

GENERAL DESCRIPTION OF THE NATURE OF FINANCIAL INSTRUMENTS AND THE RISKS ASSOCIATED WITH INVESTING IN FINANCIAL INSTRUMENTS

I. GENERAL INFORMATION

1. Noble Securities S.A. (“**NS**”) advises Clients that investing funds in financial instruments involves risks specific to each type of instrument, including exposure to market risk.
2. Clients should also be aware of risks connected with:
 - a. inadequate or faulty internal processes,
 - b. technical systems,
 - c. external events,
 - d. the influence of third parties,all of which may result in the incorrect execution or settlement of an order.

Market risk arises from changes in the value of an investment caused by price fluctuations. The price of financial instruments is influenced by a wide range of factors, which may be beyond the control of the issuer and unrelated to its financial performance. Such factors include changes in:

- e. economic conditions,
- f. laws and regulations,
- g. political situation,
- h. taxation frameworks.

Clients should note that investments in financial instruments may result in the loss of part or all of the invested capital and, in some cases, may entail additional costs, particularly when investing in leveraged financial instruments, such as futures contracts, credit-based products, or transactions made using a deferred payment facility.

Financial leverage refers to the ratio between the value of a Client’s assets and their own capital. Leverage arises when the Client’s own funds used to acquire certain assets are lower than the value of those assets. Leverage may be inherent in the structure of a financial instrument (e.g. derivatives) or may arise when an investment is financed with borrowed funds or through deferred payment transactions.

Please note that investing in financial instruments may give rise to tax obligations. The Polish tax system, as well as the interpretation and positions of the tax authorities regarding tax law, are subject to frequent changes. As a result, holders of financial instruments may be exposed to adverse developments, particularly in relation to tax rates, which may negatively affect the return on capital invested in financial instruments.

When deciding to purchase or sell financial instruments, Clients should take into account the inherent investment risk, particularly the risk of financial instrument price movements contrary to their expectations, which may result in failure to achieve the intended profit. Therefore, before making any investment decision, Clients should read this information regarding the risks associated with individual financial instruments, and make investment decisions only after reviewing the documents forming the basis of the offer or acquisition of such financial instruments – for example, prospectuses, information memoranda, offering terms and conditions, as well as issuers’ current and periodic reports and other publicly available materials issued in accordance with applicable regulations.

The information provided below has been prepared with due care and diligence; however, it does not cover all possible types of risk.

II. GENERAL DESCRIPTION OF FINANCIAL INSTRUMENTS AND THE RELATED RISK:

Please note that the positive and negative examples provided do not take into account any costs, fees or taxes incurred by the Client.

1. SHARES

Shares are equity instruments, meaning that the holder of shares becomes a co-owner (shareholder) of the company and, as such, is entitled to certain property and corporate rights.

Property rights include the right to receive dividends and the right to a proportional share of the company's assets in the event of its liquidation. Corporate rights include, in particular, the right to participate in the general meeting of shareholders, the right to information and the right to vote.

Shares traded on organised markets are dematerialised. Share prices can fluctuate significantly, both in the short and long term. A decline in the market value of shares may result in the loss of part of the invested capital, and in extreme cases, such as the bankruptcy of the company, in the total loss of the investment.

Shares are issued without a fixed maturity date, meaning that the rights attached to them do not expire

MOST IMPORTANT RISK FACTORS:

Market risk – arises from the nature of the capital market, where prices are determined by the balance of supply and demand.

Liquidity risk – the risk that securities cannot be sold or purchased within a short period, in significant quantities, without materially affecting market prices. Low trading volumes may also increase price volatility.

Issuer risk – relates to the financial condition and management of the company that issued the shares. The company's financial results and management quality directly affect share prices and their volatility.

Share price fluctuation risk – uncertainty regarding the future direction of share prices, which may result in a loss of invested capital.

Sector risk – relates to the specific economic or business conditions of a given industry, such as unfavourable financial conditions, strong competition or declining demand for products, all of which may deteriorate the issuer's financial situation. The impact may also come from factors that are difficult to measure, such as changes in the behaviour of Clients (or groups of Clients) related to fashions for certain types of investments. This may lead to the overvaluation or undervaluation of share prices.

Currency risk – in the case of shares purchased on foreign markets, the investment is additionally exposed to changes in foreign exchange rates over time, which may lead to investment results differing from those initially expected.

Macroeconomic risk – stems from domestic or global economic conditions that directly or indirectly affect the issuer's financial position. In particular, the market is sensitive to both domestic and global macroeconomic indicators, including interest rates, unemployment levels, economic growth, commodity prices, inflation and the political environment.

In practice, it is impossible to predict the precise impact of this risk on share prices or to eliminate such risk entirely. This should be taken into account when making investment decisions.

Financial market risk – arises from changes in stock indices on other financial markets following the removal of capital flow barriers. The speed of information flow and the global interconnection of capital markets may cause fluctuations in share prices on the local market, even when the issuer's financial position is stable and does not justify such volatility.

Risk of suspension of trading or delisting of shares on the Warsaw Stock Exchange (GPW) – may significantly affect the market valuation and liquidity of financial instruments. This risk results from the applicable legal framework and the Warsaw Stock Exchange regulations.

Financial risk – results from the use of external capital (loans, bonds issued by the company) to finance investment projects. This creates a leverage effect, which becomes unfavourable when the proportion of debt in the company's capital structure is too high. If this is the case, the company is unable to meet its obligations, a situation that has a significant impact on the valuation of its shares.

Mandatory buyout risk – consists in the necessity to sell held shares as a result of a call for sale. This risk arises from the applicable legal provisions and concerns minority shareholders representing no more than 5% of the company's share capital.

Capital loss risk – relates to the possibility of losing the invested capital in situations where there is no guarantee of full or partial protection of the invested capital in financial instruments listed on regulated markets and in alternative trading systems. The acquisition of shares may therefore involve the risk of losing up to 100% of the value of the capital.

When offering shares, the following risks may also occur:

Risk of failing to complete an offering – an offering may be unsuccessful for reasons such as failure to submit valid subscriptions, failure to pay for the offered shares by the subscription closing date as specified in the prospectus, or withdrawal from the offering. Failure of the offering results in the return of paid funds after a certain period, the loss of potential benefits that Clients could have obtained by investing those funds in other instruments available on the financial market, as well as no possibility to claim compensation or reimbursement of costs incurred in connection with the subscription.

Risk of the issuer withdrawing from or suspending an offering – The issuer may withdraw from or suspend an offering at any time up to the moment of the allocation of the offered shares. In the offering document, the issuer specifies the grounds for withdrawing from the offering. Withdrawal may occur either before or after the start of the subscription period for shares. After the subscription period has begun, withdrawal will only be effective for valid reasons specified in the offering document. The offering may be suspended the issuer under the terms set out in the offering document, including without any specification of new offering dates. However, if the offering is

resumed at a later date, the factors underlying the investment decision may have changed. As a result, the value of an investment and return on investment may deteriorate. If this is the case, the Client has the right to avoid the legal effects of the subscription submitted.

Risk of violating legal regulations related to an offering – a violation of legal regulations may result in specific sanctions being imposed on the issuer or on the shareholder selling the shares.

Risk of changes to the offering schedule – The timing of the offering, including the subscription period, may be changed. Such changes may result in the temporary freezing of funds, the loss of potential benefits that Clients might otherwise obtain by investing those funds in other instruments available on the financial market, and the inability to earn returns on funds paid for the offered shares during the offering period.

Risk of the issuer publishing an annex with information that may have a material adverse effect on the assessment of the shares – risk associated with the publication of an annex to the offering document during the period between the public disclosure of the prospectus and the allocation of the offered shares, containing information that may materially and adversely affect the assessment of the issuer's shares.

Risk of a high subscription reduction rate – If the number of validly submitted subscriptions significantly exceeds the number of shares offered, a substantial reduction of subscriptions may occur. The allocation of the offered shares may be made at the discretion of the issuer in agreement with the investment firm or based on the principle of proportional reduction.

Under a discretionary allocation, the issuer, in agreement with the offering entity, may take into account the order in which Clients submitted their declarations or the order in which payments for the offered shares were made.

Applying a reduction results in Clients acquiring a smaller number of shares than expected. The unused funds will be then returned to the Clients. The Investors will not receive any compensation or interest in connection with the reduction of subscriptions or the return of unused funds.

Risk of delay / failure to float shares in the organised market – the risk of changing the planned date or lack of consent to float shares, a situation that may result in reduced liquidity of the existing shares due to the delay in their sale on the organised market. This applies in cases where the Client is unable to sell the issuer's shares within the planned timeframe or at the expected price. If the requirements specified, inter alia, in the Warsaw Stock Exchange Regulations and the relevant laws are not met, shares may also not be admitted to trading on the organised market.

EXAMPLE

Positive conditions:

The market price of shares is PLN 100, and this price will increase by 5%, i.e. by PLN 5; the return on such investment amounts to PLN 5. The originally invested capital increases by the profit resulting from the share price rise.

Negative conditions:

The market price of shares is PLN 100, and this price will fall by 10%, i.e. by PLN 10; the loss on such investment amounts to PLN 10. The maximum possible loss cannot exceed the amount of the originally invested capital.

