



CONFLICT OF INTEREST POLICY

In the field of provision of investment and ancillary services

And performance of investment activities

Zagreb, June 2010

The Management Board of Privredna banka Zagreb d.d. (hereinafter: the Bank) adopted on June 08th 2010 the following

CONFLICT OF INTEREST POLICY

In the field of provision of investment and ancillary services And performance of investment activities

I. GENERAL PROVISIONS

Article 1

The Conflict of interest policy in the field of provision of investment and ancillary services and performance of investment activities (hereinafter: "**the Policy**") is intended to:

- identify potential and/or existing conflicts of interest that may arise when providing investment and ancillary services and performing investment activities,
- define precautionary measures and procedures for the purpose of preventing or eliminating conflicts of interest,
- define the process of solving conflicts of interest in situations where precautionary measures are inapplicable,
- set up high code of conduct standards and transparency in conducting business, expected to be observed by relevant persons,
- have all Bank employees and relevant persons acquainted with the rules of procedure pertaining to the management of conflicts of interest in the field of provision of investment services and performance of investment activities.

Provisions hereof shall replace neither provisions specified by the *PBZ Code of Ethics*, *Code of Conduct*, *Dealers Manual* and other Bank's regulations and procedures, nor the legislation procedures regulating the conflicts of interest area, but shall describe them in detail and supplement with principles and rules applied to segments of business activities specific to the provision of investment and ancillary services and performance of investment activities.

Code of Ethics and Code of Conducts provisions shall supplement this Policy especially regarding:

- rules for receiving presents and gifts and tokens of gratitude offered to employees of the Bank
- principles of business conduct regarding client relations management

Aforementioned documents can provide foundation for resolving situations which represent conflict of interest and derive from specific personal interests of employees of the Bank, relevant persons or other situations specifically referred to. In accordance with Code of Conduct, Bank maintains register of persons connected to employees of the Bank (including relevant persons) in order to detect possible occurrence of situations that may represent conflict of interest, set out in Attachment 1 to this Policy.

II. INTERPRETATION

Article 2

For the purposes of this Policy, the following definitions of particular terms shall apply:

Client – each natural or legal person provided with investment and/or ancillary services by the Bank,

Relevant persons:

- Bank employees involved in investment/ancillary services and activities provided and performed by the investment company, as well as persons who gain access to inside information (brokers, investment advisors, financial analysts, and other) while performing their business, professional, or other tasks, the Bank's business executives with access to inside information, Members of the Management Board of the Bank, Members of the Supervisory Board of the Bank and the Audit Committee, Members of the Credit Committee, and other relevant bodies of the Bank as well as the Bank's shareholders¹,
- tied agents of the Bank, executives, or persons that hold stakes in every tied agent of the Bank, or employees of the Bank's tied agent,
- every other natural person whose services are placed at the disposal and under the authority of the Bank or a tied agent of the Bank if that person is involved in investment services, activities and ancillary services that the Bank provides and carries out,
- all other persons who come to know inside information, provided that they know or ought to know that it is inside information they are dealing with (such as employees of the companies that carry out contracted work for the Bank at its premises or use some of the media where data on inside information are stored, as well as attorneys, auditors, consultants, etc.)

Inside information – explicit information not available to the public that concerns, directly or indirectly, one or more issuers of financial instruments or one or more financial instruments, provided that such information would probably, if it were available to the public, have a substantial effect on the price of those financial instruments or the price of linked derived financial instruments. It is considered that such probability of substantial effect exists if reasonable investors would probably use such information as basis for making their investment decisions.²

¹ The term "Bank's shareholders" includes ten of the largest shareholders whose data are published in the Report of a public limited company from the Group of Financial Institutions (TFI-FIN form)

² With respect to **commodity derivatives**, privileged information is explicit information not available to the public that concerns, directly or indirectly, one or more such derivatives and that the participants on the market where such derivatives are traded expect to receive in accordance with the accepted market practices. It is considered that the information is explicit when it comprises a group of circumstances that exist or are reasonably expected to exist in future, or an event that occurred or is expected to occur, provided that it is specific enough to enable reaching of conclusions on the possible effect of such a group of circumstances or event on the prices of financial instruments or related derivative financial instruments.

