

## INFORMATION FOR CLIENTS

**Banca Intesa ad Beograd**

Milentija Popovića 7b, 11070 Novi Beograd; call center: +381 (011) 310 88 88; [www.bancaintesa.rs](http://www.bancaintesa.rs); current account number: 908-16001-87  
TIN: 100001159, company registration number: 07759231

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## I. Introduction

By passing the Law on Capital Market (hereinafter referred to as the Law) and by-laws, the Securities Commission of the Republic of Serbia set standards for the functioning of the market of financial instruments equal to those applied in the territory of the European Union, bearing in mind that the solutions of domestic regulations are based on the models established by the European legislation. The main goals of the new regulation are the protection of Investors and the provision of a fair, efficient and transparent capital market, as well as the reduction of systemic risk in the capital market, which is made possible by setting new requirements for investment companies regarding the fulfillment of certain conditions when providing investment services and performing investment activities. One of the most important requirements is transparency in business and the obligation of investment companies to provide their Clients and potential Clients with all the necessary information for adequate decision-making when investing in the capital market.

Banca Intesa ad Beograd is a credit institution that has an operating license issued by the National Bank of Serbia in accordance with the Law on Banks ("Official Gazette of RS", No. 107/2005, 91/2010 and 14/2015) with all possible subsequent amendments as well as the permission of the Securities Commission to provide investment and additional services and carry out investment activities in accordance with the Capital Market Law ("Official Gazette of RS", No. 129/2021) with all possible subsequent amendments (hereinafter: the Bank);

In accordance with the above, the Bank aims with this document to inform its Clients and potential Clients, before concluding the contract, about the most important aspects of the investment environment and the part of business that directly concerns Clients, investors in securities and other financial instruments.

## II. Information about the Bank and the services it provides

### 1. General information about the Bank

**Business Name:** Banca Intesa a.d. Beograd

**Seat:** Milentija Popovića 7b, Novi Beograd

**Company registration number:** 07759231

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**Number of license granting decision:** 5/0-10-1285/5-06  
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5/0-24-619/4-16  
2/1-109-209/5-19  
2/1-120-3149/5-22

**Date of license granting decision:** 11.05.2006. 01.02.2007.;19.09.2012;  
08.04.2016.; 20.03.2019.;21.04.2023.

**Activity:** Performing investment services and activities from Article 2, paragraph 1 item 2) sub-items (1), (2), (3), (6) and (7) and additional services from Article 2 paragraph 1 item 3) sub-item (1), (2), (4), (5), (6) and (7) of the Capital Market Law (described in more detail in the chapter Data on services provided by the Bank).

**Issuer of the license and supervisor of the performance of activities:**

Securities Commission  
Omladinskih brigada 1, VII sprat, Beograd  
[www.sec.gov.rs](http://www.sec.gov.rs)  
phone/fax:+381(0) 213 79 24, +381(0) 311 73 36

## 2. Data on the services provided by the Bank

The following investment services and activities of the Bank referred to in Article 2 of the Law, are understood as investment services and activities:

- receipt and transfer of orders related to one or more financial instruments and execution of orders for the account of Clients (hereinafter: brokerage services);
- trading for one's own account (hereinafter: dealer business);
- underwriting in connection with financial instruments, i.e. implementation of the procedure of offering financial instruments with the obligation of redemption (hereinafter: underwriting services);
- implementation of the procedure of offering financial instruments without the obligation of redemption (hereinafter: agent services).

Additional services performed by the Bank in accordance with the provisions of the Law are as follows:

- safekeeping and management of financial instruments for the account of Clients (custody services) and related services, such as administration of funds and collateral, with the exception of maintaining and managing securities accounts under the jurisdiction of the Central Registry, securities depository and clearinghouse;
- granting a loan to an investor for the purpose of concluding a transaction with one or more financial instruments when the Bank provides the loan and is involved in the transaction;
- foreign currency conversion services in connection with the provision of investment services;
- research and financial analysis in the field of investment or other forms of general recommendations in connection with transactions in financial instruments;
- Services related to underwriting;
- investment services and activities, as well as supplementary services related to the basis of derivative financial instruments from Article 2, paragraph 1, item 19) sub-items (5), (6), (7) and (10) of the Law, and in connection with the provision of investment and additional services.

During its existence, the bank may change the type of investment services it provides, in accordance with the Law.

### **3. Modes of communication between the Bank and Clients**

Documentation and other information delivered to the Client, as well as all communication between the Client and the Bank, is conducted in the Serbian language.

If the Client requests that communication with the Bank be in a foreign language, the agreement on the provision of investment or additional services as well as accompanying documents are drawn up bilingually in Serbian and English, with the Serbian version as the prevailing one.

The client is obliged to provide the Bank with a translation into Serbian, certified by a court interpreter, along with every document in a foreign language.

