

Based on Article 26 of the Statute of UniCredit Bank Srbija a.d., with headquarters at Rajiceva St. 27-29 in Belgrade and Article 163 of the Law on the Capital Market ("Official Gazette RoS" No. 31/2011) and Articles 14 and 15 of the Rulebook on Approving General Documents of Market Organizers, Investment Companies and the Central Securities Registry, Depository and Clearing House ("Official Gazette RoS" Nos. 89/2011 and 44/2012), on 16 May 2012, the Management Board of UniCredit Bank Srbija a.d., adopts this

**CODE OF PRACTICE
OF THE DEPARTMENT FOR BROKER-DEALER SERVICES
UNICREDIT BANK SRBIJA AD**

1. GENERAL PROVISIONS

1.1 Authorized Bank

UniCredit Bank Srbija a.d. is a credit institution within which an organizational unit, the DEPARTMENT FOR BROKER-DEALER SERVICES ("**the Authorized Bank**") authorized to perform investment services and activities as provided for in Article 2, Items 8) and 9) of the Law on the Capital Market ("Official Gazette RoS" No. 31/2011) ("**LCM**"), in connection with financial instruments provided for in Article 2, Item 1) of the LCM, has been established.

1.2 Subject of the Code

This Code of Practice of the Department for Broker-Dealer Services (hereunder: "**Code of Practice**") establishes general conditions and code of practice of the Authorized Bank, especially:

- 1) types of jobs performed by the Authorized Bank and conditions and manner of performing them;
- 2) categorization/classification of clients and change of client category;
- 3) client order, manner and conditions of receiving an order;
- 4) execution of orders and delegation of order execution;
- 5) information specifically provided to small clients;
- 6) contract with clients;
- 7) mutual rights and obligations of the Authorized Bank and its clients;
- 8) protection of property of clients of the Authorized Bank (client's financial instruments and monetary funds);
- 9) lending conditions for financial instruments;
- 10) rules of conduct when providing investment services;

11) procedure for client complaints;

12) other issues important for activities of the Authorized Bank.

1.3 Publication

After receiving approval for the adoption of this Code from the Securities Commission (hereunder "**the Commission**"), the Code of Practice will be posted on the website of the Authorized Bank and on the bulletin board in the premises of the Authorized Bank where clients are received.

2. TYPES OF JOBS PERFORMED BY THE AUTHORIZED BANK

2.1 Investment services and activities

Investment services and activities performed by the Authorized Bank in accordance with provisions of Article 211 of the LCM are:

- 1) reception and transmission of orders relating to the sale and purchase of financial instruments;
- 2) execution of orders on behalf of the client;
- 3) trading for own account;
- 4) sponsorship services related to the offer and sale of financial instruments with the obligation to redeem, and
- 5) services related to the offer and sale of financial instruments without the obligation to redeem;

2.2 Additional services

In accordance with provisions of Article 211 of the LCM additional services performed by the Authorized Bank i.e. the credit institution within which the Authorized Bank operates, are:

- 1) safeguarding and administering financial instruments on the behalf of the client, including the safeguarding of associated instruments and related services, such as the administration of monetary funds and collateral;
- 2) approval of credits or loans to investors in order to be able to carry out transactions with one or more financial instruments when the lender company is involved in the transaction;
- 3) advising companies in relation to capital structure, business strategy, company merger and acquisition, and similar matters;
- 4) foreign currency operations services related to the provision of investment services;
- 5) research and financial analysis in the field of investment, or other forms of general recommendations relating to financial instruments transactions, and

6) services in relation to sponsorship.

Provisions on activities of the Authorized Bank pertain to operations with all types of financial instruments. The Authorized Bank possesses a permit from the Commission to hold clients' financial instruments and monetary funds.

3. CATEGORIZATION/CLASSIFICATION OF CLIENTS AND CHANGE OF CLIENT CATEGORY

3.1 Clients

Any domestic or foreign legal or natural person can be a client of the Authorized Bank.

In its operations, the Authorized Bank shall respect the principle of client equality. When offering clients investment services, the Authorized Bank shall place the interests of its clients above its own interests and shall operate fairly and professionally, in accordance with the best interests of clients while respecting principles established by provisions of the LCM.

The Authorized Bank shall safeguard as a trade secret data about the balance and changes on a client's accounts, as well as other data it learns in the course of executing jobs with the client, and shall not disclose them to third parties, except in cases when it is under obligation to do so based on the law or other regulations.

3.2 Client categorization

Before offering services, the Authorized Bank, classifies the client in the category of professional or of small clients, in accordance with the Rulebook on Client Categorization and other internal rules and procedures of the Authorized Bank. To enable the Authorized Bank to properly classify a client, every client shall within the shortest period at the request of the Authorized Bank submit all data and documents required by the Authorized Bank for the classification. The Authorized Bank shall inform every client in writing, by fax or e-mail or by other durable medium, about the following:

- 1) client category in which he was placed;
- 2) level of protection of interests that will be provided for him;
- 3) the possibility for him to request classification into another client category, as well as about all changes of the level of protection resulting from such a decision.

A durable medium is paper or a means enabling the storage of data in digital format (CD, internet banking, e-mail under specific conditions, etc.) in such a manner that access, processing and integrity of data are secured at least until the deadline prescribed by relevant regulations.