For **persons who are in charge of executing orders referring to financial instruments**, privileged information is also explicit information provided by a client that refers to pending client orders and concerns, directly or indirectly, one or more issuers of financial instruments or one or more financial instruments, and would probably, if it were available to the public, have a substantial effect on the price of those financial instruments or the price of related derived financial instruments

Personal transaction – for purposes of this Policy it is financial instrument transaction performed by a relevant person or in the name and/or for the account of a relevant person, provided that at least one of the below-mentioned conditions has been met:

- the relevant person acts outside the field of activity that he/she performs as relevant person,
- the transaction has been performed for the account of a) the relevant person, or b) a person that the relevant person is linked to by family ties or is closely related to within the meaning of the Act, or c) a person whose relationship with the relevant person is such that the relevant person has direct or indirect material interest in the outcome of the transaction other than commission or fee pertaining to the transaction.

Durable medium – paper or medium enabling storage of data in a digital form in such a way that access, processing and completeness of data are ensured at least during the period defined by the Capital Market Act and by-laws

Investment study – a study or some other type of report comprising an express or tacit recommendation or proposal related to the investment strategy pertaining to one or more financial instruments or issuers of financial instruments, possibly including value judgements on the present or future value of those instruments, which is intended for distribution channels or the public, provided that the mentioned study or report a) has been designated or described as an investment study or similarly, or presented in some other manner as an objective or independent explanation of the subject matter of the recommendation, b) if the recommendation at issue has been prepared by an investment company for the client, and it does not constitute provision of investment consulting services within the meaning of the Capital Market Act.

III. BASIC PRINCIPLES OF BUSINESS

Article 3

Relevant persons' professional conduct shall be based upon objectives and general principles of business and professional conduct:

- Professional skill and conscientiousness: When providing and performing investment services and activities and ancillary activities, relevant persons are obliged to place the clients' interests in the first place in all situations, to take account that valid legal regulations regulating the Bank's business activities are observed, and to act with due diligence.
- Responsibility in communication with clients: Relevant persons are obliged to supply complete and clear information to clients, and to warn them of the risks related to transactions in financial instruments.
- Avoidance of conflicts of interest: Relevant persons are obliged to avoid situations representing conflicts of interest, and in the event of doubts about a certain situation, or in case of knowledge or reasonable suspicion about particular activity that might provoke conflict of interests, they are obliged to immediately report it (i) to a superior officer in charge, and (ii) to the Compliance Division.
- Responsibility and transparency in personal transactions in financial instruments: Relevant persons should perform personal transactions in financial instruments, if any, in conformity with provisions of the Capital Market Act, this Policy and other

internal regulations of the Bank, i.e. in such a way to avoid any conflict of interest that might damage clients' interests.

- Cooperative relations with competent institutions: The Bank and relevant persons are obliged to cooperate with the Croatian Financial Services Supervisory Agency and other relevant authorities, and to allow them access to information, documents and data they request within their scope of activity and legal powers, and in conformity with the Bank's regulations.

IV. CIRCUMSTANCES CONSTITUTING CONFLICTS OF INTEREST

Article 4

Conflicts of interest represent each situation in which the Bank and/or relevant persons are not neutral and objective with respect to the matter of business, i.e. by making use of their specific position when providing and performing investment services and activities and ancillary services, they take professional and/or personal interests that compete with clients' interests, which may affect impartiality in providing and performing services and activities and damage the clients' interests. Conflicts of interest may originate between:

- the interest of the Bank and/or a relevant person or persons directly or indirectly related to them by means of control, on the one hand, and interest of the Bank's clients on the other hand
- interest of various clients of the Bank.