### **4. Informing and reporting to Clients about the services provided by the Bank**

The Bank provides Clients and potential Clients on the Permanent Data Carrier with information about the services it provides with data on regular communication that depends on the type and complexity of financial instruments and the nature of the services provided and, if necessary, the costs related to those transactions and services.

The Bank provides Clients and potential Clients in good time before providing investment or additional services, a general description of the nature of financial instruments and their risks, taking into account, in particular, the Client's categorization as a Small Investor, Professional Investor or Certain Professional Investor. Such description explains the nature of the specific type of instrument in question, the operation and performance of the financial instrument under various market conditions, including both positive and negative conditions, and the risks specific to that specific type of instrument, in sufficient detail to enable the Investor to make informed decisions about investing.

The bank is obliged to, when providing information about the financial instrument:

- which is the subject of a public offer that is in progress and for which a prospectus has been issued - inform the Small Investor and potential Small Investor about the way in which the prospectus is available in a timely manner before providing investment or auxiliary services to Clients or potential Clients;

- which includes a third-party guarantee or capital protection - provide the Client or potential Client with sufficient information about the area of application and the type of such guarantee or capital protection. When the guarantee is provided by a third party, the guarantee information must include sufficient information about the guarantor and the guarantee to enable the Client or potential Client to make an objective assessment of the guarantee:
- consisting of two or more different instruments or services - provide the Client or potential Client with an adequate description of the legal nature of the financial instrument, the individual components of such an instrument and how the mutual influence of the components affects investment risks.

Upon executing an order for the Client's account, which does not include portfolio management, the Bank acts as follows in connection with such order:

- provide the Client without delay on the Permanent Data Carrier essential information regarding the execution of that order;
- as soon as possible, they deliver to the Client a notification confirming the execution of the order on a permanent data carrier, and no later than the first working day following the execution, or if the Bank receives a confirmation from a third party, no later than the first working day after receiving the confirmation from a third party.

The previous paragraph, item 2 does not apply if the confirmation contains the same information as the confirmation that is delivered to the Client by another person without delay. The previous paragraph, items 1 and 2 do not apply in the case when the orders executed on behalf of the clients refer to bonds that finance mortgage loan contracts with the aforementioned Clients, in which case the transaction report is submitted simultaneously with the terms of the mortgage loan, but no later than one month from the execution of the order.

In compliance with the obligations referred to in paragraph 5 of this chapter, the Bank provides the Client with information on the status of its order upon request.

In the case of the Client's orders related to shares or shares in the entity for joint ventures, which are executed periodically, the Bank undertakes measures from paragraph 5, item 2 of this chapter or provides the Client at least once in six months with information related to the obligations of reporting transactions.

When the Bank holds financial instruments or funds of Clients, it shall deliver to each such individual Client, at least on a quarterly basis, reports on a permanent data carrier on said financial instruments or funds, unless that report is submitted in another periodic report.

The previous paragraph of this chapter does not apply to the Bank in relation to the deposits it holds.

## 5. Brief description of the conflict of interest management policy

Conflict of interest management in the field of investment services was regulated by the Bank, in accordance with its legal obligations, with an internal act that governs the policy of conflict of interest management in the provision of investment services (hereinafter referred to as the Policy).

The policy prescribes the basic principles and measures that the Bank and relevant persons are obliged to undertake in order to prevent conflicts of interest, the existence of which in the provision of investment services may harm the interests of clients, that is, the interests of the Bank.

The main objectives of the Policy are:

- establishment of high standards of business conduct relevant persons and business transparency;
- identifying potential and/or existing conflicts interests that may arise during the provision of investment services;
- determination of preventive measures and prevention procedures or elimination of conflicts of interest;
- regulating the process of resolving conflicts of interest in situations in which the application of preventive measures is not effective.

The policy establishes that a conflict of interest is any situation in which the Bank or relevant persons are not neutral and objective in relation to the subject of business, that is, using their specific position when providing and performing investment services, they have professional and/or personal interests that are not in accordance with the interests of the Investor, which may affect impartiality in the provision and performance of services and activities and harm the interests of clients. In such situations, the Bank is obliged to take care not to harm the interests of clients.

A conflict of interest may arise between:

- Banks, relevant persons or persons closely related thereto, on the one hand, and Investor's interests on the other hand;
- mutual interests of the Bank's clients.

The Bank will consider that a conflict of interest exists in situations where the Bank, relevant persons or persons closely related thereto, due to the provision of services or for other reasons:

- can make a financial gain or avoid financial loss to the detriment of the Investor;
- have an interest or benefit from the results of services provided to the Investor or transactions performed on behalf of the Investor, which differ from the interests of the Investor;



- have a financial or other motive that corresponds to the interests of another Investor or a group of clients to the detriment of the interests of the Investor;
- perform the same activity as the Investor.