2. RIGHTS TO SHARES

Share rights (“RTSs”) are securities that entitle the holder to receive newly issued shares. This instrument is used by companies whose shares are already admitted to trading on a regulated market. They arise at the time of the allocation of the new issue shares and expire once the shares are registered in the securities depository. Between the allocation of the new issue shares and their registration by the court, they may be traded on the regulated market. Following the registration of the share capital increase, RTSs are automatically converted into shares. RTSs do not grant their holders the rights associated with owning shares.

MOST IMPORTANT RISK FACTORS:

The risks are distributed analogously to those applicable to shares. In addition, there is:

Risk of refusal or delay in registration of the share capital increase by the court, which is linked to the risk that the issue may not be completed – If registration of the new issue shares is refused, there is a risk that the issue will not take place. In this case, the issuer is obliged to return the funds to the holder of RTSs. In the case of a delay in the registration of the new issue shares, there may be a delay in the conversion of RTSs into shares and a temporary lack of market valuation of RTSs until registration occurs.

Risk of high price volatility – the price of RTSs may be higher or lower than the price of the company’s shares.

EXAMPLE

The market price of shares is PLN 16. The company decided to issue 500,000 shares. The rights to shares were admitted to trading prior to the registration of the new issue, and their market price is PLN 15. At this price, an investor purchases 1,000 rights to shares.

Positive conditions

Following the registration of the new issue and the merger of trading lines (shares and RTSs, which became shares after registration), the market price per share is PLN 17.

Thus, the investor’s profit amounts to PLN 2,000 [(PLN 17 – PLN 15) × 1,000 = PLN 2,000].

Negative conditions

Following the registration of the new issue and the merger of trading lines (shares and RTSs, which became shares after registration), the market price per share is PLN 12.

Thus, the investor’s profit amounts to PLN 3,000 [(PLN 15 – PLN 12) × 1,000 = PLN 3,000].

3. PRE-EMPTIVE RIGHT

According to the law, the existing shareholders of a company have the right of first refusal to subscribe for new shares in proportion to the number of shares they already hold. This is referred to as the pre-emptive right. By exercising this right, shareholders can maintain their existing percentage ownership in the company’s share capital after a new share issue. However, the general meeting of shareholders may decide to exclude the pre-emptive right of existing shareholders to subscribe for the new shares. The value of pre-emptive rights depends directly on the price of the shares to which they relate. Pre-emptive rights may be traded independently on the regulated market. The trading period is strictly defined and usually lasts from several days to several weeks. In practice, on the date

for determining pre-emptive rights, a new instrument – the pre-emptive right – will appear in the investment accounts of all shareholders. Exercising the pre-emptive right consists in submitting a subscription for the new issue shares. If the holder of pre-emptive rights neither subscribes for the new shares nor sells the rights on the exchange, the rights will disappear from the accounts of their holders upon the end of the subscription period for new shares and will cease to provide any benefit to the holder. For Clients who subscribed for new issue shares, rights to shares will appear in place of the pre-emptive rights. Following the registration of the increase in share capital by the court, these will be converted into shares.

MOST IMPORTANT RISK FACTORS:

The same risk as in the case of shares and:

Issue price risk – the issue price may be determined after the date on which pre-emptive rights are granted, making it impossible to estimate their value at the time of acquisition.

Risk of expiry of the pre-emptive right – if a pre-emptive right is not exercised within the prescribed period, it expires, resulting in the complete loss of the funds invested in it.

Price volatility risk – there is a risk of significant fluctuations in the price of the financial instrument.

EXAMPLE

A company's share capital of PLN 4,000,000 is divided into 4,000,000 shares. The market price of a share is PLN 22. The company decided to issue 800,000 shares. Five pre-emptive rights are required to subscribe for one new share. The issue price is set at PLN 10. The theoretical value of one pre-emptive right is PLN 2:

$$(\text{PLN } 22 - \text{PLN } 10) / (5 \text{ pre-emptive rights} + 1) = \text{PLN } 2$$

This theoretical value is calculated by determining the difference between the market price of the company's shares and the issue price of the new shares, and then dividing this amount by the number of pre-emptive rights required for one new share, increased by one.

If the Client holds 150 shares, 150 pre-emptive rights will appear in their investment account. They will be entitled to subscribe for 30 new shares ($150 \div 5 = 30$) at an issue price of PLN 10 per share, paying a total of PLN 300 [30 shares \times PLN 10 (issue price) = PLN 300].

Positive conditions

By exercising the pre-emptive rights, the investor acquires 30 rights to shares. After the court registers the share capital increase by a new issue of shares, these rights are converted into shares, giving the Investor ownership of 180 shares in total, i.e. 150 existing shares and 30 new shares acquired through the pre-emptive rights. When the market price of shares after the registration of the increase in the share capital by the court and the exercise of the pre-emptive right is higher than the issue price of the new share (related to the pre-emptive right), the Investor discloses a profit.

Negative conditions

An investor who neither exercises their 150 pre-emptive rights nor sells them (despite having no intention of exercising them) will lose PLN 300 (the value of the pre-emptive rights).

4. BONDS

Bonds are debt securities. They may be issued by joint-stock companies, limited liability companies or limited joint-stock partnerships (corporate bonds) for the purpose of raising funds to finance their investments. Other potential issuers include:

- a. the State Treasury (government bonds),
- b. local government units such as municipalities, counties, provinces or associations thereof, as well as regional or local authorities of other EU member states (municipal bonds),
- c. other entities authorised by law to issue bonds (e.g. bonds guaranteed or underwritten by the State Treasury),
- d. financial institutions of which Poland or the National Bank of Poland is a member, or institutions in OECD member states, central banks of such states or institutions with which the Republic of Poland has concluded agreements regulating the activity of such institutions in the Republic of Poland and containing relevant provisions concerning the issue of bonds.

Bonds are issued for a fixed term (except for perpetual bonds). The bond term (also called the maturity period) should correspond to the time required by the issuer to obtain sufficient funds to repay the bond debt, including interest. In practice, bonds are typically issued for periods ranging from one to seven years.

BENEFITS FROM BONDS

When redeeming bonds, the issuer repays the debt owed to the purchaser of the bond (the bondholder). In addition, bondholders may receive remuneration for allowing the issuer to use their capital – in the form of bond interest payments. Interest on bonds is usually paid every 3 or 6 months. Their frequency and amount are determined by the issuer in the terms of the bond issue. The interest rate on a bond primarily reflects the level of risk associated with investing in that bond. The benchmark for such comparisons is the interest rate on Treasury bonds, which are considered to have a theoretically low investment risk. The difference between the yield on a given bond and that on government bonds is referred to as the risk premium. The higher the interest rate, the greater the implied risk of the investment. Interest rates are also determined by comparing similar issuers (those with a comparable business profile, scale of operations and financial performance).

Bonds may also include non-financial considerations, e.g. the right to convert bonds into shares in the issuing company (convertible bonds) and the pre-emptive right to take up shares in the issuing company in the future (bonds with pre-emptive rights).

CLASSIFICATION OF BONDS

Bonds may be classified according to various criteria, including the type of issuer, the term to maturity and the interest rate.

Issuer criterion:

- Treasury bonds – issued by the State Treasury;
- corporate bonds – issued by enterprises (e.g. banks, developers, debt collection companies, food producers, etc.);
- municipal bonds – issued by local government units (communes, districts, provinces, as well as their unions);
- Bonds issued under special legislation (for example, under the Act of 31 March 2020 Amending the Act on Special Solutions Related to the Prevention, Counteraction and Combating of COVID-19 and Other Infectious Diseases

and Crisis Situations Caused by Them, and Certain Other Acts, and the Act of 27 October 1994 on Toll Motorways and the National Road Fund).

Duration criterion:

- short-term – issued for a period not longer than 12 months;
- medium-term – issued for a period not shorter than 12 months and not longer than 5 years;
- long-term – issued for a period longer than 5 years.

Interest rate criterion:

- fixed rate – the interest rate does not change over the entire period until the bonds are redeemed;
- floating-rate – the interest rate may change in each interest period (e.g. WIBOR 3M + 300 bps, where
 - “WIBOR” means a reference interest rate for loans on the Polish interbank market at which banks are ready to lend money to other banks; it is variable over time; depending on the period for which the loan is granted, there are different WIBOR rates, e.g. “3M” means a loan for 3 months, “6M” means a loan for 6 months;
 - “300 bps” means 300 basis points, representing 3%.

Thus, if the rate is expressed as WIBOR 3M + 300 bps and “WIBOR 3M” currently equals 1.73%, the bond’s interest rate is 4.73% (1.73% + 3% = 4.73%).;

- zero coupon – issued at the issue price lower than the nominal value and whose terms of issue do not provide for the payment of interest.

BOND PRICES

There are different price types for bonds. The nominal price is the value on the basis of which interest is charged. It is also the price at which the issuer redeems the bonds. The issue price is the price at which the Investor acquires bonds from the issuer. Depending on the issuer’s assessment of the issue’s success, this price may be higher or lower than the nominal value.

Market price – the market rate of bonds; it is expressed as a percentage of the nominal value of bonds and does not include interest.

Settlement price – the market price multiplied by the nominal value of the bond and increased by the accrued interest up to the transaction date.