The Bank and relevant persons are obliged, when providing and performing investment services and activities and ancillary services, to take account of the circumstances representing conflicts of interest. When identifying conflicts of interest the Bank shall, in principle, always consider the situations listed here below as circumstances constituting the conflict of interest:

- the Bank and/or relevant person may obtain a financial gain or avoid financial detriment at the client's expense by making use of inside information,
- the Bank and/or relevant person have an interest in/benefit from the outcome of a business deal performed for the client or a transaction concluded for the account of the client, which differs from client's interests,
- the Bank and/or relevant persons have a financial or another motive for favouring the interests of another client or a group of clients, thus causing damage to the client's interests,
- the scope of activity of the Bank and/or relevant person is the same as the scope of activity of the client,
- the Bank and/or relevant person have received or are going to receive a bonus or additional inducement from a person other than the client involved, for a business transaction performed for the client, in the form of money, commodities or services, which is not regarded as customary fee or commission charged for concluding such a transaction.

Article 5

Besides the above mentioned circumstances, situations listed here below shall also be regarded as typical situations representing conflicts of interest:

- when the Bank and/or relevant person trades on own behalf and for own account in certain financial instruments, concurrently possessing inside information in regard thereof,
- when the Bank or a relevant person is tied, in terms of ownership, to persons who participate in the market competition with the client and/or to the client himself/herself,
- in case of an offer of financial instruments, in which the Bank provides services referred to in Art. 5, par.1, item 4 and/or item 5 of the Capital Market Act, if the Bank and/or a relevant person are in possession of shares or other securities of equal importance that constitute a stake in the capital or membership rights of the client's company,
- when the Bank provides investment advising or portfolio management services and simultaneously advises investments and/or invests in financial instruments issued by PBZ Group companies,
- if the Bank, when managing the portfolio, executes orders for the purchase of financial instruments for more clients, potential conflicts of interest may occur with respect to sequence, quantity and allocation of purchased financial instruments.

Detailed overview of situations that can represent potential conflict of interest (classified regarding specific investment / ancillary services and activities provided / performed by the Bank) can be found in Attachment 1 to this Policy.

V. PROCEDURES AND MEASURES FOR PREVENTING CONFLICTS OF INTEREST

Article 6

Circumstances and situations that may result in conflicts of interest should be managed in a transparent and efficient way. To prevent the occurrence of such situations, the Bank shall ensure:

- that the Bank's organisation units, providing and performing investment services and activities and ancillary services, conduct their business independently (such as investment advising, trading for own account, corporate finance, financial analysis),
- autonomous and continuous strengthening of internal control system and taking of all reasonable measures for identifying conflicts of interest that may occur between the Bank and/or relevant persons on the one hand and clients on the other, to avoid damaging the client's interests by such conflicts of interest,
- ongoing and efficient supervision of the exchange of information among relevant persons included in activities incorporating a potential conflict of interest through the set up internal controls system, in case the data exchange results damaging to one or more clients
- keeping records of personal transactions of relevant persons
- observing the general principle to equally treat all clients from the same category (small or professional investors, qualified investors), relevant persons are obliged to protect the interests of all clients without discrimination, in conformity with the best business practice, and should not misuse the clients' lack of skills or ignorance of business practice with the aim of deriving non-pertaining benefit therefrom,

- that the immediate superior to the relevant person being in (potential) conflict of interest has discretionary power to exclude the relevant person involved from participating in the execution of the respective transactions,
- escalation contingency with regard to actions and decision-making in conducting business in the event that potential or existing conflict of interest is determined involving immediate superiors,
- the Bank shall establish and maintain such organisation measures that are focused on prevention and limitation of any person's inappropriate influence upon the way in which a relevant person renders investment services and performs investment activities,
- the Bank shall set up a separate supervision of relevant persons whose primary function includes performance of business activities or provision of services to clients, where such clients, or such relevant persons representing them in some manner, potentially have mutually conflicting interests
- removal of any immediate correlation between the income of relevant persons who are primarily engaged in one business activity and the income or profit realized by other relevant persons who are primarily involved in some other business activity where the conflict of interest may arise in respect of such activities,
- the Bank shall take appropriate measures to prevent or control, concurrently or subsequently, the participation of the relevant person in different investment or ancillary services or investment activities if such participation may damage the correct conflict of interest management (for example: when implementing the internal rotation of relevant persons from organisation units to which the "*Chinese Wall*" principle applies, the previous consent by the senior executive director responsible for human resources management and by the executive director to the Compliance Division is required, pursuant to the Management Board's Instructions for internal rotation of employees)
- setting up of a system for monitoring, keeping, managing, and updating the data on investment or ancillary services or activities that have been performed by the Bank or in the name and for the account of the Bank, where a conflict of interest that might have an adverse effect on the interests of one or more clients has arisen or might arise in respect to pending activities,
- keeping of records on measures taken to prevent conflicts of interest,
- periodic verification and, if required, revision of the control system adequacy, as regards the conflicts of interest.