Typical situations that are deemed conflict of interest are, for example, the situations in which:

- The Bank trades in the name and for the account of the Bank in certain financial instruments, and at the same time has insider information regarding the financial instruments in question;
- The bank participates in the public offering of securities as the emission underwriter since it has an interest in the sale of the financial instruments in question.

In order to ensure transparent and effective prevention and management of situations that may result in potential conflicts of interest, the Bank will ensure the following:

- organizational and logistical separation, namely:
  - that organizational parts of the Bank that provide investment services do so independently of other organizational parts;
  - that trading activities in financial instruments take place separately from sales activities;
- independence and continuous strengthening of the internal control system and taking measures to identify and prevent conflicts of interest;
- effective control of the exchange of information between relevant persons who are involved in business that carries the risk of a conflict of interest, if the exchange of information may harm one or more clients;
- keeping records of personal transactions of relevant persons;
- equal protection of the interests of all clients, in accordance with good business practices and the principle of equal treatment of clients from the same category (Small or Professional investors), so as to avoid the abuse of clients' inexperience and ignorance of business practices in order to obtain benefits for other persons, especially by applying the following measures:
  - by granting the discretionary right to the immediate manager of the relevant entity to exclude that person from the execution of the transaction where there is a (potential) conflict of interest;
  - by implementing organizational measures that prevent and limit the inappropriate influence of any person on the relevant entity in connection with the provision of investment services and business with financial instruments;
  - by establishing a system of monitoring and recording of transactions performed with financial instruments in situations where a conflict of interest has been established;
  - keeping records on measures taken to prevent conflicts of interest;
  - periodic assessment of adequacy and improvement of the system of internal controls regarding conflicts of interest.

As a measure to detect conflicts of interest, the obligation of each relevant person to immediately inform their immediate manager of a situation that may represent a conflict of interest is defined.

Upon request, the Bank provides the Investor with more detailed information on the conflict of interest management policy on a permanent data carrier or via the website (if it is not a permanent data carrier).

## III. Financial instruments

### 3.1 Financial instruments

Financial instruments imply:

- transferable securities (e.g. shares, bonds);
- money market instruments (e.g. treasury, commercial paper, certificate of deposit, except for payment instruments);
- units of collective investment institutions (e.g. investment units in open investment funds);
- derived financial instruments (financial derivatives, e.g. options, futures, commodity derivatives, credit derivatives).

Investing in financial instruments is inextricably linked to the assumption of certain risks. In general, the risk of investing in the capital market is the probability or possibility that the return on the investment will be unsatisfactory or negative. These are the circumstances that the Investor must pay attention to when deciding on the sale or purchase of financial instruments. In accordance with the provisions of the Law, it cannot be assumed that a Small Investor, unlike a Professional one, has the knowledge and experience necessary to assess the risks related to those investment services, transactions or financial instruments for which one is classified as a Small Investor.

The general risks of investing in financial instruments are as follows:

- state risk;
- issuer risk;
- financial instrument risk.

State risk comes from the rating and position of the state in international circles and includes the following risks:

- sovereignty risk – the risk of the lack of ability and/or will to repay the state's due debt;

- political risk – the risk of unexpected political changes or instability in the country;
- economic or conjunctural risk – the risk of losing the value of a financial instrument due to a global, regional or local recession;
- foreign exchange risk – the risk of exchange rate changes, which may affect income from investments in foreign currency;
- inflation risk – the risk of a fall in the value of a financial instrument due to an increase in the general price level (inflation);
- the risk of changes in legal/tax regulations – the risk of a significant change in legal and/or tax regulations and/or the business framework in a way that negatively affects the profitability of investments in financial instruments and the position of investors;
- capital transfer risk - the risk of a ban on the transfer of capital beyond state borders.

Issuer risk is caused by factors directly related to a specific legal entity that issues financial instruments and includes the following risks:

- credit risk – the risk of a decline or complete loss of the value of a financial instrument due to the deterioration of the creditworthiness, credit rating or bankruptcy of the issuer;
- liquidity risk - the risk that the business entity is unable to settle its due obligations with its current funds;
- solvency risk - the risk that the business entity will not settle its obligations in the amount and due date, the risk of the long-term solvency of the business entity. In contrast to liquidity, solvency shows whether a business entity can settle all its obligations, even from liquidation assets; Solvency analysis is focused on the long-term financial stability of the business entity;
- industry risk – the risk of a significant negative change in the issuer's business framework in terms of competition, technology, standards, etc.;
- management risk – the risk of an ineffective and destructive management structure of the issuer that negatively affects its success;
- operational risk – the risk of loss arising from inadequate or incorrect business processes of the business entity, human omissions or errors and internal systems in the performance of business activities as well as external events. It includes the risk of failure of information systems, the risk of interruption of communication links between service providers (e.g. banks), the Central Registry and/or the stock exchange, natural disasters, fraud, etc.;
- the risk of non-payment of dividends – the risk that the joint-stock company will not pay the dividend, which depends on the decision of the shareholders' assembly and on the operations of the joint-stock company;
- risk of the other contractual party – the risk of one contractual party (Investor) that the other contractual party (issuer) will not be able to fulfill its contractual obligations (for example, that bankruptcy has been opened against it – bankruptcy risk).