TRADING IN BONDS

Bonds can be purchased:

- 1) on the primary market – i.e. during the bond issue. Acquisition of bonds on the primary market is possible directly from their issuer or through an investment firm managing the issue of bonds (e.g. a brokerage house);
- 2) in the secondary market – i.e. after their issue. The acquisition of bonds on the secondary market takes place directly from the current owner or is made via an investment firm.

If bonds are admitted to organised trading (the regulated market of the Warsaw Stock Exchange or the Catalyst market), they are typically purchased through transactions executed on that market. To execute such a transaction, the purchaser should contact the brokerage house maintaining their securities account (brokerage account) and submit a purchase order. It is also possible to acquire such bonds outside organised trading, by way of a transaction concluded directly with their current owner or via an investment firm.

When purchasing bonds both the primary and secondary markets, the buyer must hold a brokerage account where the acquired bonds will be recorded.

Bonds may be sold prior to their redemption date:

- 1) to be traded are recorded and place an order to sell those securities accordingly; through an exchange transaction conducted on an organised market (e.g. the regulated GPW market or Catalyst) – provided the bonds are admitted to trading; if this is the case, the seller should contact the brokerage house maintaining their securities in which the bonds to be traded are recorded and place an order to sell those securities accordingly;
- 2) through an over-the-counter (OTC) transaction – this applies to both bonds admitted to organised trading and those that are not admitted to such trading; in this case, the bondholder should find a buyer independently or through an intermediary (e.g. a brokerage house).

The liquidity of bonds, understood as the ease with which they can be sold, depends on several factors, including the type of bond, the size of the issue, the time remaining to maturity, and whether the bonds have been admitted to or introduced into organised trading. The listing of bonds in organised trading generally enhances their tradability; however, situations may arise in which such tradability becomes restricted; for example, as a result of the suspension of trading in the bonds or their delisting from the market on which they are traded. Such circumstances may hinder or even prevent the sale of the bonds altogether. The investor should be aware that they may not be able to sell bonds at any chosen time, in the quantity intended, or at a satisfactory price. The investor must also take into account the possibility of being entirely unable to exit the investment before the bond's maturity date, or the risk of having to sell the bonds at the expected time for a price significantly below their fair value.

It should be noted that if bonds are sold before maturity, the sale price obtained by the bondholder may differ from the amount originally invested; in particular, it may be lower (resulting in a loss on the investment for the).

In certain circumstances, trading in bonds is subject to legal restrictions.

Any transfer of bonds made in breach of such restrictions is unlawful and therefore invalid. If the issuer fails to redeem the bonds on time, or redeems them only in part, the rights arising from those bonds may again be transferred after the redemption date. However, such rights may not be transferred to a retail client, in accordance with the Act of 29 July 2005 on Trading in Financial Instruments. Persons entitled to receive monetary payments due to delayed bond redemption are determined based on the account balances on the second business day following the date on which the funds were credited to the entity operating the securities depository, in accordance with Article 8(4-6) of the Act of 15 January 2015 on Bonds ("Act on Bonds").

Another important restriction on bond trading is the prohibition on the acquisition of bonds by retail clients who are natural persons if the nominal value of the bond is less than EUR 40,000 (or the equivalent amount in Polish zloty or another currency, calculated using the average exchange rate published by the National Bank of Poland on the date on which the issuer decided to issue the bonds).

Acquiring bonds in breach of this restriction constitutes a violation of the Act on Bonds and renders such acquisition invalid. This restriction, however, does not apply to bonds that are admitted to trading on a regulated market, introduced to an alternative trading system, or that are the subject of an application for such admission or introduction, pursuant to Article 8a(1-2) of the Act on Bonds.

The issuer may repurchase its own bonds solely for redemption. The issuer may not, however, repurchase its own bonds (even for redemption) if the deadline for fulfilling all obligations under the bonds, as specified in the terms of issue, has passed, or if the issuer is in default on such obligations, in accordance with Article 76(1-3) of the Act on Bonds.

RISK RELATED TO INVESTING IN BONDS

Investing in bonds involves exposure to various types of risk. A detailed description of the risk factors is typically included in the bond acquisition proposal document or in the prospectus.

Corporate bonds are not guaranteed by the State Treasury, the Bank Guarantee Fund (“BGF”) or any other deposit guarantee scheme. In the event that the issuer of corporate bonds becomes insolvent or other risk factors materialise, the bondholder may lose part or all of the funds invested.

To enhance the security of funds invested in corporate bonds, the issuer may establish a collateral securing the bond obligations. Such a collateral may include, but is not limited to the following:

- a mortgage;
- a pledge on rights (e.g. on shares in a limited liability company, securities, trademarks);
- a pledge on movables (e.g. means of transport, machinery and equipment).

Details of any collateral securing corporate bonds, if such collateral has been established, are specified in the terms of issue. Under current law, establishing collateral for corporate bond obligations is not mandatory. The decision in this respect lies solely with the issuer.

For unsecured corporate bonds, investors should be aware that any claims arising from such bonds may generally be enforced only against the issuer’s assets, which may prove insufficient to satisfy such claims.

Treasury bonds, i.e. those guaranteed by the State, are considered lower-risk instruments than corporate bonds.

The principal risk factors associated with investing in bonds are presented below.

Bond price fluctuation risk – uncertainty regarding the future direction of bond prices in the future. This risk may result in the partial or total loss of invested capital. In the case of government bonds, price risk may depend, among other factors, on the condition of the state budget and on the overall assessment of the country’s financial standing by foreign investors (investment rating).

Liquidity risk – it involves the impossibility of buying or selling an instrument without significant influence on its price.

Risk of volatility – the market rate in the short term may be subject to significant variation, causing significant fluctuations of the value of the invested capital.

Risk of suspension or delisting of bonds – Investment risk may also increase in the event of a possible suspension of bond trading, or if the bonds are withdrawn or delisted from a regulated market. Such a situation may materially affect the market valuation of financial instruments. This risk arises from the current legal framework.

Risks related to the macroeconomic and international situation, specific legal and fiscal situation and the possibility of their changes This risk extends to trends in other segments of the financial market (such as currency fluctuations or changes in interest rates).

In practice, it is impossible to accurately predict or eliminate the effect of these risks on bond prices, which should be taken into account when making investment decisions.

Mismanagement risk - This risk relates to investments in corporate bonds and arises when the company issuing the bonds is poorly managed, which can negatively affect the value of the bonds it has issued.

Financial risk – This risk results from the issuer’s use of borrowed capital to finance investment projects. A leverage effect occurs then with an adverse effect if the proportion of foreign capital in the company's capital is too high and the company is unable to comply with the terms and conditions of its obligations. This affects the valuation of bonds issued.

Interest rate risk – This risk arises from the possibility of bond price changes following movements in market interest rates. Bond prices move inversely to interest rate changes.

Risk of insolvency or bankruptcy of the issuer – If the future financial condition of a corporate bond issuer becomes uncertain, the risk of bankruptcy must be considered. This may result in the investor losing part or all of the funds invested. In the case of government bonds, the risk of issuer insolvency (the issuer being the State Treasury) is very low, as it would require a sovereign default, a situation in which the state loses liquidity or temporarily becomes insolvent, potentially resulting in the suspension by the State Treasury of debt repayments, including government bonds.

Risk of delayed interest or redemption payments – This risk arises when a corporate bond issuer’s financial condition deteriorates or when it fails to meet its obligations on time. For government bonds, this risk is low.

Reinvestment risk – no possibility of reinvesting interest revenues at the expected rate of return.

Issuer early redemption risk – This risk is associated with investing in corporate bonds and arises in the case of financial instruments that include an early redemption option exercisable by the issuer. It means that future cash flows until maturity cannot be predicted with full certainty. If market interest rates decline, there is a risk that the issuer will exercise the redemption option, thereby exposing the investor to the risk of reinvesting the proceeds at lower interest rates.

Inflation risk / purchasing power risk – This risk arises when the purchasing power of income from an investment changes significantly as a result of fluctuations in the inflation rate.

Foreign exchange risk – concerns bonds denominated in foreign currencies. It stems from uncertainty regarding the value of future cash flows, which depend on the exchange rate applicable at the time of payment.

Bond collateral risk – This risk is associated with investing in corporate bonds and concerns whether such bonds are secured or unsecured, or whether the issuer indicates that the bonds will remain unsecured in the future. For unsecured corporate bonds, there is a risk that the issuer’s assets may not be sufficient to satisfy bondholders’ financial claims. For secured corporate bonds, there is a risk that investors will need to pursue their claims through

enforcement proceedings should the issuer lose financial liquidity. Treasury bonds are unsecured financial instruments.

Risk of the bond Issue not being completed or offering withdrawal – this risk is associated with investing in corporate bonds, as the issuance of corporate bonds may fail to be completed for reasons described in the offering document. The issuer may also decide to withdraw the bond offering during the subscription period. The possible reasons for the withdrawal of the offering should be described in the offering document. In both cases, investors who have made payments to subscribe for the corporate bonds will have their funds returned without any interest or compensation, in the manner specified in the subscription form.