3.3 Change of client category/level of protection

A professional client who believes that he is not able to adequately assess, i.e. manage risks characterizing a specific investment, can request from the Authorized Bank in writing a higher level of protection of its interests relevant to all or an individual service, type of transaction, i.e. financial instrument. In this case the Authorized Bank and client shall conclude a contract, i.e. annex to contract thereby detailing services, fees, i.e. transactions, i.e. financial instruments in relation to which the client does not wish to be treated as a professional client.

A small client who wishes to be treated as a professional client can request in writing from the Authorized Bank a lower level of protection of its interests in relation to all or an individual service, type of transaction, i.e. financial instrument, in accordance with the procedure prescribed by the Rulebook on Client Categorization and acts of the Commission. In an individual document, separate from the contract and which will be prepared by the Authorized Bank, the client shall state that it is aware of the consequences of losing the level of protection.

4. CLIENT ORDER, MANNER AND CONDITIONS OF RECEIVING AN ORDER

4.1 Place of receipt of the client's order

The Authorized Bank receives orders clients' orders in (i) its headquarters, (ii) organizational entity, (iii) branch office, (iv) business premises of another investment company that the Authorized Bank has authorized by contract to receive in its business premises the orders of clients on the behalf of and for the account of the Authorized Bank. A client's order is regarded as received when it is received in the headquarters of the Authorized Bank or its branch office, i.e. organizational entity that holds the permit to execute orders. The Authorized Bank shall form a list of its organizational entities, branch offices, as well as other investment companies that it has authorized to receive in their business premises the orders of clients on the behalf and for the account of the Authorized Bank. Such a list shall be published along with this Code of Practice and shall form its integral part.

The Authorized Bank shall regulate relations with the authorized investment company from Item 1 of this Article by contract, in accordance with the LCM and Commission regulations.

4.2 Manner of receiving the client's order

The Authorized Bank receives client's orders submitted (i) directly, (ii) by telephone, or (iii) telefax, electronically, if this is envisaged by the contract with the client, in which case adequate protective mechanisms are applied, such as devices for audio and other recording, to provide order accuracy and reliability in the records of the Authorized Bank. By concluding the Contract of Services with the Authorized Bank it shall be deemed that the client has given its consent for audio and other recording of conversations with the Authorized Bank as well as

such other mechanisms serving to prove the presentation of orders to the Authorized Bank that can be envisaged by internal acts of the Authorized Bank.

When a branch office or organizational entity of the Authorized Bank, who do not have the permit to execute an order, receive a clients order, they shall warn the client:

- 1) that they do not have the permit to execute the order,
- 2) of the period within which the order will reach the Authorized Bank,
- 3) that the order is deemed as received when it is received in the Authorized Bank.

4.3 Records of received orders

The Authorized Bank maintains a Book of Orders in electronic form, wherein orders are entered immediately after receipt, including also orders transferred to some other investment company for execution, changes and revocations.

The Book of Orders of the Authorized Bank shall especially contain following data:

- 1) first and last name/business name or other client labels;
- 2) first and last name/business name or label of persons representing the client;
- 3) order number;
- 4) date and exact time when the order was received, changed and revoked;
- 5) identification label of the financial instrument;
- 6) price of the financial instrument and label of the currency used to state the price;
- 7) quantity of the financial instrument;
- 8) label of purchase, i.e. sale;
- 9) nature of the order if it is not an order to sell or buy;
- 10) type of order;
- 11) order status; and
- 12) all other particulars, conditions and instructions related to the execution of the order.

In case if the order is delegated to another investment company for execution, the Book of Orders shall also contain:

- 1) first and last name/business name or other client labels;
- 2) business name or other label of the investment company to which the order was delegated;

- 3) date and exact time when the order was delegated, i.e. changes of the order; and
- 4) conditions of order delegation.

4.4 Confirmation of acceptance, i.e. rejection to perform a client's order

The Authorized Bank shall submit a notification via a durable medium to the client immediately, but no later than on the following working day after the day of receipt of the order about:

- 1) the time and place of receipt of the order, change or revocation of the order;
- 2) acceptance or rejection to execute the order, specifying the reason for rejecting to execute.

4.5 Reasons to reject to execute a client's order

The Authorized Bank has the obligation and the right to reject to fulfill an order to buy, i.e. sell and to inform the Commission of this without delay, if it has a reason for a reasonable suspicion that the executing such an order:

- 1) would breach provisions of the LCM, bylaws adopted based on the LCM, laws regulating the prevention of money laundering and financing of terrorism or other regulation; or
- 2) would mean the committing of an offense punishable by law as a criminal offense, an economic offense or violation.

The Authorized Bank can refuse execution of:

- 1) an order to buy, if it establishes that the client's monetary account does not contain funds sufficient to settle obligations resulting based on the execution of that order; or
- 2) an order to sell, if it establishes that the client's financial instruments account does not contain instruments required to settle obligations resulting based on the execution of that order.

The Authorized Bank will not refuse to execute an order if the client's order can be executed:

- 1) from realized, but unbalanced transactions;
- 2) by giving the client a loan from the credit institution within which the Authorized Bank is operating, and based on valid regulations.

5. ORDER EXECUTION

5.1 Best execution of orders

When executing an order, the Authorized Bank shall undertake all reasonably required activities in order to achieve the best possible effect for the client having

in mind the price, expenses, speed, possibility of executing, balancing, volume, nature and all other factors related to the execution of the order, except that when a client issues special instructions related to a transaction, the investment company shall execute the order exclusively in accordance with those instructions.