The risk of a financial instrument is caused by the characteristics of an individual financial instrument and includes the following risks:

- liquidity risk – the risk of the impossibility of quickly selling a financial instrument on the secondary capital market without a significant loss of value due to reduced demand or market inefficiency;
- market risk (volatility risk) – the risk of a fall in the value of a financial instrument due to the usual periodic price movements on the market;
- the risk of market psychology – the risk of a change in the value of a financial instrument due to the speculative activities of large investors, that is, large transactions on the capital market;
- the risk of interest rate changes - the risk of a decrease in the value of a financial instrument due to a change in the ratio of interest rates on the market in relation to the interest rate/yield on the instrument in question;
- "timing" risk - the risk of missing favorable movements in the price of a financial instrument due to the wrong selection of the moment for buying or selling a financial instrument;
- reinvestment risk - the risk that future monetary income from a particular financial instrument will be invested at a lower yield or a lower interest rate than the one carried by the financial instrument itself;
- financial leverage risk – the risk of financing the purchase of financial instruments through loans. An investment in which the source of funds for investment is obtained through borrowing contains an increased risk of losses. Namely, the profitability of the investment itself does not affect the obligation to repay the debt, while the costs of such financing affect the investment in such a way as to reduce the realized yield.

### 3.2 Transferable securities

Transferable securities are all types of securities that can be traded on the capital market, with the exception of payment instruments, and include in particular:

- company shares or other securities equivalent to company shares, representing participation in the capital or voting rights of that legal entity, as well as deposit certificates related to shares;
- bonds and other forms of securitized debt, including deposit certificates related to the listed securities;
- another security that gives the right to acquire and sell such a transferable security or on the basis of which payment can be made in money, the amount of which is determined based on the transferable security, currency, interest rate, yield, commodity, index or other determinable values.

### 3.2.1 Shares and investment risks

Shares represent proprietary securities, the purchase (possession) of which acquires ownership of part of the capital of the joint stock company. According to the content of the rights they give, shares can be:

- Ordinary shares, which give the holder the following rights:
  - The right to vote at the shareholders' meeting,
  - The right to dividend payment (part of the company's profit),
  - The right to payment of part of the rest of the liquidation, i.e. bankruptcy, assets of the company,
  - The preemptive right to acquire ordinary shares and other financial instruments exchangeable for ordinary shares, from new emissions,
  - Other rights in accordance with the law and statute.
- Preferential shares, which give the holder one or more preferential rights determined by the statute and the decision on issuance, such as:
  - the right to a dividend in a pre-determined monetary amount or as a percentage of its nominal value, which is paid as a priority in relation to holders of ordinary shares,
  - the right to have the unpaid guaranteed dividend, in the year when no profit was made, cumulated and paid from the profit made in the following years, before the payment of dividends to holders of ordinary shares (cumulative preferred share),
  - the right to participate, in addition to the preferential dividend, in the dividend belonging to the holders of ordinary shares, in the same way as the holders of ordinary shares (participatory preferred share),
  - the right of priority to collection from the liquidation balance or bankruptcy estate in relation to holders of ordinary shares,
  - the right to convert those shares into ordinary shares or into another class of preferred shares (exchangeable preferred shares),
  - the right to sell those shares to the joint stock company at a predetermined price or under other conditions.

The degree of risk when investing in shares depends on the rights that the shares give to the holder, on the quality (creditworthiness) of the issuer, but also on the general state of the capital market.

Apart from the general risks mentioned above, the risks specifically related to shares are as follows:

- Credit risk - in case of bankruptcy or liquidation of a joint-stock company, the owners of ordinary shares are in the last place in the distribution of the remaining assets (after all other creditors have been settled from the bankruptcy/liquidation estate). Consequently, the value of the shares of the subject joint stock company may decrease significantly or the shares may lose value which may result in a complete loss of investment for the investor;

- Market risk - the price of a share (its market value) which is formed on the stock exchange (regulated market) depending on supply and demand can fluctuate significantly, especially in the short term, since the stated price can be affected by a number of domestic and international factors such as, for example, the results of the joint-stock company's operations, expectations related to future operations, as well as general economic and/or political conditions;
- Liquidity risk - as a rule, shares are traded on organized markets (stock exchanges), and their price is formed on the basis of supply and demand. If the supply or demand for a certain share significantly decreases or disappears completely (this usually happens during market disturbances, crises, etc.), the marketability of that share (possibility of sale) also decreases, and in extreme cases it can become completely unmarketable;
- Dividend non-payment risk - the risk that the joint-stock company will not pay the dividend, depending on the decision of the shareholders' meeting and the company's operations.