Article 7

In case a relevant person, during the provision of investment or ancillary services and activities, finds out about circumstances qualifying as conflict of interest, this person is obliged to promptly notify via electronic mail his/her superior and the **Compliance Division** to the e-mail address: **Compliance@pbz.hr**, which is then obliged to examine reasonable grounds of the report, i.e. to verify whether the conflict of interest has occurred. If the violation of provisions hereof is established, the Compliance Division shall notify the Internal Audit Division and the Human Resources Division thereof and take other adequate measures provided for by the Bank's regulations.

In order to solve the conflict of interest, the Compliance Division shall propose adequate measures. The executive to the relevant unit in which conflict of interest has been identified shall be in charge of implementing these measures. The Compliance Division may identify conditions for temporary performance of activities being in the conflict of interest until measures proposed for their elimination are implemented.

Article 8

If applied measures for managing conflicts of interest result insufficient to ensure, rather certainly, that no damage will be inflicted upon clients, the Bank's relevant unit, before undertaking the provision of investment and ancillary services and performance of investment activities, is obliged to provide clear information to clients about the nature and/or sources of the respective conflicts of interest, and the executives to organisation units where the conflict of interest originated are obliged to reduce the conflict of interest to the lowest possible level and to set up intensified supervision over occurred conflict of interest that cannot be eliminated.

The Bank/relevant person should provide such notification to the client on a durable medium, and it should contain sufficient data, so as to allow the client to make informed decision on all relevant circumstances regarding provision of investment or ancillary services or activities in the context of which a conflict of interest has occurred.

Managers of organizational units where conflict of interest has occurred are obliged to inform Compliance Division thereof immediately.

Article 9

In order to restrict the flow of information between the Bank's organisation units, the so-called *Chinese wall* mechanism is set up, meaning functional and logical separation of organizational which provide Corporate finance services to corporate clients ("Corporate" side) and those which provide services and activities to investors or financial markets ("Market" side – Investment Banking Division and Treasury Division) thus guaranteeing that:

- no inside information known by the Corporate side is disclosed to the Market side: in this way there is no risk that the Market side uses such *Inside information* to carry out its day-to-day market transactions;
- the Market side structures do not report, hierarchically, to the structures of the Corporate side nor can they get to know their transactions, thus being able to operate, by definition, in an independent and unrestricted manner: in this way there is no risk that the Market side be influenced by the interests arising from the transactions arranged by the Corporate side in carrying out its day-to-day transactions;

Where necessary, for carrying out the activities undertaken with the *Clients*, contacts between the two sides of the Chinese wall should be allowed. All organizational units of the Bank must facilitate modalities of conduct that would ensure all activities to be within aforementioned restrictions in order to avoid improper use of inside information. Modalities of conduct must be adequately registered for subsequent supervision requirements.

Article 10

In addition to the aforementioned, Chinese wall mechanism allows access to confidential, inside, and other information solely to those relevant persons in organizational units to which such information is reasonably indispensable for honouring business and professional commitments. This ensures that the Bank and relevant persons carry out business transactions for the account of clients without being influenced by other information that may lead to conflicts of interest.

Should the set up mechanism result insufficient for adequate managing of potential conflict in a particular situation, additional, back-up measures shall be taken, specifically:

- ad hoc "Chinese Wall" shall be implemented for a particular transaction or a back-up method for separating information, after having considered all the facts available to relevant executives, and/or,
- performance of transaction shall be lifted to a higher level (executive to the relevant unit), upon which lies the responsibility for the Bank's strategy and assessment of risks that may derive therefrom in such case.