Order execution is regulated in more detail in the Order Execution Policy of the Authorized Bank.

The Authorized Bank:

- 1) monitors efficiency of procedures for order execution envisaged in the Order Execution Policy, in order to identify and remove shortcomings in a timely manner;
- 2) regularly assesses if at sites for order execution stated in the Order Execution Policy best results for the clients are achieved, and if changes to existing procedures are required;
- 3) informs clients about all significant changes related to the manner or procedures of order execution; and
- 4) at their request, proves to its clients that it has executed orders in accordance with the Order Execution Policy.

5.2 Records of executed transactions

The Authorized Bank, records order execution in the Book of Orders after executing an order, i.e. after receiving a confirmation of an executed transaction, in case when the Authorized Bank delegates orders to some other investment company for execution. The record must contain:

- 1) first and last name/business name or other label of the client;
- 2) date, time and place of the trade;
- 3) identification label of the financial instrument;
- 4) quantity of financial instruments;
- 5) unit and total price and label of the currency used to state the price;
- 6) label of purchase i.e. sale;
- 7) nature of transaction, if not a buy or sell transaction; and
- 8) authorized person who has performed the transaction or who is responsible for its execution.

5.3 Offering services via another authorized company

The Authorized Bank may conclude a contract for performing investment services or for performing additional services with some other investment company on the behalf of the client and in this case it can use information about the client possessed by the first investment company. The Authorized Bank that forwards the instruction pertaining to the client's order remains responsible for the

completeness and accuracy of presented data. The investment company receiving the instruction to perform services on the behalf of the client can also accept any recommendation related to services or transaction offered to the client by the Authorized Bank. The Authorized Bank forwarding the instruction remains responsible for the recommendation or advice that it has given the client.

The investment company receiving the instruction from the client or orders through the Authorized Bank is responsible for executing services or transactions based on these data or recommendations, in accordance with relevant provisions contained in this chapter.

Conclusion of contracts for executing investment services or offering additional services with some other investment company on the behalf of the client is permitted if conditions from Article 152 of the LCM are fulfilled.

6. INFORMATION SPECIFICALLY PROVIDED TO SMALL CLIENTS

Before concluding a contract to offer services, the Authorized Bank shall offer a small client or potential small client via the internet page, i.e. durable medium, information about the Authorized Bank and services that the bank offers, financial instruments, protection of financial instruments, and about the client's monetary funds, expenses and fees, in accordance with the LCM and Commission documents, and internal acts of the Authorized Bank.

6.1 Information about the Authorized Bank and services

As a rule, information about the Authorized Bank and services includes the following:

- 1) business name and seat of the Authorized Bank, as well as all other data that provide efficient communication with the Authorized Bank;
- 2) number and date of the decision granting the work permit to the Authorized Bank, as well as the name and contact address of the competent body that had issued that permit;
- 3) possible ways and languages for communication between the Authorized Bank and the client, including also the manners in which the bank issues and receives orders, as well as provides documents and other information;
- 4) volume, frequency and periods for reporting to the client about services that the Authorized Bank has performed for the client;
- 5) a brief description of the manner of protection of instruments, i.e. funds, including also general data about the Investor Protection Fund that the Authorized Bank is a member of in case when the company holds the client's financial instruments, i.e. financial funds;
- 6) a brief description of the policy for managing conflicts of interest according to standards of UniCredit Group, a description of guidelines for resolving conflicts

of interest, as well as a description of resolving conflicts of interest in case of non-business activities.

6.2 Information about financial instruments

Information about financial instruments contains a general presentation of the nature and characteristics of risks for financial instruments, as a rule:

- 1) risks related to a specific type of financial instrument, including a clarification of financial leverage and its effects, as well as the risk to lose the complete investment;
- 2) financial instrument price volatility, as well as any limitation on existing markets for such instruments;
- 3) explanation that a transaction with such an instrument could, in addition to obtaining the instrument itself, include also additional financial and other obligations, including also potential obligations;
- 4) any conditions originating from a loan based on which the instrument was purchased or similar obligations applicable to an individual type of instrument.

When offering information about a specific financial instrument:

- 1) that is the subject of public offer which is in progress and for which a brochure has been issued – the Authorized Bank shall inform a client and potential client about the manner how the brochure can be accessed;
- 2) that includes a guarantee of a third party – the Authorized Bank shall provide a client and potential client with enough details about the guarantor and guarantee based on which he can correctly assess the guarantee;
- 3) that consists of two or more different instruments or services and for which it is apparent that the risk linked to that instrument will be higher than the risk linked to each individual component of that instrument – the Authorized Bank shall offer the client and potential client an adequate description of individual components of such instrument and the manner in which the mutual influence increases risk.

