none"> <li>a) Nature and features of the investment instrument to be traded</li> <li>b) Nature of the Client and particularly the classification into one of the established categories</li> <li>c) Nature of the order to be executed by the Client</li> </ul> <p>Factors influencing how orders are executed depend on the investment instrument or service provided, where the factors by descending importance are:</p> <ul style="list-style-type: none"> <li>a) Price that can be achieved at the trading venue</li> <li>b) Total amount of fees charged to the Client</li> <li>c) Speed at which the order can be executed</li> <li>d) Probability of executing the order</li> <li>e) Volume of the order</li> </ul>
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- f) Conditions for settling the transaction
- g) Type of order
- h) Any other factor that is significant in the Client's order

Considering the importance of these factors in executing a Client's order, Citfin has made it a policy for both professional and non-professional Clients to take an individual approach to the execution of each individual order.

If Citfin executes the order of a Client who is not a professional Client, the execution of the order on the best terms shall be determined in terms of the total performance, which consists of the price of the investment instrument and the costs associated with the execution of the order, including any expenses incurred by the Client directly related to the execution of the order.

Should there have been a special agreement between the Client and Citfin on how the order would be executed, including the terms and conditions for execution of the order, that agreement will prevail over the Rules for executing Client orders.

As a general rule, Client orders are executed in the order in which they are received, unless this conflicts with the Client's special instruction or the nature of the Client's order or prevailing market conditions make such a procedure impossible or impractical or the Client's interest requires a different procedure.

If there are significant difficulties in processing an order and if the order is from a Client who is not a professional Client, Citfin shall inform the Client immediately of such difficulties.

Citfin is obliged to provide the Client, who is not a professional Client, with adequate information about the executed order without undue delay after the order has been executed (no later than the next business day after the execution of the order).

If, in accordance with the Framework Agreement or the GBT, as the case may be, with a Client who is not a professional Client, extraordinary liabilities may arise from trades on the Client's account, in particular when trading with the use of leverage, Citfin shall inform the Client of the losses that have exceeded the pre-agreed limit without undue delay, but no later than the end:

- a) The business day in which the limit has been exceeded; or
- b) the following business day if the limit has been exceeded on a non-business day.

Citfin is obliged to inform the Client once a quarter of a year about the status of funds and investment instruments owned by the Client.

**Method of determining exchange rate and settling Client orders**

Determination of the best possible exchange rate for Futures trades (such as forwards, swaps) is carried out by Citfin, based on the Client's request, checking the current exchange rate for the currency requested with Citfin's information source or other information sources and, based on the current exchange rate, offering the Client the specific terms of the Futures trade that Citfin can conclude with the Client at that moment on its own account.

**Service-related costs and fees**

Futures trades are provided without direct fees, which means that you always receive the full amount at the agreed exchange rate without any additional costs.

However, certain indirect costs may arise in the course of determining the price of the Futures Trade. For more detailed information on rate setting, please refer to the "Technical Information" document.

The Client is obliged under the Framework Agreement to provide the Collateral Value when procuring Futures trades/Futures, if the GBT so provide.

<p><b>Interest on funds</b></p>	<p>Futures trades are provided without direct fees, which means that you always receive the full amount at the agreed exchange rate without any additional costs.</p> <p>However, certain indirect costs may arise in the course of determining the price of the Futures Trade. For more detailed information on rate setting, please refer to the „Technical Information” document.</p> <p>The Client is obliged under the Framework Agreement to provide the Collateral Value when procuring Futures trades/Futures, if the GBT so provide.</p>
<p><b>Options to amend and terminate the Framework Agreement</b></p>	<p>Based on the Framework Agreement and the GBT, Citfin is entitled to amend the Framework Agreement and the GBT in accordance with the Framework Agreement and the GBT. The Framework Agreement is concluded for an indefinite period of time. The Client and Citfin are entitled to terminate or withdraw from the Framework Agreement in accordance with the Framework Agreement and the GBT.</p>
<p><b>Applicable law and settlement of disputes</b></p>	<p>The applicable law and the method of dispute resolution, as well as out-of-court dispute resolution, are set out in the Framework Agreement and the GBT.</p>