### 3.2.2 Bonds and investment risks

Bonds are debt securities issued by states, local governments, banks and companies to finance their needs. These securities are generally issued in the long term, which means that, unlike shares, they have a maturity date and bring the investor a fixed return in the form of the agreed interest. In other words, by buying a bond, the investor lends money to the issuer for a certain period, expecting in return a regular (monthly, quarterly, half-yearly or annual) inflow of interest, as well as the return of the invested money (principal) at the end of the maturity period.

Bonds can be divided according to various criteria, including:

- By maturity:
  - Short-term (with maturity up to one year);
  - Long-term (with a maturity of more than one year).
- According to the issuer:
  - State - the issuer is the state;
  - Municipal - the issuer is a local self-government body (e.g. municipality);
  - Corporate - the issuer is a company.
- According to yield:
  - Fixed interest bonds;
  - Bonds with variable interest.
- According to the currency:
  - Bonds in local currency;
  - Bonds in foreign currency;

- According to the method of exercising the right to interest:
  - Bonds without coupon payments;
  - With interest payable in interest periods (bonds with coupons).
- According to the method of exercising the right to return the principal:
  - Bonds with a single principal maturity;
  - Bonds with the obligation to repay the principal in installments (annuities).

Bonds can contain special rights, such as participatory bonds, which give the holder the right to part of the dividend in addition to interest, or convertible bonds which give the holder the right to convert them into shares or the right to preemptive purchase of the company's shares. Bonds are usually traded on organized markets, but also directly among individual market participants (so-called OTC trading).

Some of the most common types of risk to consider when considering investing in bonds are as follows:

- Credit risk – the possibility that the issuer of the bond will not be able to settle its due obligations on the basis of the issued bond  
This risk occurs in case of insolvency or bankruptcy of the issuer. Therefore, it is up to the investor to assess the creditworthiness of the issuer and to adjust its yield expectations accordingly. In general, the worse the creditworthiness of the issuer, the higher the required yield and vice versa. Therefore, the bonds with the highest credit rating, and thus the highest security (and the lowest yield), are usually government bonds, then municipal bonds, and finally corporate bonds. This type of risk is usually overcome by buying bonds with a higher rating or by buying bonds from different issuers.
- Change in interest rate risk - the probability of a change in the interest rate on the market in relation to the interest rate on the bond. Changes in interest rates on the market are inversely proportional to changes in the bond price. Thus, if the interest rate on the market rises more than the interest rate on the bond, the price of the bond will fall and vice versa. The more and longer the bond interest rate deviates from the market interest rate, the more pronounced the impact on the bond price will be.
- Currency risk – the possibility that the value of bonds denominated in one currency or with a currency clause, and expressed in another currency, will decrease due to a change in the ratio (exchange rate) of those two currencies. For example, the dinar equivalent of investing in bonds in euros with a currency clause will decrease if the EUR/RSD exchange rate decreases (i.e., the dinar appreciates) and vice versa.
- Market risk – the risk of a fall in the market value (price) of the bond (in case of its sale before the maturity date) due to the usual periodic movements of supply and demand on the capital market. The supply and demand, and thus the price of the bond, can be affected by e.g. change in credit rating (creditworthiness) of the issuer, changes in interest rates, probability of early bond redemption by the issuer, etc.

- Liquidity risk - the probability that the investor will be able to sell the bond quickly and/or without major losses in value. The liquidity of bonds depends on the total amount of the issue, the remaining time until maturity, the variety and number of bond holders, general market conditions, etc. Given that supply and demand determine liquidity, there is no guarantee that the investor will be able to sell the bond at the desired price at the desired time (or at all, in case of its complete unmarketability).

### 3.3 Money market instruments and investment risks

Money market instruments are financial instruments that are usually traded on the money market. Money market instruments include:

- Treasury bills - financial instruments issued by the Ministry of Finance of the Republic of Serbia. The Ministry of Finance of the Republic of Serbia publishes a public invitation to all interested investors, which states the relevant characteristics of the bond emission, such as scope of emission, auction date, maturity date and details related to the auction sale procedure itself. Only authorized participants who are also members of the Central Registry (banks and broker-dealer companies) can participate in the auction.
- Treasury bills – transferable short-term financial instruments issued by state treasuries (ministries of finance), state agencies and central banks. In the Republic of Serbia, they are issued by the National Bank of Serbia. The main characteristics of these instruments are moderate income and low risk.
- Commercial notes - transferable short-term financial instruments issued by companies, in order to ensure liquidity in conditions of seasonal unevenness in the inflow and outflow of funds, for the purpose of financing the company's operations and the like. They belong to instruments that are usually not guaranteed or secured by an asset. They are issued by companies with different credit ratings, so they represent a more uncertain instrument than treasury and treasury bills.
- Certificates of deposit - transferable financial instruments issued by banks with the aim of obtaining short-term funds.