6.3 Information related to the protection of client's financial instruments and monetary funds

In the case when it holds financial instruments and/or financial funds of a client, the Authorized Bank, shall, as a rule, offer following information:

- 1) that financial funds or financial instruments can be kept at a third party in the name of the Authorized Bank and about obligations of the Authorized Bank related to acts or omissions of a third party, as well as about the consequences for the client in case of insolvency of the third party;
- 2) when the third party maintains financial instruments in a cumulative account as well as a warning about risks originating from this;

- 3) a notification in case when accounts containing the financial instruments or financial funds of the client or potential client, are or will fall under the competence of the legislation of another country (or of countries other than EU member states), and shall point out that the rights of the client or potential client related to the mentioned financial instruments or means can differ accordingly;
- 4) a notification about the existence and conditions of any potential mortgage that the Authorized Bank has or could have for client's financial instruments or means;
- 5) before concluding transactions for financing securities, and which pertain to financial instruments that the Authorized Bank is holding on the behalf of a small client or before using such financial instruments in some other way, the Authorized Bank shall in a timely manner, before using mentioned instruments, submit in writing to the small client clear, complete and accurate data about the obligations and responsibilities of the Authorized Bank relevant to the use of mentioned financial instruments, including conditions for their return to the client as well as about the risks that they include.

6.4 Data about costs and fees

Information about costs and fees include:

- 1) the total price that the client must pay related to the financial instrument or service, including all linked commissions, compensations and other costs, as well as all payments via the Authorized Bank;
- 2) the basis for calculating the price, in cases when it is not possible to state the total price;
- 3) a warning about the currency and the relevant exchange rate and expenses, in cases when any part of the total price from Item 1 of this Paragraph must be paid or represents a sum in a foreign currency;
- 4) a notification that there is a possibility of other expenses, which includes taxes or other payments, in connection with the transaction related to the financial instrument or service, that the client can incur, and that are not payable via the Authorized Bank or are not imposed by the Authorized Bank;
- 5) the manner of payment;

6.5 Information offered to professional clients

Before offering services to a professional client, the Authorized Bank shall offer information about the existence and conditions of any potential mortgage right that the Authorized Bank has or could have for the financial instruments or means of the client and about obligations and responsibilities of the bank pertaining to the use of financial instruments.

7. DELEGATION OF SERVICES AND BUSINESS PROCESSES

7.1 Types of services that may be delegated

The Authorized Bank can entrust to some other party jobs related to:

- 1) promotion of its services;
- 2) offering investment recommendations;
- 3) receiving and transferring orders

while applying and acting fully in accordance with provisions of the LCM and bylaws.

7.2 Obligations of the Authorized Bank in case of delegating jobs

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In the case when jobs are delegated, the Authorized Bank:

- 1.** shall take care that the service provider has the knowledge, skills, means and required approvals to professionally execute entrusted jobs;
- 2.** shall conclude a written contract with the service provider regulating mutual rights and obligations, especially obligations of the service provider to:
 - 1) safeguard confidential information related to the Authorized Bank and its clients,
 - 2) monitor the execution of entrusted jobs in an adequate manner,
 - 3) adequately manage risks linked to entrusted jobs,
 - 4) maintain records about personal transactions, and the obligation to submit this at the request of Authorized Bank;
 - 5) inform the Authorized Bank in a timely manner about all circumstances that can influence the efficient execution of entrusted jobs in accordance with relevant regulations,
 - 6) fully cooperate with auditors and the Commission or other competent bodies related to entrusted jobs.
- 3.** shall establish methods for assessing the efficiency of the service provider related to entrusted jobs and undertake adequate measures if it assesses that the service provider is not able to perform entrusted jobs efficiently and in accordance with relevant regulations;
- 4.** shall, when necessary, and in view of the type of job entrusted to the service provider, together with the service provider, prepare, implement and regularly update a reserve plan for information retrieval in case if the main system crashes, and for periodic testing;

5. shall secure that the termination of the contract for entrusting jobs has no negative effect on the continuity and quality of services offered by the Authorized Bank to its clients;
6. shall also implement other measures in order to avoid other risks and secure that the entrusting of jobs will not jeopardize to any considerable extent the quality of internal control and the implementation of supervision over operations of the Authorized Bank in accordance with relevant regulations.

In case if it entrusts jobs to some other entity, the Authorized Bank shall be fully responsible for respecting the provisions of the LCM and bylaws.

II

In case if it entrusts jobs to some other entity, the Authorized Bank shall especially take care that the entrusting of jobs to some other entity must not result in:

- 1) the change of conditions under which the Authorized Bank was granted its work permit;
- 2) a transfer of responsibilities of the Head of the Authorized Bank to other persons;
- 3) a change of the relation of the Authorized Bank with its clients;
- 4) the creation of unnecessary additional business risks;
- 5) the undermining of the quality of internal control;
- 6) the undermining of the potential for implementing supervision over the operations of the Authorized Bank in accordance with relevant regulations.

In case of entrusting jobs the Authorized Bank shall inform the Commission accordingly within 7 (in writing: seven) days from the conclusion of the contract.

8. CONTRACT WITH THE CLIENT

8.1 Basic provisions

A person becomes a client of the Authorized Bank by concluding the written Contract of Services from Article 2 of this Code, which regulates mutual rights and obligation of contracting parties, where these can be established by referring to other documents of the Authorized Bank that are available to the client.

The Contract from Paragraph 1 of this Article must contain the provision that the client's statement:

- that before concluding the Contract the Code of Practice was made available to it and that it has been acquainted with its content,
- that it has been acquainted with the Rulebook on the Tariff of the Authorized Bank,

shall form an integral part of the Contract.