Risk of non-allocation of bonds to the Investor – this risk is associated with investing in corporate bonds and consists in the possibility that the number of corporate bonds allocated to the investor may be reduced, or that no bonds will be allocated at all, as the issuer, together with the investment firm, determines the allocation method for the newly issued bonds. An investor submitting a subscription for corporate bonds should consider the possibility that all or part of the subscribed bonds may not be allocated.

Risk related to payments for bonds – This risk is associated with investing in corporate bonds and arises from the fact that, if the bond issue does not take place or the bonds are only partially allocated, the payments made by investors will be returned to the bank accounts indicated in the subscription form without any interest or compensation. Furthermore, rights under the bonds arise when the bonds are recorded in the register. Accordingly, interest on corporate bonds will accrue from the issue date. For the period between the investor's payment for the above-mentioned financial instruments and the issue date (including any postponement of the issue date decided by the issuer), investors will not be entitled to any returns or benefits on the funds paid.

Risk related to the invalidity of a bond subscription – This risk is associated with investing in corporate bonds and arises when the subscription form is completed incorrectly or not paid for in accordance with the rules described in the offering proposal. In such a case, the subscription becomes invalid.

Legal/legislative/compliance/reputational risk – this represents the possibility of losses resulting from the adoption of new legal regulations or changes in judicial decisions that affect the servicing of the bonds.

Risk related to changes in the Base Rate – in accordance with Regulation (EU) No. 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No. 596/2014 (the "BMR"), new rules have been established for the development, provision, and use of benchmark indices within the European Union. A benchmark includes any index used as a reference to determine the amount payable under a bond. The base rate used to calculate the variable interest rate on bonds is the WIBOR (Warsaw Interbank Offered Rate), which is determined by GPW Benchmark S.A.

Therefore, the Benchmark Regulation may have a significant impact on both corporate and government bonds with variable interest rates, where the interest rate is determined by reference to benchmarks such as WIBOR, particularly if the methodology for calculating or maintaining the benchmark changes, or if the WIBOR rate ceases to be published. Such changes may result in an increase or decrease in the benchmark rate that forms the basis for determining the base rate of variable-rate bonds. A reduction in the Bond Base Rate, may, in turn, lead to a decrease in the yield on such bonds.

The Steering Committee of the National Working Group on Benchmark Reform (the “Steering Committee”) has approved a Roadmap for the replacement of the WIBOR and WIBID benchmark rates. Given that the benchmark reform consists of many interrelated components, this process will be implemented over time. In October 2023, the KSF decided to revise the maximum deadlines for implementing the Roadmap. According to the updated Roadmap, the National Working Group determined that, assuming effective cooperation among all involved parties, the benchmark reform in Poland is expected to be fully completed by the end of 2027. Furthermore, in October 2024, the KSF announced the launch of an additional round of public consultations. With the objective of meeting the final benchmark conversion deadline set for the end of 2027 in Poland, this additional consultation round includes four indices and index proposals from the WIRF family (WIRF, WIRF+, WIRF-, and WIRF+/-). On 6 December 2024, the Steering Committee held a discussion and decided to select the proposed index with the technical name WIRF, based on unsecured deposits of credit institutions and financial institutions, as the target reference rate intended to replace the WIBOR benchmark. After reviewing opinions concerning legal, market, and marketing aspects, on 24 January 2025, the Steering Committee decided to adopt the official name POLSTR (Polish Short-Term Rate) for the proposed index.

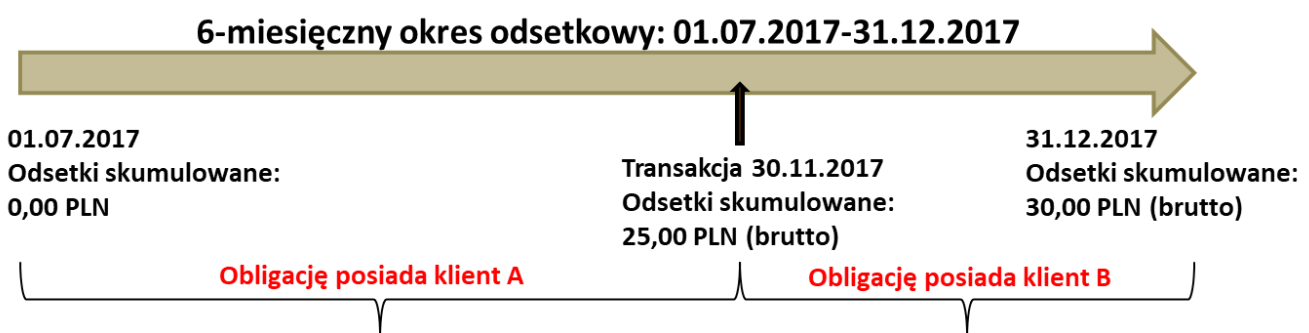
EXAMPLE

Positive conditions

XY series bonds have a nominal value of PLN 1,000. On 30 November, they are quoted at 100.8 and interest is PLN 25. The settlement price of the bonds is PLN 1,033.

Settlement price: $(100.8\% * \text{PLN } 1,000) + \text{PLN } 25 = \text{PLN } 1,033$

Client A sells bonds to Client B at the settlement price of PLN 1,033. The bond issuer will pay interest in late December 2016 for the entire interest period of PLN 30. Client B will receive the interest:



| | |
|---|--|
| 6-month interest period: 1 July 2017 - 31 December 2017 | 6-miesięczny okres odsetkowy: 01.07.2017-31.12.2017 |
| 1 July 2017 Accumulated interest: PLN 0.00 | 01.07.2017 Odsetki skumulowane: 0,00 PLN |
| Transaction 30 November 2017 Accumulated interest: PLN 25,00 (gross) | Transakcja 30.11.2017 Odsetki skumulowane: 25,00 PLN (brutto) |
| 31 December 2017 Accumulated interest: PLN 30,00 (gross) | 31.12.2017 Odsetki skumulowane: 30,00 PLN (brutto) |
| Bond held by Client A | Obligację posiada klient A |
| Bond held by Client B | Obligację posiada klient B |

Example 1: Bonds with a fixed interest rate of 8%, redemption date in 3 years, nominal value of PLN 100, the issue price at which the issuer offers bonds is 96% of the nominal value (which gives PLN 96 for bonds), interest paid every six months.

With the interest rate of 8% per annum, the value of interest from PLN 100 is PLN 8. Since interest is paid every six months, the bondholder receives approximately PLN 4 every six months.

On the bond redemption date, the Investor receives PLN 100 (the nominal value) plus PLN 4 (the final interest). Over 3 years, from an initial investment of PLN 96, the investor receives: PLN 100 + PLN 24 interest (PLN 4 in each of the 6 months), or PLN 124. Thus, the profit on the investment amounts to PLN 28.

Example 2: A floating-rate bond with a 3-year maturity, nominal value of PLN 100, and an issue price of 95% of nominal value (PLN 95 per bond). Interest is paid every six months. The annual interest rate is equal to WIBOR 6M + 450 basis points. In the six interest periods prior to maturity, the interest rates were: 7.02%, 6.68%, 6.56%, 6.35%, 6.32% and 6.31%. The six-month interest payments therefore amounted to: PLN 3.51, PLN 3.34, PLN 3.28, PLN 3.18, PLN 3.16 and PLN 3.16.

On the bond redemption date, the Investor receives PLN 100 (the nominal value) plus PLN 3,16 (the interest for the last six months).

For 3 years after the invested amount of PLN 95, the Investor received PLN 119.63: PLN 100 of the nominal value of the bonds + PLN 19.63 of interest. Thus, the profit on the investment amounts to PLN 24,63.

Negative conditions

Example 1: The issuer of corporate bonds declared bankruptcy before the redemption date. The bonds were secured by a mortgage, which was sold, and the sale proceeds (after deducting enforcement costs) amounted to 80% of the total nominal value of the issued bonds. The loss on such an investment, for bonds with a nominal value of PLN 100, would amount to PLN 20 per bond if no recovery is obtained from the bankruptcy estate (excluding any interest already paid). If the bonds were secured but the collateral could not be realised – for instance, due to a total loss in its value, the bondholder would lose 100% of the investment, or slightly less, if some interest payments were received before default.

Example 2: The issuer of corporate bonds declared bankruptcy before the redemption date, and the bonds were unsecured. In such a case, bondholders' claims are satisfied from the issuer's assets on the same basis as other unsecured creditors. The issuer's assets intended to satisfy the liabilities do not include those components which constitute a security for other claims. The liquidation of the issuer's assets in bankruptcy proceedings generated funds (after deducting enforcement costs) sufficient to satisfy 55% of all the issuer's unsecured obligations. The loss on such an investment, for bonds with a nominal value of PLN 100, would therefore amount to PLN 45 per bond, excluding any interest payments already received. It is also possible that the issuer's assets would be insufficient to satisfy any of its obligations. In such a case, the bondholder would lose 100% of the investment, or slightly less, if some interest payments were received before bankruptcy.

5. INVESTMENT CERTIFICATES

Investment certificates ("ICs") are securities issued by closed-end funds ("CEFs"). Their valuation and risk depend on the composition of the fund's investment portfolio. Public ICs are dematerialised and traded on an organised

market, where they are subject to market pricing. Non-public ICs are not quoted on any market. In addition, for all ICs, both public and non-public, the issuer periodically publishes the net asset value per investment certificate.