The Bank as the authorised company shall act with due diligence and observe the confidentiality of collected data on clients. In each case the Bank shall, if feasible and reasonable, logistically separate organisation units positioned on the opposite side of the Wall, to prevent transfer of classified and inside information, which includes undesired and unintentional flow thereof.

The basic principle, upon which the Bank's reputation is built and clients' trust placed, is the confidentiality in performing transactions and responsibility in keeping secret data. Relevant persons are obliged to keep the data on the client, the balance and turnover in the client's accounts (in which financial instruments and funds of the client are kept), investment services and activities they perform for the client, as well as other data and facts about the client they learn while providing investment and ancillary services and activities. These data are regarded as business or bank secret, and are subject to a special storing regime, and the mentioned persons are not allowed to use them, disclose them to third persons or enable third persons to use them. Data on the client may be used internally with the aim of improving knowledge on the client's requirements and preparing offers of services to be constantly streamlined and perfected.

Employees are allowed to make available confidential data on a client only to those Bank's employees and other persons who need the mentioned information in their work, and if required to do so according to valid regulations (such as to auditors, supervisory institutions, legal and other advisors engaged under an agreement with the Bank, who will be warned beforehand about the confidentiality of data supplied to them and the obligation to keep them as business secret).

VI. RESEARCH AND ANALISYS

Article 11

When the Bank draws up and/or makes preparations for drawing up an investment study that is intended for or probably will be subsequently delivered to the Bank's clients or the public, the Bank shall ensure the implementation of the following measures:

- financial analysts and other relevant persons shall not perform personal transactions or trade in financial instruments that the investment study is concerned with or in any related financial instrument if they are aware of the probable timing of its publication/submission or contents of the investment study that is not available to the public or to the clients and may not be easily deduced from available information. Likewise, in that case and under such conditions they shall not trade in the name and/or for the account of any other person, Bank included, except in good faith as market maker during regular market making or when executing an unsolicited customer's order. Once the receivers of the investment study have been given a reasonable opportunity to act on the study, the mentioned prohibition shall cease to apply,

- in circumstances not covered by the previous item, financial analysts and other relevant persons involved in the preparation of an investment study shall not undertake personal transactions in financial instruments that the study is concerned with or in related financial instruments if such transaction is contrary to the current recommendations, except in extraordinary circumstances with the prior consent of the Compliance Division,
- the Bank, financial analyst, or some other relevant person involved in the preparation of an investment study shall not accept additional incentives by persons having a substantial interest in the subject matter of the investment study,
- the Bank, financial analyst, or some other relevant person involved in the preparation of an investment study shall not guarantee a favourable outcome of the study to the issuers,
- if the draft investment study contains a recommendation or a target price, examination of the draft investment study prior to the publication of the investment study for the purpose of verifying the accuracy of the facts indicated in the study or for some other purpose shall not be allowed to the issuer, relevant persons, or some other persons, except the financial analyst and the relevant officer in charge, who shall be allowed to verify compliance with the legal obligations of the Bank.

VII. ADDITIONAL INDUCEMENTS

Article 12

Regarding provision of investment and ancillary services to clients, Bank must not pay or be paid any fee or commission, or be provided with any non-monetary benefit, other than the following:

1. commission or fee paid to or by the client or a person on behalf of the client,
2. non-monetary benefit provided to or by the client or a person on behalf of the client,
3. a fee, commission or non-monetary benefit paid or provided to or by a third party or a person acting on behalf of a third party, where the following conditions are satisfied:
 - a) the existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service;
 - b) the payment of the fee or commission, or the provision of the non-monetary benefit must be designed to enhance the quality of the relevant service to the client and not impair compliance with the Bank's duty to act in the best interests of the client.
4. proper fees which enable or are necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which, by their nature, cannot give rise to conflicts with the firm's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

Bank can , for the purposes of paragraph 1, point 2 subpoint a , disclose the essential terms of the arrangements relating to the fee, commission or nonmonetary benefit in summary form, provided that it complies with these disclosed terms.

