

DECLARATION OF INVESTMENT RISK dated April 1st, 2017

1. General provisions

- 1.1. The subject of this Declaration (hereinafter referred to as "Declaration") is to inform the Client about financial risks related to trading in over-the-counter (OTC) Financial Instruments.
- 1.2. This Declaration describes essential, yet not all types of risks related to trading in OTC Financial Instruments.
- 1.3. This document forms an integral part of the Regulations on the provision of services consisting in the execution of orders to buy or sell property rights, keeping property rights accounts and cash accounts by XTB International Limited. ("Regulations"). The terms used in this document with the use of capital letters shall have the meaning as specified in the Regulations.

2. Risk elements in relation to Financial Instruments

- 2.1. Trading in Financial Instruments which value is based i.e. on securities, futures, currency exchange rates, prices of raw materials, commodities, stock exchange indices or prices of other Underlying Instruments involves specific market risk related to the Underlying Instruments.
- 2.2. Specific market risk for a particular Underlying Instrument includes, in particular, the risk of political changes, changes in economic policy, as well as other factors which may considerably and permanently influence the conditions and rules of trading and valuation of a particular Underlying Instrument.
- 2.3. In case of the high volatility or limited liquidity of the market for the Underlying Instrument, XTB may increase, without the prior notice, the Spread on Financial Instruments. In particular, liquidity on Underlying Instruments is largely limited during the opening phase of the market on Sunday at 11:00 p.m. (UTC time) and in consequence XTB commences trading with an increased level of Spread. Standard Spread values are restored as fast as the liquidity and the volatility of the underlying market allows. Usually this process takes not more than 10-20 minutes, however, in cases of limited liquidity or large volatility the process may take longer.
- 2.4. For Financial Instruments quoted with variable Spread (floating Spread) chosen by the Client point 2.3 above shall not apply and Spread is variable and reflects the market price of an Underlying Instrument. Such a variable Spread is a part of market risk and may negatively influence overall costs associated with the Transaction.

3. Financial leverage risk in relation to Financial Instruments

- 3.1. OTC Financial Instruments are contracts that largely employ financial leverage mechanism. Nominal value of the Transaction may largely exceed the value of the deposit, which means that even subtle changes of the price of an Underlying Instrument may considerably influence Client's particular Account's Balance.
- 3.2. The Margin deposited by the Client may secure only part of the nominal amount of the Transaction, which might result in high potential profit but also in the risk of heavy losses for the Client. The losses might in certain particularly unfavorable circumstances exceed financial resources gathered on particular Client's Accounts.

4. The risk of occurrence of the Force Majeure

- 4.1. Client accepts that in certain situations, in which normal activity of XTB is disrupted by the events of the Force Majeure or other events that are beyond XTB's control, the execution of the Client's Order might be impossible or Client's Order may be executed on conditions less favorable than it results from the Regulations, Order's Execution Policy or from this Declaration.

5. Execution time

- 5.1. In standard market conditions XTB confirms Client's Orders within 90 seconds. This condition, however, does not apply to a period when market is opening, as well as to other situations when on the particular market there is an exceptional volatility of prices of the Underlying Instrument or the loss of liquidity, as well as in other situation which are beyond XTB's control.
- 5.2. In some situations the confirmation of the execution of a Transaction on an Equity CFD or ETF CFD is only available after a relevant Underlying Instrument order was executed or placed on the Underlying Exchange. As soon as XTB receives the confirmation of such transaction, it becomes a basis for Equity CFD or ETF CFD price and as such is visible in the Trading Account.
- 5.3. Under the terms described in the Regulations Open Position on CFD may be closed without Client's consent after 365 days from the date of opening the position.

6. Price of a Financial Instrument

- 6.1. For Financial Instruments with market execution the prices shown in the Trading Account should be deemed as indicative and it is not guaranteed that the Client will deal at these quotations. The execution price of Client's Order will be based on the best price which XTB can offer at the particular moment without obtaining any additional confirmations from the Client. The current price of a Financial Instrument with market execution at which the Transaction is concluded will be reported back by XTB. The price of a concluded Transaction will be visible in the Trading Account.
- 6.2. In case of placing an Order with instant execution (instant Order), the Client concludes the Transaction at the price indicated in the Order provided that XTB may reject Client's Order if prior to conclusion of the Transaction, the Financial Instrument Price has changed significantly comparing to the price from the Order.
- 6.3. Client acknowledges that the quotations published by XTB on the particular Trading Account may differ from the price of Underlying Instrument in such a way that in accordance with the Regulations may be deemed erroneous. In those situations the parties are entitled to withdraw from the Transaction affected by such an error or parties may agree to correct the Transaction on the terms described in the Regulations.
- 6.4. As a result of withdrawal from the Transaction XTB shall adjust respective Balance and other registers within given Accounts and record respectively the Balance or other records according to the state existing prior to conclusion by the Client the Transaction on erroneous price. If the withdrawal refers to the Transaction closing the Open Position, the withdrawal causes restoring of the Open Position and the adjustment of the respective Balance and other registers within given Accounts to the state that would have existed if the position was never closed. It may involve additional risks, additional Client's loses or even closing of the Open Position through the stop out mechanism.
- 6.5. Offers, orders or transactions presented by XTB coming from Reference Institutions, based on which certain CFDs' price is determined, may be cancelled or withdrawn for reasons beyond XTB's control. In such case XTB has the right i.e. to withdraw from respective Transaction concluded by the Client.