ICs are debt securities. Their essential feature is that they entitle the holder to participate in the assets of the fund, in proportion to the value represented by each certificate.

VALUATION OF ICs

The purpose of CEFs is to invest the collected cash. Any change in the value of the fund's assets (whether an increase or decrease) directly affects the value of the ICs acquires (an increase or a decrease), as ICs reflect the holder's share in the CEF's assets corresponding to the value of each IC.

The valuation of ICs is carried out periodically by the CEF. The frequency of valuation is defined in the fund's statute, but may not be less than once every three months. It must take place not later than seven days before the commencement of subscriptions for a new issue of certificates, as well as on the redemption date.

If ICs are listed on a stock exchange, they are subject to daily market valuation, in the same way as other exchange-traded securities.

The holder of an IC may realise its value by selling it on the secondary market, by selling it back to the issuer (if the issuer conducts buy-backs of its own ICs), or by receiving payment for the certificates held upon the liquidation of the fund.

INVESTMENT ACTIVITIES OF A CEF

The range of instruments in which a CEF may invest is significantly broader than that of open-ended investment funds. It may include, among other things, derivatives, forward transactions, currencies and even equity interests in limited liability companies, i.e. investments that are, by law, unavailable to open-ended funds.

COSTS RELATED TO PARTICIPATION

The acquisition of ICs and participation in a CEF involve various costs.

Typical costs payable to the fund and relating to the acquisition of ICs on the primary market include the issue price and a subscription fee, charged at the time of subscription if the fund's statute provides for such a fee. In practice, the subscription fee may be referred to by different names (for example, initial charge or issue charge). In most cases, this fee may be negotiated, and it typically ranges between 0.00% and 4% of the value of the ICs being purchased. Additional customary costs may arise in connection with capital market transactions (such as brokerage commissions, notarial fees and taxes).

Where ICs are purchased on the secondary market, typical costs include the price paid to the IC seller and possible transaction fees (e.g. brokerage commissions, notary fees, taxes).

The costs associated with participation in a CEF are primarily the fee for the management of the CEF, which is charged to the assets of the CEF and is collected by the management association of the CEF, and the handling fee which is collected from participants at the redemption of the ICs, if the fund's statute so provide.

A CEF is required to specify in its statute the types, the maximum amount, the method of calculating and charging the costs borne by the CEF, including in particular the association's remuneration and the earliest coverage date of the fees charged to the CEF's assets. The catalogue of such fees may be **determined by the management company in the CEF's statute**.

As a result of the acquisition of ICs, the Investor may acquire a financial liability in the form of an additional success fee, which results and arises from the moment of developing by the fund a higher rate of return than the one projected.

RISK ASSOCIATED WITH INVESTING IN INVESTMENT CERTIFICATES

Investment in ICs is not guaranteed by the State Treasury, the Bank Guarantee Fund or any other deposit protection scheme. When acquiring ICs, the Investor should in every case take into account the possibility of losing all or part of the invested capital, particularly where the CEF makes unprofitable investments.

Investment in ICs involves all risk factors characteristic of investments in the underlying asset classes, and additionally:

Liquidity risk – the Investor should take into account the limited possibility of selling or purchasing ICs on the secondary market (organised or over-the-counter) due to the limited number of IC holders and the inability to sell or buy ICs without materially affecting market prices. Moreover, ICs are redeemed on dates and under conditions set out in the issue documentation and the statutes of the CEF, which in practice may mean that redemption takes place only once per quarter or once per year.

Risk of IC valuation – due to limited liquidity, there is a risk that the price obtainable in a transaction on an organised or over-the-counter market will be lower than the current net asset value of the fund per certificate. Valuations of ICs are performed by closed-end funds less frequently than by open-ended investment funds.

Investment policy risk – it is not possible to determine the exact investment parameters, including the level of risk and the current composition of the investment portfolio of a given fund.

Manager's risk – relates to the possibility of incorrect decisions being made by the fund manager concerning the selection of assets for the fund's portfolio and the timing of investment decisions.

Macroeconomic risk arises from the state of the global or domestic economy and may directly or indirectly affect the implementation of the Fund's investment policy. In particular, the markets in which the CEF invests are sensitive to domestic and international macroeconomic indicators such as interest rates, unemployment levels, economic growth rates, commodity prices, inflation and political conditions.

Financial leverage risk – may arise where the CEF invests in financial instruments incorporating leverage in their structure. The Investor may lose up to the entire amount of the original investment (the purchase price of the certificates).

EXAMPLE

The issue price of an investment certificate is PLN 1,000.

Positive conditions

Following the valuation of the fund's assets performed at fund maturity (the execution price), the value of the Investment Certificate increases to PLN 1,050, and the Investor achieves a profit of PLN 50.

Negative conditions

Following the valuation of the fund's assets performed at fund maturity (the execution price), the value of the Investment Certificate decreases to PLN 950, and the Investor incurs a loss of PLN 50. The maximum possible loss cannot exceed the amount of the originally invested capital.

6. STRUCTURED PRODUCT

Structured products (“SPs”) are financial instruments combining features of several types of securities. They are issued by financial institutions, in particular by banks or investment firms. Structured products are hybrid instruments, composed of at least two elements: a base asset (for example, a bond or deposit) and one or more derivative instruments (such as options or futures contracts), which are intended to provide the opportunity for profit. Depending on their structure, structured products generally fall into two main categories:

- a) capital-protected products – these allow the Investor to participate in the profits generated by the market indicator embedded in the product while ensuring the protection of a specified portion of the invested capital on the maturity date of the certificate,
- b) non-capital-protected products – these allow the Investor to participate to a greater extent in the profits generated by the underlying instrument but carry the risk of losing part or all of the invested capital.

The valuation of a structured product depends on the value of a particular market indicator (for example, the price of a share or a basket of shares, stock market indices or exchange rates). The financial institution issuing the product undertakes to pay the purchaser (the Investor), on the product’s maturity date, a settlement amount calculated in accordance with the specified formula. This payout formula makes it easier for investors to monitor the current value of the instrument.

MOST IMPORTANT RISK FACTORS:

It should be noted that the unlimited range of investment strategies and structures available within SPs makes it impossible to define a universal risk profile.

Quotes structured products may exhibit significant volatility and limited liquidity.

Liquidity risk – in this context, the Investor should take into account the limited ability to sell or purchase SPs on the regulated market, due to the limited number of holders of SPs and the inability to sell or purchase SPs without materially affecting market prices.

Risk of loss of capital protection – in the case of early redemption or withdrawal from the investment, the Investor must take into account the risk of losing the capital protection guarantee.

Market risk – the price of a financial instrument is affected not only by a change in the price of the SP itself, but also by the risk associated with changes in the price of financial instruments based on which the SP is constructed. Consequently, the Investor should also consider the risks inherent in the financial instruments underlying the structure of the SP.

Issuer’s risk – the risk of insolvency or bankruptcy of the issuer prior to the final settlement date. The Investor may lose all the invested capital.

Price volatility risk – the risk that includes changes in the price of both the structured product as well as the financial instrument on the basis of which the product is constructed.

Financial leverage risk – may arise when an SP is based on a financial instrument that incorporates leverage. The impact of the leverage mechanism on the profits/losses from investing in structured products depends on the proportion and type of derivative instruments forming the part of the product that carries investment risk. The greater the share of derivative instruments, the higher the risk of incurring a loss.

For SPs denominated in foreign currencies, an additional element of uncertainty arises from the **risk of fluctuations in exchange rates over time**, which may cause the investment outcome to differ from the expected result.

EXAMPLE

The impact of changes in exchange rates on the result of the transaction for products with the underlying instrument quoted in a foreign currency:

Positive conditions

The value of the underlying financial instrument for the structured product, increases from EUR 1,000 to EUR 1,050, while at the same time the EUR/PLN exchange rate rises from PLN 4.30 to PLN 4.35 (appreciation of the euro).

Original value of the underlying instrument: EUR 1,000 x 4.30 = PLN 4,400.

Final value of the underlying instrument: EUR 1,050 x 4.35 = PLN 4,672,50.

PLN 4,672.50 - PLN 4.400 = PLN 272.50

The profit in this case will be PLN 272.50.

Negative conditions

The value of the underlying financial instrument increases from EUR 1,000 to EUR 1,050, but the EUR/PLN exchange rate falls from PLN 4.35 to PLN 3.80 (depreciation of the euro). Despite the increase in the underlying value, the fall in the exchange rate results in a loss to the Investor.

Original value of the underlying instrument: EUR 1,000 x 4.35 = PLN 4,350.

Final value of the underlying instrument: EUR 1,050,00 x 3.80 = PLN 3,990.

PLN 4.350 - PLN 3.990 = PLN 360

The loss in this case will be PLN 360.

7. PARTICIPATION UNITS IN COLLECTIVE INVESTMENT INSTITUTIONS

Participation titles in collective investment institutions are understood as securities issued under the relevant provisions of Polish or foreign law or non-securities financial instruments representing property rights vested in participants of collective investment institutions.

Participation titles constitute a title of co-ownership in the assets of the following:

- a. an open-ended investment fund,
- b. a specialist open-ended investment fund,
- c. a specialist investment fund (SIF),
- d. an investment company in risk capital (SICAR), or
- e. an undertaking for collective investment in transferable securities (UCITS),

and represent the net asset value per unit attributable to the given fund.