VIII. LIST OF RELEVANT BUSINESS ACTIVITIES

Article 13

In order to efficiently monitor the business activities of organisation units that provide investment or ancillary services or perform investment activities and participate in business processes connected thereto, which may lead to potential conflicts of interest, i.e. to violation of provisions of this Policy, laws and by-laws, the Investment Banking Division, the Treasury Division, and the Equity Holding Management Department shall set up, keep, and update the **List of Relevant Business Activities**³. All relevant business activities performed by the mentioned units shall be recorded on this list, on the assumption that:

1. financial instruments issued by at least one participant involved in the subject business activity (or financial instruments of its majority shareholders) are listed on a regulated market; and
2. the respective business activity is unknown to public, and if it were known, it could affect the price of certain financial instruments listed on the regulated market.

The List of Relevant Business Activities shall include at least the following information: designations of financial instruments and issuers, names of relevant persons who dispose of the data on the relevant business activities and thus have access to inside information, and period in which they disposed of the inside information on certain financial instruments and/or issuers⁴.

Article 14

Executives and relevant persons in the mentioned organizational units shall be obliged to put on the List of Relevant Business Activities each relevant business activity, in accordance with the definition outlined in the previous paragraph, in the soonest possible time as of the moment when inside information about a relevant business activity are made available to relevant persons.

At the latest, inside information about a relevant business activity shall be considered available at the time a confidentiality agreement is signed, or earlier if the transaction already possesses reasonable specific elements⁵.

The relevant business activity shall be deleted from the List when it is completed, ended or published, and if it is interrupted or put to a standstill, or if the contractual relation with the client regulating a particular activity becomes ineffective. The Bank shall store the data recorded on the List of Relevant Business Activities for a minimum of 5 years, counting from the day when the business activity has been deleted from this List.

³ **former List of Relevant Transactions**

⁴ Keeping of the List of Relevant Business Activities and its contents are prescribed in more detail by the provisions of the Rulebook on the management of privileged information and personal transactions

⁵ The transaction possesses reasonable specific elements when is considered as most likely to be carried out if the *Client* or the counterparty has expressly shown its willingness to proceed further with the transaction even though no decision has yet been taken in that respect.

Article 15

The List of Relevant Business Activities shall be regularly updated, which responsibility rests with relevant persons, immediate superiors, as well as executive directors of the Investment Banking Division, Treasury Division, and Equity Holding Management Department. The List of Relevant Business Activities should be constantly available to the person in charge thereof in the Compliance Division, as well as to all executives and employees of the Investment Banking Division, Treasury Division, and Equity Holding Management Department. The Compliance Division shall inform responsible members of the Management Board of the Bank about possibly required restrictions on trading in certain financial instruments on the List of Relevant Business Transactions, if it concludes that such trading might result in conflict of interest damaging to clients' interests.

IX. TRADING FOR AND ON BEHALF OF THE BANK

Article 16

Trading in financial instruments in the name and for the account of the Bank shall be performed by the Treasury Division. When performing such transactions, employees need to observe the procedures prescribed by the Manual for the performance of treasury transactions in respect to the specific type of transaction they perform. Trade in financial instruments is allowed during working hours of the Treasury, while employees are required to act in accordance with the Dealer Manual. Considering that employees are required to record communication with clients when performing trade in financial instruments, employees may not perform trading activities using a mobile phone. Contracting of transactions outside the premises of the Treasury Division is forbidden.

Furthermore, in certain situations the Equity Holding Management Department may give orders for the acquisition and sale of shares and stakes in the name and for the account of the Bank and perform other related activities.

X. "GREY MARKET" OPERATIONS

Article 17

To provide *Clients* with increased protection, the Bank has restricted trading of debt *Financial Instruments* (this refers to dealing on Banks own account, when the Bank acts as seller and client as buyer) in Grey Market phase.

To this end, it is allowed to trade in the *Grey Market* phase only with following *Financial Instruments*:

- issued or guaranteed by Republic of Croatia (including domestic Government bonds);
- issued or guaranteed by an EU Member State or issued or guaranteed by public-purpose International Organisations whose members include one or more EU Member States (e.g. EIB);
- issued by the European Central bank.

In the event that a Client requests a security other than those mentioned above, the organizational units communicating directly with the Clients shall reject the purchase order and explain to the Client the reasons for such a refusal.