8.2 Exception related to professional clients

The Authorized Bank has no obligation to conclude a contract with following professional clients, if it performs services of receiving and transferring orders, i.e. order execution, i.e. additional services related to them:

- 1) persons who in order to operate on the financial market are subject to the obligation of approval, i.e. supervision by the competent body, such as: credit institutions, investment companies, other financial institutions whose operations have been approved or are supervised by the adequate supervisory body, insurance company, collective investment institution and their management companies, pension funds and their management companies, dealers on the commodity exchange, as well as other persons supervised by the competent body;
- 2) the Republic, autonomous regions and units of local self-government, as well as other countries or national and regional bodies, the National Bank of Serbia and central banks of other countries, international and supranational institutions, such as the International Monetary Fund, the European Central Bank, the European Investment Bank, and other similar International organizations.

8.3 Jobs of order receiving, transfer and execution pertaining to selling and buying financial instruments

By the Contract on Performing Broker Jobs the Authorized Bank undertakes to mediate in the buying and selling of financial instruments for the client, i.e. that it will buy and sell securities for the account of the client, based on the order of that client, and the client undertakes to pay commission for that service.

8.4 Trading by the Authorized Bank as part of the Credit Institution for its own account

Trading for ones own account, i.e. the job of dealer is trading by using own property, i.e. in ones own name and for own account, resulting in the conclusion of transactions with one or more financial instruments.

When performing dealer jobs, the Authorized Bank:

- 1) may not buy, sell or lend for its own account the same financial instruments which are the subject of a client's order before acting in accordance with the client's order;
- 2) shall maintain its own account for financial instruments at the Central Registry, separate from financial instruments of its clients;
- 3) must place interests of its clients above own interests and operate fairly, honestly and professionally, in accordance with the best interests of clients, respecting principles established by the LCM.

8.5 Sponsorship services

Sponsorship services are performed by the Authorized Bank related to offering and selling financial instruments with the obligation to redeem, in accordance with the LCM.

The Contract of Sponsorship that the Authorized Bank as the sponsor concludes with the client, especially contains:

- 1) the obligation of the sponsor to redeem the whole issue or only part of unsold financial instruments after the lapse of the deadline for subscription and payment;
- 2) the responsibility of contracting parties related to issuing financial instruments and issuing price, i.e. interest rate;
- 3) the potential obligation of the issuer not to issue or sell financial instruments of the same type within a certain period after the beginning of primary sale;
- 4) provisions about fees, commissions and conditions for paying for sponsorship services.

When several investment companies participate on the sponsor's side in the organization of issuing financial instruments with the obligation to redeem, these companies are obliged to conclude a special; contract which regulates mutual rights and obligations and identifies one investment company as the main organizer of distribution, which signs the contract with the issuer.

8.6 Services related to the offer and sale of financial instruments without the obligation to redeem

The Authorized Bank performs dealer services related to the offer and sale of financial instruments without the obligation to redeem, in accordance with the LCM.

The Authorized Bank undertakes by contract to organize the distribution of securities by public offer or without public offer by striving for third parties to subscribe and pay for securities, and clients undertake to pay commission for this in accordance with the tariff of the Authorized Bank.

8.7 Market maker jobs

The Authorized Bank performs jobs of market maker by buying and selling financial instruments on financial markets in its own name and for its own account, using own property, at prices that it itself determines.

The Authorized Bank performs jobs of market maker on a regulated market in accordance with the Code of Practice of the market organizer.

9. MUTUAL RIGHTS AND OBLIGATIONS OF THE AUTHORIZED BANK AND ITS CLIENTS

9.1 General obligations

Clients must perform their obligations in a manner and under the conditions established by this Code of Practice and the contract concluded with an Authorized Bank.

Clients of the Authorized Bank shall perform obligations for jobs undertaken on their behalf by the Authorized Bank in good faith, and in accordance with good business practices and business ethics.

9.2 Obligation to collect and submit data

When offering investment services pertaining solely to executing, i.e. receiving and transferring the orders of clients without performing additional services, the Authorized Bank can offer these investment services to its clients without obligations to procure data from the previous Paragraph of this Article, if conditions envisaged by Paragraph 5 of Article 165 of the LCM are fulfilled.

9.3 Contract with another investment company

The Authorized Bank can conclude a contract for performing investment services or for offering additional services with another investment company on the behalf of the client and in this case can use information about the client that it forwards to the other investment company, in accordance with conditions regulated by the LCM and acts of the Commission.

10. PROTECTION OF PROPERTY OF INVESTMENT COMPANY CLIENTS

10.1 Protection of financial instruments and monetary funds of clients

The Authorized Bank, as part of the Credit Institution, shall maintain precise and accurate records, accounts and correspondence related to them, so that at any moment it can differentiate the property of one client from the property of other clients and the property of the bank, and must regularly harmonize them with records and accounts of third parties who are holding property of clients.

The Authorized Bank shall implement measures to secure that (i) its account of financial instruments at the Central Registry is maintained separately from financial instruments of its clients, and (ii) all financial funds of clients are kept in an account or accounts that differ from accounts used to hold the means of the Authorized Bank.

10.2 Handling of clients' financial instruments

The Authorized Bank shall use financial instruments from the account of a client only based on the client's order. The Authorized Bank shall not:

- 1) pledge or alienate financial instruments owned by a client without previous written authorization;

- 2) use financial instruments of a client to pay own obligations, or obligations of other clients.

10.3 Depositing clients' financial instruments abroad

When selecting a foreign depository on whose account it will keep financial instruments of its clients, the Authorized Bank shall take into account:

- 1) the expertise and market reputation of the depository;
- 2) that the depository is subject to regulations regulating the safeguarding of financial instruments for the account of another party in that country;
- 3) to periodically review the selection of the depository and agreed arrangements for holding and safeguarding clients' financial instruments.