7. Equity CFD, ETF CFD

- 7.1. In case of taking a short position on part of Equity CFDs or ETF CFDs, XTB shall offset such position with a corresponding short sale of the Underlying Instrument. Such Transactions may generate an additional borrowing costs for a Client, related with borrowing of the Underlying Instrument. The amount of this related cost is beyond control of XTB. Aforementioned costs shall be collected from a Client at the end of Trading Day and shown in Trading Account as swap points and may significantly influence the costs charged for a short position on Equity CFDs or ETF CFDs. Estimated costs of position shall be indicated in the Condition Tables, however, they may be changed with immediate effect depending on borrowing costs of Underlying Instrument.
- 7.2. In some circumstances transactions concluded on particular Underlying Instruments on the Underlying Exchange may be cancelled. In such case XTB has the right to cancel relevant corresponding Transaction on Equity CFDs or ETF CFDs with the Client.
- 7.3. If an Underlying Instrument for the Equity CFD or ETF CFD is being delisted on an Underlying Exchange and at the time of delisting there are still open positions in the relevant Equity CFD or ETF CFD, XTB has the right to close such positions without prior notification of the Client.
- 7.4. Client should specifically acquaint himself with conditions of trading in Equity CFDs or ETF CFDs described in the Regulations and Order's Execution Policy before trading with XTB.

8. Stop out mechanism

- 8.1. If the Equity or Balance on the Trading Account falls below certain value, XTB may at any time close any of the Client's Open Position ("stop out") in accordance with the rules specified respectively for CFDs in the Regulations. Client should specifically acquaint himself with those rules before trading with XTB.
- 8.2. Stop out mechanism in normal market conditions hedges particular Trading Accounts Balance against falling below the value of the deposited funds.
- 8.3. Should unfavorable market conditions arise, in particular if a price gap occurs, the execution price of Closing Position with the stop out mechanism may be so unfavorable that the losses suffered may exceed the Balance on particular Client's Accounts.
- 8.4. Client should ensure that the execution of the Order won't cause automatic closing of the position through the stop out mechanism. This situation may occur in particular when:
 - a) costs relating to the Transaction after its opening will cause decrease of the Equity to the level that activates in accordance with the Agreement the stop out mechanism or
 - b) the significant volume of the Order will cause that upon execution the VWAP price strongly deviates from the first price from the book of orders, and the valuation of the newly opened position will cause the decrease of the Equity to the level that activates in accordance with the Agreement the stop out mechanism.
- 8.5. XTB may, but isn't obliged to, inform the Client, if accordingly, the Equity or the Balance on the Trading Account is close to the value at which the stop out mechanism is activated ("margin call"). This information may be sent through the trading platform or in another way.

9. Terms and conditions of keeping the Account

- 9.1. Prior to signing the Agreement the Client should acquaint himself and accept all costs and charges related to the execution of the Agreement. It concerns in particular all costs of keeping and maintaining the Accounts, all costs and commissions related to the conclusion of Transactions and all other fees and commissions charged by XTB in accordance with the Agreement. Client is hereby made aware that there might be other costs and taxes connected to performance of the services on particular markets which will be collected from the Client and paid through XTB.
- 9.2. Transaction or Order concluded or placed by the Client in Equity CFDs or ETF CFDs may require XTB to conclude hedging transaction in Underlying Instrument on one or more Underlying Exchanges and/or with one or more Partners. In case of the Client placing an Order or concluding a Transaction in Equity CFDs, and/or EFT CFDs, XTB shall be entitled, on a basis of this Agreement, to use on own account funds constituting Nominal Value of Margin deposited on Client's Account. For this purpose, XTB is entitled to transfer to XTB the equivalent of such funds as a security and may transfer them to corporate account of XTB and pass on to the Partner in order to place an order and/or conclude a hedging transaction on the Underlying Exchange or with the Partner. Those funds will still be shown on Client's Account as the Balance.
- 9.3. In some cases XTB executes its services also with the use of custodians or brokers. The principles of broker's or custodian's services are based on the regulations applicable to those entities. Client should be aware that due to this fact Client rights might be regulated differently than as if they would be if the law applicable in Client's country of residence applied. In a situation when XTB deposits Financial Instruments, recorded on Client's Trading Account, on an omnibus account maintained for XTB by the Custodian, XTB is the signatory of the omnibus account and the holder of Trading Account shall be entitled to Financial Instruments recorded on such an omnibus account, in amount specified by XTB in the Trading Account. Trading Account's holders' Financial Instruments are kept separately from financial instruments of the Custodian or XTB. If, for any reason, there is no possibility to keep Financial Instruments of the Trading Account's holders separately, XTB shall be obliged to inform the Clients without unnecessary delay.
- 9.4. In case described in points 9.2 or 9.3 above, XTB shall be responsible for appointment of the Custodian and/or the Partner on the basis of applicable to the Agreement:
 - a) legal provisions;
 - b) regulations;
 - c) market regulations, customs and/or market practices being in force on a given market;
 - d) binding acts issued by public or corporate institutions, market operators or other participants of the market on the basis of the law, regulations, customs, and practices, mentioned in points a-c, in particular resolutions, decisions, motions, directives and/or instructions, addressed to particular units as well as to general public, hereinafter referred to as "Applicable Provisions", subject to other provisions of the Agreement.
- 9.5. Subject to the Applicable Provisions, XTB shall not be responsible for improper execution of services by Custodian, Broker and/or Partner, in particular depository and brokerage services, if lack or improper execution of services results from circumstances for which XTB is not responsible. Terms and conditions of the services provided by Custodian and/or Partner are based on provisions applicable to Custodian and/or Partner.
- 9.6. Keeping Clients' Financial Instruments and/or funds at the Custodian, Partner and/or corporate account of XTB in case of transfer of the funds to XTB, is related with increased risk connected with business continuity of the Custodian, Partner and/or XTB (risk of insolvency, risk of liquidation, risk of infringement or disolvement of the Agreement).