The risks that need to be taken into account when investing in a money market instrument are as follows:

- Credit risk – the possibility that the issuer of a money market instrument will not be able to meet its due obligations arising from the instrument. The probability of the aforementioned is greater, the worse the issuer's credit rating or solvency. The higher the credit risk, the higher the risk premium should be, and thus the return that the investor expects on the financial instrument.



- Liquidity risk - as a rule, there are no organized secondary markets for money market instruments, so they are usually held until maturity. If the investor wants to sell such an instrument, there is no guarantee that it will be done quickly and without significant loss of value.
- Currency risk – the possibility that the value of bonds denominated in one currency or with a currency clause, and expressed in another currency, will decrease due to a change in the ratio (exchange rate) of those two currencies. For example, the dinar equivalent of investing in bonds in euros with a currency clause will decrease if the EUR/RSD exchange rate decreases (i.e., the dinar appreciates) and vice versa.

### 3.4 Derivative financial instruments

Financial derivatives are financial instruments whose value is based on the value of another *underlying* instrument. A wide variety of financial and non-financial instruments and sizes can be used as reference instruments: securities, currencies, stock market indices, commodities, interest rates, other derivative financial instruments. Derived financial instruments (financial derivatives) include:

- options, futures, swaps, interest forwards and other derivative financial instruments related to securities, currencies, interest rates, yield, as well as other derivative financial instruments, financial indices or financial measures that can be settled physically or in money;
- options, futures, swaps, interest rate forwards and other derivative financial instruments related to goods and which must be settled in money or can be settled in money at the option of one of the contracting parties, and for reasons not related to default or termination contracts;
- options, futures, swaps and other derivative financial instruments that relate to goods and can be physically settled, provided that they are traded on a regulated market, that is, a multilateral trading platform (MTF) or OTF, except for wholesale energy products that are traded on OTF- in and which must be physically settled;
- options, futures, swaps, forwards and other derivative financial instruments that refer to goods and can be settled physically, and are not covered by the previous paragraph, that do not have a commercial purpose, and that have the characteristics of derivative financial instruments;
- derivative financial instruments for the transfer of credit risk;
- financial contracts for differences;

- options, futures, swaps, interest rate forwards and other derivative financial instruments relating to climate variables, transport costs, inflation rates, emission quotas or other official, economic and statistical data, which are settled in money or can be settled in money by the choice of one of the contracting parties for reasons not related to non-fulfillment of obligations or termination of the contract, as well as other derivative financial instruments related to property, rights, obligations, indexes and measures that are not specified in this point, and which have the characteristics of other derivative financial instruments, taking into account, among other things, whether they are traded on a regulated market, OTF or MTF;
- commodity derivatives are derived financial instruments related to commodities, which are settled in money, except for physical ones, if they are traded on a regulated market, i.e. MTF;
- credit default swap is a type of credit derivative by which the credit protection provider undertakes to compensate the user of that protection for a loss in the event of the debtor's default or some other agreed credit event, for which the credit protection user pays the appropriate fee. Risks of investing in derivative financial instruments.

Investors in financial derivatives, in addition to the general risks of investing in financial instruments, are particularly exposed to the following risks:

- Position risk (type of market risk) – the risk of loss due to a change in the price (increase or decrease) of a derivative or reference financial instrument, i.e. from a change in the price of the relevant variable (interest rate, index, etc.) and the following are distinguished:
  - General positional risk – the risk of loss based on a change in the price of a financial instrument due to a change in interest rates or other conditions on the capital market independent of any specific characteristic of the derivative or reference financial instrument,
  - Specific positional risk – the risk of loss based on a change in the price of a financial instrument due to facts related to its issuer, that is, the issuer of the reference financial instrument, if it is the basis of the derivative financial instrument;
- Risk of the other contracting party - the risk of loss due to non-fulfillment of the obligation of the other contracting party, especially bearing in mind that trading in financial derivatives often takes place directly between market participants (OTC trading);
- Credit risk – the risk of loss due to non-fulfillment of a financial obligation if the other party is not sufficiently financially stable;
- Foreign exchange risk – the risk of loss resulting from a decline in the value of a financial instrument due to a change in the exchange rate;
- Commodity risk – the risk of loss due to a change in the price of the commodity underlying the derivative financial instrument;

- Liquidity risk - the risk of loss due to the impossibility to sell the derivative financial instrument quickly and without major loss of value, which is particularly pronounced in derivatives that are not standardized (eg forward contracts) and whose trading does not take place on an organized market.