An Investor may acquire such financial instruments by making payments to the fund.

The fund is required to sell participation titles to anyone who pays for them. The fund is also required to repurchase participation titles from any participant of the fund who submits such a request. If this is the case, the participation title is cancelled and cannot be sold again.

Participation titles include, in particular, participation units of open-ended investment funds. A participant of an open-ended fund cannot transfer a participation unit to third parties. However, participation titles issued under foreign law, which are securities under the law of a given jurisdiction, may be transferable to third parties, in particular if they are admitted to trading on a regulated market.

MOST IMPORTANT RISK FACTORS:

Credit risk – related to the permanent or temporary loss by issuers of financial instruments of the ability to meet their obligations. This category of risk also includes the risk related to a downgrade of the issuer's credit rating by a rating agency and the resulting fall in the prices of the issuer's debt securities. A deterioration in the financial condition of issuers of financial instruments, or a downgrade of their ratings, may consequently lead to a fall in the value of the participation titles.

Liquidity risk – uncertainty concerning the ability to exit an investment quickly.

Counterparty risk – relates to the possibility that counterparties to the fund's transactions may fail to meet their contractual obligations, which may result in a decrease in the fund's assets.

Operational risk – the risk of losses arising from errors or delays in the execution of transactions due to inadequate or failed internal processes, human error, system failures or external events.

Financial instrument selection risk – the risk that the fund manager may make incorrect decisions regarding the selection of appropriate financial instruments for the fund's investment portfolio. This may lead to partial or total loss of the funds contributed by the Investor. This risk is mitigated through diversification of the investment portfolio.

Risk associated with the fund's use of derivative Instruments – since the fund may invest in derivatives, additional risks may arise, including the risk of imperfect hedging, meaning that gains on the derivative instrument may not offset losses on the hedged asset.

Custody risk – the register of fund assets must be maintained by a depositary independent of the management company and of the fund operating under foreign law, which performs oversight functions over the fund management company. If an error occurs on the part of the depositary or other events arise relating to the safekeeping of the sub-fund's assets, this may have a negative impact on their value.

Currency risk – the risk consisting in the possibility of a change in the price of a fund's asset component due to changes in the exchange rate of the foreign currency in which the participation unit is denominated in relation to the Polish zloty.

Risk related to the concentration of assets or markets – the risk related to the possibility of concentrating the fund's asset component on a specific market, market segment or sector, which may affect the fluctuation and value of participation units through an adverse event having a negative impact on that market, market segment or sector.

Macroeconomic risk – this risk stems from the state of economic conditions globally or within a particular country, which directly or indirectly influences the economic situation of issuers of securities. In particular, the market is sensitive to both domestic and global macroeconomic indicators, including interest rates, unemployment levels, economic growth, commodity prices, inflation and the political environment.

Counterparty risk – this risk arises from the possibility that counterparties to the fund may fail to perform their obligations under agreements entered into with the fund. It is particularly relevant to the interbank market and to transactions with settlement dates significantly later than the transaction date.

Exchange rate risk

The currency in which the classes of participation titles of each sub-fund established under foreign law are denominated is not necessarily the reference or investment currency of that sub-fund. Investments are made in those currencies which, in the opinion of the fund's investment manager, are expected to contribute most favourably to the sub-fund's performance. Fluctuations in foreign exchange rates may therefore affect the value of participation titles held in the sub-funds. Participants investing in a sub-fund in a currency other than the denomination currency of a given class of participation units should be aware that exchange rate movements may cause the value of their investment to decrease or increase.

EXAMPLE

The purchase price of participation units is PLN 1,000.

Positive conditions

Following the measurement of the fund's assets for redemption of participation units, the unit price increased to PLN 1,050. The Investor generated a profit of PLN 50.

Negative conditions

Following the measurement of the fund's assets for redemption of participation units, the unit price will decrease to PLN 950. The Investor will record a loss of PLN 50. The upper limit of the Investor's loss must not exceed the value of the originally invested capital.

8. COVERED BONDS

Covered bonds are long-term debt financial instruments issued by mortgage banks. Their issuance is secured by the receivables of the mortgage bank, which are secured by mortgages. A mortgage bank issuing covered bonds undertakes to fulfil specified monetary obligations towards bondholders – namely, the payment of interest and the redemption of the bonds – in the manner and within the time limits specified in the terms of issue.

MOST IMPORTANT RISK FACTORS:

Credit risk – the quality of the loan portfolio may deteriorate, which may in turn affect the issuer's financial performance and its ability to meet obligations such as interest payments and the redemption of the issued covered bonds.

Interest rate risk – the risk that the price of a financial instrument will fluctuate due to changes in market interest rates.

Volatility risk – the risk of changes in the market price of covered bonds traded on the secondary market, resulting from events related to the issuer of the debt instruments or from broader macroeconomic developments.

Liquidity risk – the risk that it may not be possible to purchase or sell financial instruments without causing a significant impact on their market price.

Foreign exchange risk – the risk associated with instruments denominated in foreign currencies, which are exposed to the effects of exchange rate movements. Such fluctuations may influence the payments made to investors by the issuer.

EXAMPLE

Positive conditions

Following an increase in interest rates, the value of a covered bond purchased for PLN 300 rises by 5%, to PLN 315. Accordingly, the profit amounts to PLN 15.

Negative conditions

Following a decrease in interest rates, the value of a covered bond purchased for PLN 300 falls by 10%, to PLN 270. Accordingly, the loss amounts to PLN 30.

9. OPTIONS / OPTION CONTRACTS

Option contracts (“OCs” or “option”) are derivative financial instruments whose value depends primarily on the price of the underlying instrument to which the option relates and on its expiry date. In addition, an option’s value may also depend on factors such as the level of the risk-free interest rate, the amount of dividends (if paid) on the underlying instrument, the volatility of the underlying instrument and the time remaining until expiry.

The underlying instrument for an OC may include indices, shares, currencies, futures contracts, interest rates or bonds.

Option contracts are asymmetric derivative instruments, which means that the issuer of the option contract and the purchaser do not have equal rights and obligations.

The purchaser of an OC has the right to buy or sell the underlying instrument in a specified quantity (or receive an equivalent cash settlement) at a predetermined price and on a precisely defined future date. In exchange for this right, the purchaser pays a premium (option premium). The purchaser of an OC always buys an option (takes a long position). The maximum potential profit for the purchaser is unlimited, while the maximum potential loss is limited to the amount of the premium paid.

The issuer of an OC is obliged to purchase or sell the underlying instrument in a specified quantity (or provide an equivalent cash settlement) at a predetermined price and on a precisely defined future date. The issuer of an OC receives the premium from the purchaser (option premium). The option issuer always sells the option, i.e. it takes a short position. The issuer’s maximum profit is limited to the amount of the premium received, while the potential loss may be unlimited.

An option may be sold and purchased several times before the expiry date, subject to the moment of the transaction. Two types of options are distinguished: the European option and the American option.

A European option may be exercised only on the expiry date. An American option, however, may be exercised on any day up to and including the expiry date.

When purchasing or selling an OC, the Investor should be aware of the effect of financial leverage resulting from the multiplier applicable to the given option. The degree of leverage is specified in the information defining the standard of the particular option.

Issuing an OC entails the obligation to provide margin collateral, to replenish it in the event of a shortfall or to close the position if the collateral is not restored to at least the required level necessary to secure the performance of the obligations..

Options are quoted in series, each comprising all options of a given type with the same expiry date.

Investment in option contracts involves the risk of additional liabilities, arising from adverse changes in the valuation of options for Investors holding short positions. Another potential liability may be the obligation to deliver a specified quantity of the underlying instrument at a predetermined price

MOST IMPORTANT RISK FACTORS:

Investments in options carry a high level of risk, particularly for Investors who issue options. Before making any investment decision, an Investor should acquire adequate knowledge of the structure of options, the rules governing their trading, and the obligations arising from such trading, as well as possess sufficient experience to properly assess the level of risk involved.

The risk factors associated with OCs include all risks relating to the underlying instrument, as well as the following:

Market risk – relates to the risk of changes in the option's price, as well as fluctuations in the value of the underlying instrument.

Option price fluctuation risk – uncertainty regarding the future direction of the option's price, which may result in a partial or total loss of the invested capital. If a call option is issued, the potential loss may be unlimited.

Option valuation risk – the Client should take into account the fact that there is no single, universal method for valuing options prior to expiry. This may result in discrepancies between the valuation method used by the Investor and the market price of the option.

Option purchaser's risk – a Client purchasing options must recognise the possibility of financial losses up to the amount of the invested capital (loss of the premium).

Option issuer's risk – a Client issuing options must be aware of the possibility of financial losses exceeding the invested capital. The option issuer, i.e. the party selling the option, is required to provide margin collateral to ensure the fulfilment of the obligation to deliver the settlement amount upon expiry. The issuer must maintain the collateral at a level sufficient to cover the full extent of their obligations or enable the brokerage house to close the position in the event that the collateral is not replenished.

Risk of volatility – the market rate in the short term may be subject to significant variation, causing significant fluctuations of the value of the invested capital. The sale of options involves the need to lodge margin collaterals and is connected with the effect of financial leverage.