10. Technological limitations and Beta Services

- 10.1. Signing a binding Agreement shall mean that the Client knows and accepts specific technological features of the trading platforms and Trading Accounts provided by XTB. It concerns in particular the manner of Trading Account functioning, the manner of Orders' execution, the possibility of limitations in the access to the Accounts through electronic means, that arises due to possible malfunctioning of services provided by third parties that supply telecommunication, hardware or

software infrastructure. The Client shall bear all consequences and costs arising from lack of access to the Accounts and from any limitations in opportunities to execute a Transaction through electronic means that are caused by reasons that are beyond XTB's control.

- 10.2. Trading Accounts may be temporarily suspended for reasons that are beyond XTB's control. This may disable, delay or in other way affect the Transaction's proper execution for what XTB cannot take responsibility.
- 10.3. Client may voluntarily agree to participate in testing periods of XTB's new products and services. In that case such new products and services may cause additional risk to the Client which is described in the Regulations. Before agreeing to participate in such testing periods ("Beta Services") the Client should carefully acquaint with the rules and risks connected with Beta Services described in the Regulations.

11. Other essential information

- 11.1. **Client hereby acknowledges that unless otherwise stipulated, XTB does not cooperate with any entities, including both natural persons and organizational entities, which directly or indirectly provide brokerage activities consisting of investment advice, portfolio management, preparation of recommendations concerning transactions on financial instruments or other similar services by acting on XTB's account or on their own.**
- 11.2. **Client acknowledges that XTB does not authorize any other entity or a person to receive any cash deposits or any other assets from the Client on the account of XTB and the Client should at all times deposit funds necessary to conclude the Transactions only on the Cash Account specified in accordance with the Agreement.**
- 11.3. **In case of any concerns as to XTB employees' activities or concerning cooperation with persons or entities mentioned above, Client should at all times contact XTB.**
- 11.4. **Unless stipulated otherwise, the Client shall conclude the Transactions directly with XTB and shall not act as an agent or proxy of other person. The Client shall not authorize any person to conclude the Transactions on behalf of the Client, unless XTB expresses its consent thereto.**
- 11.5. **The Client acknowledges that unless explicitly specified otherwise all Instructions placed by the Client with XTB shall be considered as Client's independent investment decisions. The Client should always base his investment decisions on his own judgment.**

12. Final representations

- 12.1. When making a decision to sign the Agreement, the Client shall carefully consider whether the OTC Financial Instruments are appropriate for him/her, taking into account Client's investment knowledge and experience, financial resources, access to necessary technologies and other important factors.
- 12.2. By accepting this document Client declares that he/she is aware of investment risks and financial consequences that are related to trading in Financial Instruments, especially those related to the fact that the price of certain Financial Instrument may depend on price of securities, futures, exchange rates, prices of raw materials, commodities, stock exchange indices or prices of other Underlying Instruments.
- 12.3. The Client declares that he/she is fully aware that due to high financial leverage, dealing in OTC Financial Instruments being derivatives is strictly connected with the possibility of suffering heavy financial losses by the Client, even at a slight change of the Underlying Instrument price.
- 12.4. The Client declares that he/she is fully aware of the fact that it is not possible to make profit on Financial Instruments Transaction's without taking the risk of losses.
- 12.5. The Client declares that his/her financial standing is stable and sufficient to enable him to invest in the Financial Instruments.
- 12.6. Any guarantees as to making a profit on Financial Instruments should be deemed false.
- 12.7. The Client exempts XTB from liability for any losses incurred by the Client as a result of Transactions made by the Client on OTC Financial Instruments. Beyond all doubt, concluding a Transaction shall be deemed as an independent decision of the Client.