The Bank informs Clients and potential Clients about the places of execution for certain financial instruments, including all costs and factors (Appendix 1 of the Order Execution and Assignment Execution Policy) and publishes information related to client orders on an annual basis in accordance with Article 14 of the Operating Rules.

#### **IV. Volatility of the price of financial instruments**

Volatility is the degree of variation of a series of trading prices over time, usually measured by the standard deviation of the logarithmic returns. Historical volatility measures the time series of past market prices.

A financial instrument is considered to have a higher level of volatility when its value changes significantly in a short period of time.

The prices of some financial instruments are more volatile than others.

#### **V. Financial risk and financial leverage**

Financial leverage can be defined in several ways. First of all, it is defined as the ratio of debt and own resources. Then, as the relative ratio of the market value of net debt and the market value of total capital and as the relative ratio of effective interest expenses and operating profit that the company achieves by engaging and using total business assets. In this way, financial leverage is defined in order to consider the cost of capital and the optimal financial structure of the company.

$$\text{Financial leverage factor} = \frac{Op}{Op - I}, \text{Op} - \text{operating profit}, I - \text{income}$$

## VI Protection of assets of the Bank's clients

The Bank implements adequate systems for the protection of clients' property rights in order to prevent the use of financial instruments of Clients for the account of the Bank or for the account of other Clients, except with the express consent of the Client.

The Bank:

- does not pledge or dispose of financial instruments owned by the Client without its prior written authorization;
- does not enter into agreements on securities financing transactions for financial instruments held for the Client's account or otherwise uses such financial instruments for its own account or for the account of any other person or the Bank's Client, unless the following conditions are met:
  - The Client has given explicit prior consent for the use of instruments under precisely defined conditions, which it confirms with its signature or some other similar mechanism,
  - the use of the Client's financial instruments is limited to precisely defined conditions with which the Client agrees;
- does not enter into agreements on securities financing transactions for financial instruments held for the Client's account in a collective account maintained by a third party or otherwise uses financial instruments in such an account for its own account or for the account of any other person, unless, in addition to the conditions specified in paragraph 2, item 2) line 1 of this chapter, the Bank has established systems and controls that ensure that only financial instruments belonging to Clients who have given express prior consent are used;
- does not execute Client orders in a manner that is not in accordance with the Law and acts of the Commission, i.e. acts of the regulated market;
- does not buy, sell or lend for the Bank's account the same financial instruments that are the subject of the Client's order before acting on the Client's order;
- does not encourage Clients to perform frequent transactions solely for the purpose of charging a commission.

In order to protect the rights of its clients, the Bank:

- keeps records and accounts in a way that allows it to distinguish the funds of one Client from the funds of another Client, as well as from its own funds, at any moment and without delay;
- undertakes appropriate measures to prevent the unauthorized use of financial instruments of Clients for their own account or for the account of any other person;

- precisely and accurately keeps records, accounts and correspondence related to the financial instruments and funds of the Clients in the accounts it maintains in such a way that the records and accounts can be used for audit purposes;
- takes special care of the expertise and market reputation of the third party, as well as all the conditions prescribed by the Law relating to the holding of the mentioned financial instruments, which could have adverse effects on the rights of the Clients;
- regularly carries out reconciliations between its internal accounts and records, as well as the accounts and records of any third parties holding such assets;
- undertakes measures to ensure that all financial instruments deposited with a third party are clearly distinguished from financial instruments belonging to the Bank and from financial instruments belonging to that third party, so that they are kept in separate accounts in the third party's books or based on other identical measures that achieve the same level of protection;
- in the case of issuing orders for trading on foreign markets, the Bank may deposit financial instruments it holds for the account of clients to an account or accounts opened with third parties, and in this case it acts with the care of a good expert when selecting, appointing and in the course of periodic checks of the third party, as well as procedures for holding and safekeeping the said financial instruments;
- will not deposit financial instruments held for the Client's account with a third party in a foreign country, in which the holding and safekeeping of financial instruments for the account of another person are not regulated, unless one of the following conditions is met:
  - the type of financial instruments or investment services associated with said instruments is such that they must be deposited with a third party in a foreign country,
  - when financial instruments are held for the account of a Professional Investor, and that Investor requests in writing from the Bank to deposit them with a third party in a foreign country;
- undertakes the necessary measures to ensure that all financial instruments of the Clients registered in the records of the Central Registry can be distinguished from the Bank's financial instruments;
- undertakes the necessary measures to ensure that all Client funds deposited in the Bank or with a third party are kept in an account or accounts that are different from the accounts used to hold the Bank's funds;
- applies appropriate measures to reduce the risk of loss or reduction of clients' assets, i.e. rights related to those assets, which may arise as a result of misuse of those assets, fraud, mismanagement, inadequate record keeping or negligence;

- does not conclude contracts with Small Investors on the transfer of ownership of financial security in order to secure or cover existing or future, real, potential or expected obligations of the Investor.