As an exemption from Paragraph 1, Item 2 of this Article, the Authorized Bank can deposit the financial instruments of a client with a depository in a country where the holding and safeguarding of financial instruments for the account of some other party are not specially regulated, only if one of the following conditions is fulfilled:

- 1) the nature of the financial instrument or investment service related to the mentioned instrument require depositing at a depository in that country;
- 2) the professional client requests in writing from the Authorized Bank to deposit its financial instrument with a depository in that country.

10.4 Utilization of clients' financial instruments

The Authorized Bank can use financial instruments it holds for a client, only under accurately established conditions that the client has agreed to in writing.

The Authorized Bank can use financial instruments of other clients which the bank holds on a cumulative account, only if, in addition to conditions from Paragraph 1 of this Article, following conditions are also fulfilled:

- 1) each of the clients whose financial instruments are held in the cumulative account has given explicit previous consent for its instruments to be used under exactly determined conditions;
- 2) that the Authorized Bank has established a system of control which provides that exclusively financial instruments of clients who have given explicit previous consent, in accordance with Item 1, will be used.

The Authorized Bank maintains records about details related to the client according to whose instructions the financial instruments were used, and the quantity of used financial instruments, classified by clients who have given previous consent for the use of their financial instruments. Records are maintained in a manner enabling equitable distribution of potential losses.

10.5 Handling of clients' monetary funds

The Authorized Bank where the client opens a monetary account shall hold the client' funds in the account separate from the monetary account of the bank. The Authorized Bank shall provide that funds from the client's monetary account:

- 1) are used only for payments of obligations related to services which the Authorized Bank performs for the client;
- 2) are not used for paying obligations of any other client;
- 3) are not used for paying obligations of the Authorized Bank.

11. LENDING TERMS FOR FINANCIAL INSTRUMENTS

11.1 Lending terms

The Authorized Bank can lend to some other client, some other investment company or credit institution member of the Central Registry, financial instruments:

- 1) for which the legal holder is the Authorized Bank;
- 2) for which the legal holder is the client with whom the Authorized Bank has concluded a contract of maintaining an account of financial instruments, provided that it concludes with that client a contract for lending financial instruments or that it has procured a written authorization from the client to do so.

The Authorized Bank can lend financial instruments of the client for its own account if conditions from the previous Paragraph are fulfilled.

The Authorized Bank can mediate in the concluding of a contract for lending financial instruments for the account of a client. Financial instruments over which lien has been constituted, i.e. the trade of which is limited, can not be the subject of a contract of loan.

Profit realized by the lending of financial instruments of a client is ascribed to that client, however the Authorized Bank can charge for services of contracting the loan in accordance with the Rulebook on the Tariff.

No later than on the following day from the day of transfer of financial instruments from the account of the client, the Authorized Bank must inform that client about the date, and time of transfer and the quantity of financial instruments loaned.

11.2 Contract of loan

The Contract of Loan, i.e. authorization to lend, especially contain:

- 1) mutual rights and obligations of contracting parties;

- 2) CFI code and ISIN number or other internationally recognized label and quantity of financial instruments that can be loaned, i.e. that are being loaned;
- 3) duration of Contract, which can not be over one year;
- 4) the period of time during which financial instruments of a client can be loaned, i.e. period of time during which they are being loaned;
- 5) the authorization given by the client to the Authorized Bank to effect the transfer of financial instruments to which the Contract pertains;
- 6) provisions about fees, commissions and payment conditions.

11.3 Security

The fulfillment of borrower's obligations must be secured by a pledge.

If the borrower does not fulfill its obligation resulting from the Contract of Loan when due, the creditor can determine the value of its claim in relation to the value of financial instruments that they had on the day when the Contract was concluded or on the day of fulfillment of borrower's obligations, and sell the object of pledge in accordance with regulations regulating obligations.

12. RULES OF CONDUCT WHEN PERFORMING INVESTMENT SERVICES

When performing investment services for clients, the Authorized Bank shall place the interests of its clients above its own interest and shall operate fairly, honestly and professionally, in accordance with the best interests of clients respecting principles established by provisions of the LCM and standards of UniCredit Group.

All information, including also marketing information, that the Authorized Bank sends its clients or potential clients, must be true, clear and not be misleading, and marketing material must be clearly labeled as such.

13. OFFICE HOURS

Office hours of the Authorized Bank are working days from 9:00 am to 5:00 pm.

When necessary, attendance can be organized on weekends, state and religious holidays, of which clients will be informed via the Internet page of the Authorized Bank.

Exceptionally, the Director of the Authorized Bank can prescribe different office hours, i.e. trading hours of the Authorized Bank, of which clients will be informed via the Internet page of the Authorized Bank.

14. COMPUTER INFORMATION SYSTEMS

The computer information system of the Authorized Bank is adequate, in view of the volume and complexity of services performed by the Authorized Bank.

The Authorized Bank provides efficient control and protection of computer information systems, implying data security, completeness and secrecy, and especially:

- 1) hardware and software protection against unauthorized access to data via detailed surveillance (procedures for registration, analysis and control of each activity in the system), by access control via the allocation of authorization and user authorization;
- 2) adequate employee training related to the use of the system and procedures established for its protection;
- 3) that only authorized persons, of whom the Authorized Bank maintains special records, have access to the computer information system and the possibility to input, change and use data;
- 4) that any person with access to a workstation must have a username and password and access only to functions required to perform that person's job, provided that a username and password can be used by only one person;
- 5) that only data approved in the manner established by documents of the Credit Institution of which the Authorized Bank is an organizational entity are input into computer information systems;
- 6) that all data the input of which is approved are input into the computer information systems;
- 7) that the accuracy of input data is checked regularly.