Time risk – the price of an option depends on the time remaining until its expiry. As the expiry date approaches, the value of certain types of options may decrease, even if the price of the underlying instrument remains unchanged.

Liquidity risk – the Investor should take into account the possibility of limited liquidity in trading certain options, as well as the potential inability to close a position at a price consistent with the Investor's expectations.

Risk of suspending trading in options or their exclusion from trading – investment risk is also increased by the possibility of suspension, withdrawal or exclusion of financial instruments from trading on a regulated market. Such a situation may materially affect the market valuation of financial instruments. This risk arises from the current legal framework.

Dividend risk – in the case of call options based on the shares of dividend-paying companies or on price indices, dividend payments have a negative impact on the valuation of the underlying instrument and, consequently, on the option based on that instrument.

EXAMPLE

The following examples concern options to purchase shares in Company X at a fixed price of PLN 105, valid for one month. The price of one option (covering the right to purchase 100 shares) is PLN 200. In conclusion, the purchase of one option of 100 shares amounts to PLN 200.

Positive conditions

The share price in company X increases from PLN 100 to PLN 108. The Investor exercises the option and purchases shares in Company X at the previously agreed strike price of PLN 105. The Investor then sells the shares at the current market price of PLN 108, thus earning PLN 3 per share ($108 - 105 = 3$). The number of shares was 100, so the Investor generated a profit of PLN 300; however, this amount should be reduced by the purchase cost of options, specifically PLN 200. Accordingly, the Investor's profit amounts to PLN 100.

Negative conditions

The share price in company X decreased from PLN 100 to PLN 95. The Investor did not exercise the option within the required time limit, which is why the option expires. In this case, the Investor incurs a loss of PLN 200, corresponding to the cost of purchasing the option.

10. WARRANTS

Warrants are securities belonging to the group of derivative instruments, traded on the cash market. Their valuation depends on the price or value of an underlying instrument. Underlying instruments may include shares, bonds, currency exchange rates, commodities, stock indices or interest rate values. Unlike options, warrants have a specific issuer. Each series of warrants includes a limited number of warrants issued.

A warrant represents an unconditional and irrevocable commitment by the issuer to pay the eligible holder a settlement amount. Settlement may take the form of a cash payment or delivery of the underlying instrument at a predetermined strike price.

By employing financial leverage, warrants offer the potential to generate profits both when the price of the underlying instrument rises (call warrants) and when it falls (put warrants).

A warrant grants the right, but not the obligation, to buy or sell the underlying instrument at a specified strike price, either at any time during its term (American-style warrant) or on a specified date (European-style warrant).

Two main types of warrants can be distinguished: subscription warrants and option warrants. Subscription warrants may be issued only by companies that intend to issue new shares in the future. Option warrants may be issued by banks and other financial institutions on the shares of other listed companies.

MOST IMPORTANT RISK FACTORS:

The risk factors associated with investing in warrants are identical to those applicable to option contracts, including all risks related to the underlying instrument. In addition, the following specific risks may apply:

Price volatility risk – Warrants are characterised by high market volatility. Their prices are strongly affected by fluctuations in the price of the underlying instrument.

Liquidity risk – The risk that the instrument cannot be bought or sold without significantly affecting its market price. Warrants are usually issued in limited quantities, which increases liquidity risk for investors.

Option contract risks – These refer to the risks borne by an investor holding a long position (i.e. the purchaser of the warrant).

Risk of loss amplified by financial leverage – Investment in warrants involves the obligation to post margin deposits, which represent only a fraction of the total exposure arising from such financial instruments (financial leverage). As a result, even a small adverse movement in the price of the underlying instrument, leading to a material loss of the margin deposit, may multiply the risk of incurring losses due to the leverage mechanism. The Client may be required to promptly replenish the margin deposit to the required level. When entering into transactions, the Client must be aware of the possibility of financial losses exceeding the amount of the capital invested.

EXAMPLE

The issuer of a warrant is obliged to pay the holders a settlement amount. In the case of a call warrant, the settlement amount represents the positive difference between the price of the underlying instrument (for example, a bond) and the strike price determined by the issuer. In the case of a put warrant, it represents the positive difference between the strike price and the price of the underlying instrument.

For example, when purchasing a call warrant on one bond with a maturity of one year: the current market value of the corporate bond is PLN 100, the purchase price (premium) of the warrant is PLN 40, and the strike price of the warrant is PLN 110.

Positive conditions

The investor begins to generate a profit once the value of the underlying instrument (the bond) exceeds the strike price plus the cost of the warrant. In this example, the investor earns a profit when the corporate bond's value rises above PLN 150.

Negative conditions

The warrant will not be exercised if, on the exercise date, the market price of the corporate bond is below PLN 110. In that case, the investor incurs a loss equal to the purchase price of the warrant, i.e. PLN 40.

If, however, on the warrant's exercise date, the market price of the corporate bond on which the Investor holds a warrant is higher than PLN 110.00 but not higher than PLN 150.00 (for example, PLN 130.00), and the Investor decides to exercise the warrant, the Investor will receive PLN 20.00, representing the difference between the bond price and the strike price (PLN 130.00 – PLN 110.00 = PLN 20.00). In this case, the loss equals the difference between the purchase price of the warrant and the amount received upon exercise (PLN 40.00 – PLN 20.00 = PLN 20.00).

11. INDEX PARTICIPATION UNITS

Index participation units are financial instruments classified as derivative instruments, whose trading is primarily linked to a specific stock market index. They are generally based on shares of large companies that form a model portfolio.

Index participation units allow to invest, among other things, in the WIG20 index (portfolio of securities, including in certain proportions the shares of the 20 largest and most liquid companies of the WSE). . The purchaser of an index unit pays the issuer the unit price as a premium. After the purchase, the Investor may close the position in one of two ways — either by exercising the index unit or by issuing it. The settlement price is determined based on the value of the WIG20 index at the opening of the following trading day. This financial instrument may also be held until its expiry date, which falls on the penultimate trading day of December 2025

The premium paid by the purchaser is allocated to the margin deposit posted by the counterparty (the issuer), who holds the short position. A short position is closed by purchasing an index unit or when the buyer submits a notice of exercise.

Investment in index units involves the risk of additional obligations arising from adverse price movements for investors holding short positions.

MOST IMPORTANT RISK FACTORS:

Market risk – arises from fluctuations in the value of the underlying instrument (the WIG20 index), as the price of index units depends both on the value of the underlying index and on changes in the price of the units themselves.

Underlying instrument volatility risk – The volatility of index unit prices is comparable to that of the underlying index. It should be noted that market prices may fluctuate significantly over short periods, which may have a material impact on the value of the invested capital.

Risk of loss amplified by financial leverage – Investment in index units involves the obligation to post margin deposits, which represent only a fraction of the total exposure arising from such financial instruments (financial leverage). As a result, even a small adverse movement in the price of the underlying instrument, leading to a material loss of the margin deposit, may multiply the risk of incurring losses due to the leverage mechanism. The Client may be required to promptly replenish the margin deposit to the required level. When entering into transactions, the Client must be aware of the possibility of financial losses exceeding the amount of the capital invested.

Macroeconomic risk – comparable to the risk associated with equity investments.

Compulsory exercise risk – An investor holding a short position must take into account the possibility of being selected for exercise at an unfavourable time.

Settlement price risk – An investor holding a long position and intending to exercise the index units submits a notice of exercise without knowing the settlement price in advance.

Exercise risk – An investor exercising index units receives the settlement amount based on the index opening value on the next trading day. At the time of exercise, the investor does not yet know the index opening level and is therefore exposed to the risk of changes in the index value between the close of the trading session on the exercise day and the opening of the following session.

EXAMPLE

The Investor acquired 100 index participation units. At the opening of the trading session on 17 October, the index stood at 1,000 points, and transactions in index units were executed at a price of PLN 100 per unit. The total investment amounted to PLN 10,000 ($100 \times \text{PLN } 100 = \text{PLN } 10,000$). The Investor decides to close the position by exercising the index units. In this case, the investor would receive a settlement amount equal to one-tenth of the value of the underlying index per index unit, multiplied by the number of units exercised.

Positive conditions

At the opening of trading on 18 October, the index stood at 1,030 points, so each index unit would be exercised at PLN 103. The investor would receive PLN 10,300 in total ($\text{PLN } 103 \times 100 = \text{PLN } 10,300$), generating a profit of PLN 300 ($\text{PLN } 10,300 - \text{PLN } 10,000 = \text{PLN } 300$).

Negative conditions

At the opening of trading on 18 October, the index stood at 950 points, meaning each index unit would be exercised at PLN 95. The investor would receive PLN 9,500 ($\text{PLN } 95 \times 100 = \text{PLN } 9,500$), resulting in a loss of PLN 500 ($\text{PLN } 10,000 - \text{PLN } 9,500 = \text{PLN } 500$).

12. ETF

An Exchange Traded Fund (ETF) is an investment fund listed and traded on a stock exchange in the same manner as shares. This structure enables investors to adopt short-, medium-, or long-term investment horizons according to their objectives. The purpose of an ETF is to replicate the performance of a selected stock market index, allowing for the continuous creation and redemption of fund units. ETFs are distinguished by their high liquidity, supported by market makers, and lower transaction costs than if the investor were to buy the individual constituents of the underlying index.