The Client's funds (cash and financial instruments) are not owned by the Bank, so they cannot be part of its liquidation or bankruptcy estate or the subject of execution for the purpose of collecting claims against the Bank.

The bank is a member of the Fund for the Protection of Small Investors, which is organized and managed by the Deposit Insurance Agency. The small investor becomes familiar with the protection system through the *Basic information on the small investor protection system form*, which he/she confirms by signing the statement on the form.

All additional information on how to protect the Investor's rights, the work of the Fund, the obligations of Fund members and more, can be found on the website of the Deposit Insurance Agency.

When the Bank holds financial instruments or funds of Clients, it will provide the following information:

- that funds or financial instruments can be held by a third party on behalf of the Bank and the Bank's obligations in connection with the actions or omissions of the third party, as well as the consequences for the Client in case of insolvency of the third party;
- when a third party manages financial instruments in a collective account, as well as a warning about the risks arising therefrom;
- that the Investor's financial instruments held by a third party cannot be distinguished from the own financial instruments of the said third party or investment company, with a warning about the risks arising therefrom;
- notification in the event that accounts containing financial instruments or funds of the Client or potential Client are or will be under the jurisdiction of the legislation of a foreign country, and indicate that the rights of the Client or potential Client in relation to said financial instruments or funds may differ accordingly;
- notification of the existence and conditions of any right of redemption, right of lien or right of set-off that the Bank or the depositary has or could have on the Client's financial instruments or funds;
- before concluding transactions that finance securities, which refer to financial instruments that the investment company holds for the account of the Small Investor or before such financial instruments are used in another way, the Bank in a timely manner, prior to using the said instruments shall, in writing, submit to the Small Investor a clear, complete and accurate data on the Bank's obligations and responsibilities regarding the use of the mentioned financial instruments, including the conditions for their return to the Investor as well as the risks they involve.

Before providing the service, the Bank is obliged to provide the Investor who is considered a Professional Investor with the information prescribed in the previous paragraph, items 5 and 6 of this chapter.

## VII Costs and Fees

The Banks informs its Clients of all of the costs and fees relating to the provided invested and/or auxiliary service.

Data on the costs and fees borne by the Investor are specified in the Rulebook on the Tariff for the provision of investment services of the Bank (hereinafter: Tariff Rulebook) and Annex 1 of the Order Execution and Assignment Policy, which is available to every Client or potential Client in the business premises where the Bank works with Clients, as well as on the Banca Intesa a.d. Beograd website ([www.bancaintesa.rs](http://www.bancaintesa.rs)). The fees not encompassed by the Tariff Rulebook, but which are charged for the provision of services within the scope of activities of the Bank, are governed by the fee tariff of the Bank for natural persons, legal entities and entrepreneurs.

The Client is obliged to pay the Bank a brokerage commission or other fee for the investment services provided by the Bank, according to the Rulebook on the tariff for providing the Bank's investment services, except when otherwise determined by the contract between the Client and the Bank.

When agreeing on the amount of commissions and fees, the type of work, place of execution of the order, other contractual relations between the Client and the Bank, the value of the transaction performed on the order of the Client, the costs to which the Bank is exposed in performing such work and the complexity and scope of the work are taken into account, with the fact that their amount cannot be higher than the maximum rates and/or amounts determined by the Tariff Rulebook.

In the case of purchase and sale of financial instruments for the account of the Client, the amount of the commission is specified in the Agreement and/or on the order form, in accordance with the maximum amount of the commission determined by the basic contract concluded with the Client.

Information on all costs and fees is presented in aggregate so that the Investor can understand the full cost as well as the cumulative effect on the investment return and broken down by item, they are presented in the standardized form of the Certificate of execution of the trading order (ex post) and the Trading Order/contract (ex ante).

When any part of the total costs and fees needs to be paid or when it represents an amount in a foreign currency, the Bank shall provide an indication of such currency as well as the applicable exchange rates for conversion and costs. The Bank also informs the Clients about payment methods or other ways of fulfilling obligations.

For more precise information on costs and fees for investment and additional services, please contact the Bank.

Information for Clients is an integral part of the Operating Rules for the provision of investment services (hereinafter: the Operating rules).

The Bank will publish this Policy in the manner defined in Article 2 of the Operating Rules, and will hand it over to the Client on a permanent data carrier before entering into the contract, i.e. providing the service.

The Bank will notify Clients of all material changes to this Policy and its entry into force in the manner defined in Articles 2 and 85 of the Operating rules.

President of the Board of Directors

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Draginja Đurić