Statements of computer information systems of the Authorized Bank must contain the date and time when they were compiled and the certification of the authorized person.

15. CODE OF ETHICS

15.1 Principles

To ensure a fair and efficient functioning of the capital market, in its business the Authorized Bank as part of the credit institution and the UniCredit Group and its employees are obliged to abide by the rules of safe and good operations regulated by laws and bylaws and respect principles of the Code of Ethics:

- 1) **Principle of legality** - to organize business in compliance with all laws and bylaws and documents. This principle includes also a ban on performing tasks that abuse privileged information, which is regulated by special

procedures of the credit institution of which the Authorized The Bank is an organizational unit.

- 2) **Principle of due care** - that in his work with clients it operates with due care and according to professional rules. This principle particularly includes doing business with clients based on full information about the client, as well as providing the Client with all information necessary for making an investment decision based on full information, with consideration and respect for the level of information and knowledge of clients.
- 3) **Principles of reliability, transparency, honesty and fairness** - to perform its business ensuring an appropriate level of reliability and integrity, and to implement contacts with the public, clients, employees in a manner that ensures fair and honest business. This principle includes in particular the priority of the clients interests, protection of the client's property, the providing of timely and complete information, as well as the notifying of the client about all actual and possible conflicts of interest in order to ensure fair and objective dealings with clients. Members of the management and employees of the Authorized Banks are required to avoid conflicts of interest with the client and if this is not possible to ensure fair treatment of the client. The procedures for managing conflicts of interest are governed by separate acts of the credit institution and according to standards of UniCredit Group.
- 4) **Principle of professionalism** - to perform operations in a professional manner that creates a positive image about the company and profession, as well as to maintain and upgrade their professional knowledge. This principle includes in particular the Code of Practice relating to the business with client's accounts, business with the accounts of members of the administration and employees and persons associated with them, as well as ongoing education of participants in the business.
- 5) **Principle of confidentiality** - to provide confidentiality of information about the client in accordance with the law and bylaws and other acts of the Exchange, of which the Authorized Bank is a member.
- 6) **Principle of preventing unfair competition** - not to use unethical practices which imply: dumping, unethical obtaining of information about competitors and especially the spreading of false information about them. The Authorized Bank shall not implement unfair acts or forms of cooperation on the market that are contrary to good business practices, and in particular shall not: enter into agreements about prices, divisions of the market, boycott of clients, restricting the provision of services or any form of a permanent agreement in order to acquire a privileged market position.

15.2 Obligations of employees in accordance with the UniCredit Group Code of Conduct

Employees of authorized banks are required to perform their duties in accordance with good business practice and business ethics and to behave in a way that will not jeopardize their own reputation and the reputation of Authorized Bank and UniCredit Group.

Employees of the Authorized Bank are required to obtain written consent from the competent body of the Authorized Bank to perform additional work at other parties, which is specifically regulated by acts on the management of conflict of interest outside business activities.

Additional work at other parties may not be within the competence of brokers and other employees, and can not be in any way related to the conduct of trade on the stock exchange or the OTC trade.

Employees in the Authorized Bank shall not accept or give gifts, except those given for marketing purposes, common in the business world.

Employees in the Authorized Bank shall report without delay to the competent body of the Authorized Bank if any person breaks the law, other regulation or these Operating Rules.

Obligations from the preceding paragraphs are specifically regulated by documents of UniCredit Group according to which the Authorized Bank operates.

16. MANAGING CONFLICTS OF INTEREST

16.1 Establishing the existence of a conflict of interest

When determining conflicts of interest, the Authorized Bank assesses if relevant persons or persons closely associated with them, due to the delivery of services under Article 2 of these Rules or for other reasons:

- 1) can achieve financial profit or avoid financial loss to the detriment of the client;
- 2) have an interest or benefit from results of services rendered to the client or transaction executed on behalf of the client, which differ from the interests of the client;
- 3) have a financial or some other motive that suits the interests of another client or group of clients to the detriment of the client's interests;
- 4) perform the same activity as the client.

Relevant Person - a person with an ownership share in the Authorized Bank, in a managerial position in the Authorized Bank (directors), employee, and any other natural person engaged by the Authorized Bank to provide services within its competence.

16.2 Personal transactions

16.2.1 The Authorized Bank must prohibit the Relevant Person to perform following activities:

- 1) to conclude personal transactions if:
 - this involves abuse or disclosing of insider or other confidential information pertaining to the client or transactions with the client or on behalf of the client,
 - the closing of such transaction is in conflict or is likely to come into conflict with the obligations of the investment company;
- 2) to advise or persuade another person to conclude a transaction with financial instruments in a manner that exceeds the authorizations of the Relevant Person or is not regulated by the Contract for Providing Services;
- 3) to reveal to another person any information or opinions, except within the regular authorization or within the Contract for Providing Services, if the Relevant Person knows, or should know, that such actions will influence the other person to:
 - conclude a transaction with financial instruments;
 - advise or persuade a third party to perform such a transaction.