The trading restrictions referred to above do not apply to transactions carried out with Eligible Counterparties and with Professional Clients.

XI. PERSONAL TRANSACTIONS

Article 18

The Bank shall monitor and record all personal transactions carried out by relevant persons as prescribed by the Rulebook on the management of inside information and personal transactions.

Relevant persons shall not be allowed to use the Bank's funds and property for own personal benefit, to the detriment of clients and/or the Bank.

Also, relevant persons shall not be allowed to benefit from the use of information about business opportunities they have come across working in the Bank, if it may be reasonably expected for such information to be of interest and/or use to the client and/or the Bank.

Employees of the Bank are forbidden to trade in financial instruments issued by those issuers for whom they provide (within scope of business activities and obligations in Bank) corporate finance services, or have access to inside information regarding those issuers in any other way.

XII. REGISTER OF CONFLICTS OF INTEREST

Article 19

Compliance Division manages and constantly updates a register in which, by specifying the types of *Investment services and activities* and *Ancillary Services*, the Bank records the situations which have given rise, or in the case of a service or an activity currently under way, which may give rise to a conflict of interest that is likely to be seriously detrimental to the interests of one of more *Clients or the Bank*.

XIII. ADDITIONAL REGULATION REGARDING SPECIFIC ISSUES

Article 20

In addition to provisions of This Policy, the Bank may also adopt other internal acts which shall supplementally regulate rights and obligations regarding provision of investment and ancillary services and investment activities. Provisions of these additional internal acts must be aligned with provisions of this Policy.

For example, having in mind type and scope of investment and ancillary services and investment activities provided, the Bank may regulated one or more of following issues:

- investment research and financial analysis
- provision of investment services containing personal recommendations to clients
- sale of financial instruments / products
- additional inducements.

XIV. VIOLATIONS OF THE POLICY

Article 21

Relevant person shall be obliged to report to his/her immediate superior the violation or reasonable doubt about the violation of provisions specified herein, as well as any pressure or improper influence such person is exposed to when performing his/her tasks, i.e. when the required degree of independence in conducting business activities that include potential conflict of interest is imperilled. The superior officer shall be obliged, if he/she establishes that non-fulfilment of duty is at issue, to report it to the Human Resources Division.

In case there is doubt whether certain behaviour is in conformity with principles hereof, relevant persons may request relevant opinion from the Legal Affairs Division.

A relevant person shall suffer no ill effects because of the filed report (whether it implies a notice of dismissal, lower ranking job or any other inconvenience), unless he/she has participated in the mentioned case of the violation of provisions hereof.

Violation of provisions of this Policy shall be regarded as non-fulfilment of duty. Depending on the severity of violation and damage inflicted upon the client and/or the Bank, sanctions may take form of a reprimand, fine, notice of dismissal and similar, in conformity with the Bank's internal regulations governing labour relations.

XV. INTERNAL AUDIT

Article 22

The Internal Audit Division shall be obliged to perform regular (scheduled) as well as occasional (unscheduled, at the request of the Compliance Division and the responsible member of the Management Board of the Bank) auditing of application of the provisions hereof, i.e. of the regulations referring to the management of conflicts of interest in the field of provision of investment and ancillary services and performance of investment activities.

XVI. FINAL PROVISIONS

Article 23

This Policy does not prescribe operating instructions for its implementation, since they are specific for particular investment and ancillary services and activities performed by particular organisational units of the Bank. Thus, each unit may independently establish adequate procedures, if required, for the implementation of provisions set out herein, in operating terms.

The Business Processes Organisation Division shall adjust relevant procedures with this Conflict of Interest Policy in cooperation with process owners and process managers in charge of a particular process.

Executive directors of the Investment Banking Division and Treasury Division in cooperation with executive director of Compliance Division, shall be authorised to introduce amendments hereto, of technical nature, i.e. which do not have impact on statutory requirements and are of minor material significance. Executive Director of Compliance Division shall be authorized to update Attachment 1 to this Policy (containing examples of situations that might give rise to conflict of interest).

Article 24

This Policy shall enter into force with the date of its adoption.