MOST IMPORTANT RISK FACTORS:

Macroeconomic risk – This arises from global or domestic economic conditions that directly or indirectly affect the financial standing of listed companies and, consequently, the performance of stock indices and ETFs. In particular, the market is sensitive to both domestic and global macroeconomic indicators, including interest rates, unemployment levels, economic growth, commodity prices, inflation and the political environment.

Volatility risk – The market price may fluctuate significantly, especially in the case of ETFs based on equity indices. Accordingly, their risk level is higher than that of investments in fixed-income instruments, such as bonds. At the end of the investment period, the Investor may receive an amount lower than the capital originally invested.

Liquidity risk – The risk that a financial instrument cannot be bought or sold without a significant impact on its market price.

Underlying instrument risk – When investing in ETFs, the Investor should take into account all risk factors characteristic of the underlying instrument that the fund seeks to replicate, including the risk of imperfect replication of the underlying instrument's rate of return.

Tracking error risk – The possibility of discrepancies between the rate of return of the ETF and that of the index it tracks.

Counterparty risk – The risk arising from the use of financial instruments concluded with a credit institution that may fail to meet its obligations under those instruments.

Currency risk – The risk resulting from differences between the base currency of the ETF, in which the fund's assets are invested and its unit value is calculated, and the currency in which the ETF units are traded on the exchange.

Regulatory risk – Changes in tax regulations related to investment in ETF units may have a material impact on the fund's participants.

Trading suspension risk – The risk that trading in ETFs on a given market may be suspended or the instruments delisted.

Risk of special circumstances affecting ETFs – The risk associated with events such as the liquidation of the ETF (by decision of the issuer or pursuant to legal provisions), changes in investment policy, or delisting of the ETF from the stock exchange.

EXAMPLE

Positive conditions

The market price of an ETF is PLN 500 and will increase by 5%, i.e. by PLN 25. The profit on such investment is PLN 25.

Negative conditions

The market price of an ETF is PLN 500 and will decrease by 10%, i.e. by the amount of PLN 50. The loss on such an investment is PLN 50. The maximum loss is limited to the amount of capital invested.

13. FUTURES CONTRACTS ("FCs")

Derivative financial instruments are contracts between two parties, under which one party undertakes to buy and the other to sell, on a specified future date (the expiry date) and at a price agreed

upon at the time of the transaction, a defined quantity of the underlying instrument, or to make an equivalent cash settlement.

The underlying instruments for futures contracts may include, among others, stock market indices, shares, bonds, foreign exchange rates, and exchange-traded commodities as defined in the Commodity Exchange Act and admitted to trading on the Polish Power Exchange (TGE).

On the Polish regulated market, the underlying instruments include indices, selected shares, currency exchange rates, Treasury bonds, and interest rates (WIBOR), and on the TGE, the above-mentioned exchange-traded commodities.

Investing in FCs involves the risk of additional financial obligations arising from transactions in such instruments. The financial instrument described above is based on a structure that creates an obligation to deliver or receive a specified underlying instrument at a future date. Instead of physical delivery, cash settlement may also be applied.

An FC is a symmetric derivative instrument, meaning that investors holding long or short positions have equal rights and obligations. It is important to note that both parties to a futures transaction are obligated to fulfil the commitments resulting from their respective positions. In the case of FCs, Investors are exposed to the effect of financial leverage, which may result in losses exceeding the amount of capital originally invested.

Financial leverage occurs when an investor buys or sells a futures contract and is required to deposit only a fraction of the contract's notional value – the so-called margin deposit – which ensures the proper settlement of transactions between market participants and secures the risks associated with the settlement of those transactions.

By paying and maintaining the margin deposit at the required level (maintaining sufficient own funds in the client's account), the investor is permitted to enter into FCs. The amount of the margin deposit is determined by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, KDPW).

The investor's own funds (which also serve as the margin deposit) will be reduced by the amount of any losses resulting from adverse movements in the market. If the value of the investor's funds falls below the required margin level, the investor is obliged either to replenish the margin or to close a sufficient number of open positions. If the investor fails to restore the margin to the minimum required level, the open futures position will be closed.

Investing in futures contracts involves the risk of additional financial obligations which may arise in the event of an adverse movement in the contract price for the Investor. In addition, an extra obligation may occur for an Investor holding a short position, who may be required to deliver a specified quantity of the underlying instrument at a predetermined price if the futures contract is settled by physical delivery of the underlying instrument.

Futures contracts are issued in series, each comprising contracts based on the same underlying instrument and method of settlement, but with different expiry dates.

When an Investor enters into a purchase or sale transaction in futures contracts, a long or short position is opened accordingly.

An open position arises at the moment the futures transaction is concluded and the strike price is agreed. A position is closed when the futures contract expires or when an opposite transaction (long or short) is executed.

A long position arises when the Investor wishes to purchase a futures contract, thereby undertaking to buy, at a future date, a specified quantity of the underlying instrument at the price agreed at the time of the transaction.. The final value of the investment depends on the price of the underlying instrument at settlement, whether through physical delivery or cash settlement. A profit or loss is realised by the Investor depending on whether the value of

the underlying instrument at settlement is higher or lower than the price agreed when the contract was entered into

A short position refers to the seller of a futures contract, who undertakes to sell the underlying instrument at a specified price in the future. The decisive factor determining the Investor's profit or loss is the price of the underlying instrument. If the price falls below the level recorded at the time the transaction was entered into, the Investor generates a profit. Conversely, if the price rises, the Investor incurs a loss, as they are obliged to deliver the underlying instrument at the price agreed in the contract.

MOST IMPORTANT RISK FACTORS:

When investing in futures contracts, the Investor should take into account the risk factors associated with the underlying instrument, as well as the following:

Market risk – arises from fluctuations in the prices of futures contracts as well as in the value of the underlying instruments. The price of an FC depends on the price of the underlying instruments.

Liquidity risk – The Investor should be aware of the possibility of reduced liquidity in certain FC series, for example in equity FCs.

Leverage risk – When investing capital in FCs, the Investor is exposed to the effects of financial leverage, meaning that losses may be amplified disproportionately relative to the capital invested, and may even exceed the initial amount invested, as profits and losses are calculated on the full notional value of the contract.

EXAMPLES

The following examples illustrate both the possibility of loss (and the need to post additional margin) and the potential for profit.

Futures prices are quoted in points, and the contract value is calculated by multiplying the price by a specific multiplier. A multiplier is the monetary value assigned to one point of an index or one share; it determines the contract's total value and may vary depending on the underlying instrument. For example: the multiplier for a WIG20 futures contract is PLN 20; the multiplier for a WIG40 futures contract is PLN 10.

The margin deposit is set as a percentage of the contract's notional value; in this case, it is 6%.

An Investor purchasing a WIG20 futures contract quoted at 2,500 points must post a margin deposit of PLN 3,000 ($2,500 \times \text{PLN } 20 \times 6\% = \text{PLN } 3,000$), while the total contract value amounts to PLN 50,000 ($\text{PLN } 2,500 \times \text{PLN } 20$).

Positive conditions

Let us assume that the index value has increased by 10 points. In this case, the profit achieved by the Investor will be PLN 200: $\text{PLN } 50,000 + (2,500 + 10) \times \text{PLN } 20 = \text{PLN } 200$.

The profit is PLN 200. The amount in excess of the required deposit is at the client's disposal.

Negative conditions

Let us assume that the decrease in the index value is 10 points. The incurred loss amounts to PLN 200: $50,000 - (2,500 - 10) \times \text{PLN } 20 = \text{PLN } 200$

The loss is PLN 200.

The Investor's margin falls below the required level. The Investor must either replenish the margin or the position will be closed by NS.

The following example illustrates a loss exceeding the amount of the posted margin, demonstrating that it is possible to incur a loss greater than the capital originally invested. In theory, the potential loss is unlimited.

Let us assume the index value decreases by 200 points. The loss is PLN 4,000: $PLN 50,000 + (2,500 + 200) \times PLN 20 = PLN 4,000$.

This loss exceeds the original margin deposit (in this case of PLN 3,000). In such circumstances, the Investor is required to replenish the margin to the required level (including the difference between the loss incurred and the margin previously posted). If the Investor fails to do so, the position will be closed by NS, and the Investor will remain liable for the outstanding amount corresponding to the difference between the total loss and the margin previously deposited.

III. LEGAL RISK LINKED TO INVESTING IN FINANCIAL INSTRUMENTS:

Clients investing in financial instruments should be aware of the risks arising from the legal system. Firstly, legal risk includes the possibility of changes in regulations governing the trading of financial instruments, as well as amendments to commercial, economic, tax, customs or other legislation. It should be noted that, by expressing the intention to invest in specific financial instruments, Clients may become subject to certain legal or regulatory obligations that they are required to fulfil. This category includes, for example, tax obligations.

Tax risk arises from potential interpretative uncertainties related to the application of tax law, in particular the Personal Income Tax Act of 26 July 1991, which governs the obligations of Clients who are taxpayers under personal income tax, as well as the obligations of NS.

The factors mentioned above may lead to improvements or deteriorations in the operating conditions of issuers and investors, thus contributing indirectly to uncertainty in investment outcomes.