16.2.2 The Authorized Bank shall regularly update appropriate measures to prevent illicit activities by the Relevant Person who:

- 1) participates in activities that can lead to conflicts of interest or
- 2) based on the activities performed in the name, i.e. for the account of the Authorized Bank has access to insider or other confidential information relating to the client or transactions with the client or on behalf of the client.

16.2.3 The Authorized Bank shall ensure that:

- 1) all Relevant Persons of the Authorized Bank are acquainted with prohibited activities and company measures related to personal transactions and relevant notifications;
- 2) it will be immediately informed about all personal transactions;
- 3) when jobs are entrusted to another person, this person maintains records of personal transactions of the service provider's Relevant Persons, and that upon request it promptly provides the Authorized Bank information about personal transactions;
- 4) records are maintained about all personal transactions, which must include all approvals or prohibitions relating to personal transactions.

16.3 Circumstances that constitute or may lead to conflicts of interest

Conflicts of interest between the Authorized Bank, the Relevant Persons and all persons closely associated with them, on the one hand, and clients of the Authorized Bank, on the other hand, can arise when providing investment services to a client and simultaneously placing the order of Relevant Persons to the Authorized Bank for the same financial instrument of the same issuer.

16.4 Activities prohibited to Relevant Persons

In accordance with these Rules, the Authorized Bank will not allow the Relevant Person to conclude personal transactions if:

- this includes abuse or disclosing of insider or other confidential information relating to the client or transactions with client or on behalf of the client,
- the closing of such transactions is in conflict or is likely to come in conflict with the performance of obligations of the Authorized Bank to the client;
- he advises another person to conclude transactions with financial instruments, in a manner that exceeds the authorization of the Relevant Person or is not regulated by the Contract for Providing Services;
- he discloses to another person any information or opinions, except in the regular course of business or within the Contract for Providing Services, if the Relevant Person knows, or should know, that such conduct will influence the other person to conclude a transaction with financial instruments;
- advises or persuades a third party to close such transactions.

16.5 Measures to prevent conflicts of interest

The Authorized Bank is required to apply and regularly updated measures to prevent and manage conflicts of interest. The Authorized Bank is required:

- 1) to ensure that all Relevant Persons of the Authorized Bank are familiar with prohibited activities and measures, as well as to maintain records about personal transactions of Relevant Persons (as well as persons who are their relatives or otherwise closely related to them). Records must include all approvals or prohibitions related to personal transactions;
- 2) to adopt, implement and regularly update preventive measures to prevent Relevant Persons to undertake forbidden activities;
- 3) when externalizing – entrusting business to another person, to provide that the service provider maintains records of personal transactions of the service provider's Relevant Persons, as well as to immediately upon request from the Authorized Bank submit information about personal transactions of Relevant Persons;
- 4) to apply in the organizational structure the appropriate mechanism for storage and restricting the flow of information between different organizational units;

- 5) to operate according to principles of protecting the interests of clients, conscientiousness, professionalism and fair business practices.

17. LIABILITY FOR DAMAGES

17.1 Liability of the Authorized Bank

The Authorized Bank is responsible for any damages incurred in providing services belonging to the scope of operations of the Authorized Bank due to the culpability of the Authorized Bank, and in particular for damage caused by:

- breach of confidentiality of data that occurs in the performing jobs with that client,
- failure execute, i.e. improper or untimely execution of orders,
- not entering, i.e. incorrectly entering orders,
- issuing unlawful and incorrect orders for subscription of rights which are subject to entry in the Central Registry.

Under no circumstances shall the Authorized Bank be liable to the Client for potential damages resulting from any risk associated with the purchase/sale of financial instruments.

The Authorized Bank is liable only for direct damages (but not for indirect damages or lost profits) resulting through the fault of the Authorized Bank in carrying out its activity. By the contract with the client the Authorized Bank can limit its liability for damages.

Under no circumstances does the Authorized Bank guarantee for the fulfillment of obligations of the other contracting party from any transaction of purchase/sale of financial instruments performed in accordance with an order.

17.2 Responsibility of the client

Clients are liable to the Authorized Bank for damages incurred due to incorrect data and documentation submitted to the Authorized Bank, failure to fulfill obligations envisaged by the Contract, in accordance with the Law on Obligations and in other cases envisaged by the law.

18. TRANSITORY AND CLOSING PROVISIONS

The Authorized Bank will publish the Code of Practice as well as its any further modification (before implementation but after obtaining the consent of the Commission), on its website and on the bulletin board at least 15 (in words: fifteen) days prior to the start of implementation.

If The Authorized Bank has clients who are foreign legal or natural persons, notification about amendments to the Code of Practice are given in the manner envisaged by the Contract with client, and if the number of clients from one

country is over 50 (in writing: fifty), notification can be by publication in a daily paper published in the territory of the clients' country.

On the date of implementation of this Code it shall supersede the Code of Practice of the Department of Broker-Dealer Affairs of UniCredit Bank Srbija a.d. dated 19 July 2010.

This Code of Practice enters into force on the date of issuing the decision approving the said Code of Practice by the Securities Commission, and shall be applied after the lapse of 7 (in words: seven) days from the date of publication specified in paragraph 1 of this Article.

**Claudio Cesario,
President of the
Management Board**

**Branislav
Radovanovic, Deputy
President of the
Management Board**

**Alen Dobric, Member
of the Management
Board**